



Richard Berry  
EDCST Committee  
London Assembly  
City Hall  
The Queen's Walk  
London  
SE1 2AA

20 July 2009

Dear Richard

### **Skills provision for unemployed Londoners**

Thank you for your letter of 9 June to the Mayor asking for evidence for your investigation into skills provision for unemployed Londoners. As Vice Chair of the London Skills and Employment Board I am pleased to attach our response, which sets out how the work of the London Learning and Skills Council and the London Development Agency reflects the priorities we set out in our Strategy, *London's Future: The Skills and Employment Strategy for London 2008-2013*, and also how our priorities are being modified in response to the current economic situation. For ease of flow, we have the two questions of LSEB are answered in reverse order.

As you will see from our response, we are in the process of undertaking a review of our Strategy and updating it to 2014 and are currently undertaking limited consultation with partners and stakeholders. This is a statutory requirement and the consultation process will be completed by the end of August. We expect to publish an updated Strategy and first annual report on 2008/09 during October.

I look forward to seeing the conclusions of your investigation. I am copying this letter to Dee Doocey.

Yours sincerely

A handwritten signature in black ink, appearing to read "Harvey McGrath".

Harvey McGrath  
Vice Chairman LSEB

cc Dee Doocey

# LSEB Response to the EDCST Committee Scrutiny on Skills for Unemployed Londoners

## 1 Introduction

1.1 The London Skills and Employment Board is pleased to provide a response to the GLA's Scrutiny on Skills.

1.2 The Board is a statutory, employer led body, chaired by the Mayor of London with representatives from large employers, small businesses, education and skills specialists, local authorities and unions. It has a formal remit of developing and keeping under review a strategy for employment and skills. Through the Strategy, the Board seeks to influence all national and regional public funding for skills and employment in the capital, and policy at national level. The Board's statutory powers include direction of the LSC's priorities for the adult skills programme.

1.3 In 2007, the LSEB published an evidence base – *The London Story* which highlighted several key challenges: the unacceptably high rate of worklessness in the Capital, particularly for disadvantaged groups; large numbers of Londoners without the basic skills needed to survive in the London labour market; the high proportion of London's jobs which need higher level skills; and a skills and employment system which was complex, cluttered and confusing. It was from this evidence base that the LSEB Strategy, *London's Future: The Skills and Employment Strategy for London 2008-2013*, was constructed. The Strategy set out three strategic aims:

- To work with employers to better support them in providing more job and skills opportunities to Londoners, to the benefit of their businesses and to keep London's economy competitive.
- To support Londoners to improve their skills, job and advancement prospects through integrated employment support and training opportunities.
- To create a fully integrated, customer-focused skills and employment system.

It should be noted that for 2009/10 the LSEB has a total budget of £554k jointly funded by the LDA and LSC, which includes the costs of the current Director and three staff. Jobcentre Plus has offered a secondee from the end of July. Below, the Board sets out its response to the particular issues raised by the EDCST Committee.

## 2 Revising the LSEB priorities in response to the current economic situation

2.1 The LSEB's Strategy was written at a time of continued predicted growth. As the EDCST Committee recognises, the recent economic changes have had a great impact on the employment and skills landscape. Our analysis showed that we already had to make significant improvements in Londoners' skills and the functioning of the labour market if London was to remain a leading city competing effectively in global markets; the recession must not deflect us from meeting that challenge but does mean that incremental change cannot be sufficient to deliver success. Recession also heightens the risk that long term worklessness and worsening poverty within London's least advantaged communities will become even more entrenched and the future economic and social penalty even greater. The LSEB is alert to the need for a comprehensive response. For

brevity, the key economic indicators highlighted by the EDSCT in its briefing are not repeated in this paper.

- 2.2 As a statutory body, the Board has a duty to formulate a Strategy and keep it under review annually. To fulfil this duty, the Board is in the process of consulting on the appropriateness of the Strategy published in July 2008. The Board has conducted its own prior review and concluded that the Strategy provides a strong and appropriate direction of travel to address the issues set out above but agreed in the immediate future the Implementation Plan has to be adapted to recognise the realities of rising unemployment and acute pressure on public finances. Those adaptations are now being identified and the Board is testing its views with stakeholders and partners through written consultation. Following this process, the Strategy will be updated to 2014 and an annual report for 2008/09 produced. The Board is also in the process of setting annual targets through to 2014.
- 2.3 The Board's view has been informed by a number of factors. The uncertainty around the impact the recession will have on London is central to this thinking. In addition, there are a number of structural changes underway on a national and regional level, the most significant of which nationally are the transfer of skills to a new business facing Department, BIS, the dissolution of the Learning and Skills Council, (LSC) in March 2010 and DWP's plans to devolve some commissioning for employment services. The LSC will be replaced by the Young People's Learning Agency, (YPLA), and the Skills Funding Agency, (SFA). The SFA will include the National Apprenticeship Service, adult advancement careers service and the National Employer Service. Other changes include the introduction of a number of Multi-Area Agreements (MAAs), including one for the five Olympic Boroughs. Prior to these changes, the Board's view was that the employment and skills landscape was complex, cluttered and confusing and as a result of them it is even more important to find ways to improve performance and achieve better value for money by aligning, integrating and co-commissioning employment and skills services to benefit Londoners and businesses. There will also be a General Election by June 2010, likely to result in reductions to public expenditure in almost all areas to decrease the burden of public debt. This potential change of Government and any subsequent changes in policy direction and prioritisation bring additional uncertainty to the employment and skills landscape over the coming year.
- 2.4 As highlighted in the Mayor's Economic Development Strategy proposals, London's global competitiveness depends heavily on the availability of qualified staff and a high quality of life. Even within a recession, evidence shows that skills shortages continue to be reported to be a problem, especially for larger businesses.<sup>1</sup> It will be crucial to invest in skills to build a productive workforce for the future. Equally the Board considers that as London has the highest rate of worklessness in the UK and a significant employment gap for all disadvantaged groups that LSEB should seek to continue to reduce the numbers of long term unemployed and workless – a challenge at a time of rising unemployment. To do this, the Board considers that a balanced approach is needed on skills and employment with action to help the short term unemployed affected by the recession, support to help the long term unemployed and economically inactive, and proactive initiatives to prepare for the recovery. For these reasons, the Board considers

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<sup>1</sup> The CBI / KPMG Business Survey May 2009 indicated that 38% of respondents reported skills to be a problem. Larger firms appear to be struggling more than smaller firms: 43% and 30% respectively.

that the establishment of a single employer and individual offer outlined in the Strategy in 2008 should be given a higher priority going forward to improve the coordination and quality of services, thus using the restricted funding available to the very best effect, but most importantly to achieve better results for Londoners and businesses.

2.5 The LSEB's revised Implementation Plan for 2009/10 focuses on the joint working required across the Delivery Agencies to integrate employment and skills services to improve outcomes and value for money. Although the GLA's scrutiny concentrates on LDA and the LSC and provision for unemployed Londoners, it is important to note that the LSEB's Delivery Agencies include the LSC, LDA *and* Jobcentre Plus and our remit covers employment and skills in the broadest terms. The Board has set the following priorities for 2009/10:

- Increase our traction on the employment and skills system including holding the Delivery Agencies to account for the achievement of the LSEB Strategy and Implementation Plan and improving engagement and liaison with London's Local Authorities;
- Set standards for excellence in the integration of employment and skills building on the proposals to tackle the recession to progress the single employer and individual offers;
- Contribute to the debate about the shape of London's future economy by focusing on the employment and skills implications.

2.6 As detailed in section 3 below, the Board has been encouraged by the results of the first year of implementation of the strategy. However, our experience has also led us to the view that we will not be able to properly address the basic fractures in the employment and skills system without more levers and traction upon it. The Board believes that there is an absolute requirement to improve effectiveness by integrating services for customers – both individuals, and employers - across existing organisational and funding boundaries. This has been a consistent theme of the Board and was reflected in the recommendation in the Strategy that there should be a 'single purse' for commissioning employment and skills. Most recently discussed at the Board meeting in July 2009, the clear preference of the Board would be for a single organisation for London commissioning employment and skills. However, recognising that such a step change may not be achievable in the short term the LSEB has made a number of recommendations relevant to the current EDSCT Scrutiny on Skills:

- There should be a single regional Strategy for employment and skills to which all organisations delivering service provision are committed and which encourages joint working and collaboration across organisational boundaries, wherever defined;
- to improve value for money and outcomes for employers and individuals there should be a joint focus on aligning services and co-commissioning and improved pathways of services for individuals;
- approaches to employers and businesses should be streamlined to prevent the current multiple and competing approaches made to them by the public sector;
- Commissioning should occur at appropriate levels – our experience to date has shown that London would benefit from jointly commissioning LSC and LDA skills programmes together with JCP services for those up to 12 months unemployed at

regional level. Whereas it may be more appropriate to co-commission employment support and programmes for the long term unemployed and economically inactive at sub-regional level to maximise the potential for integrating services with Local Authorities;

- The Mayor's current statutory influence and direction over adult skills, via the London Skills and Employment Board, should be extended to Jobcentre Plus services and to the commissioning of DWP's employment programmes;
- To ensure the effective integration of employment and skills, the co-operation of the prime providers delivering the Flexible New Deal contracts in London should be sought, particularly given the significant funding stream and additional private and third sector resources these represent.
- LSC, Jobcentre Plus and LDA should be required to report to the Board on their progress in delivering the Board's objectives and targets, and the Board would also seek an agreement with London's Boroughs that they will also provide information on how relevant work within their remit is contributing towards delivering Board objectives and targets
- There should be a new national joint PSA target for sustained jobs with progression (and taking into account that for those furthest from the labour market, progress towards employability will often be the most appropriate target) to harmonise the current competing targets across organisations, which impede the potential for improved services.

The LSEB Board will seek to promote these recommendations with Government during 2009/10. The LSEB has also made a case recently proposing that the strategic functions of the Skills Funding Agency should be combined with those of the London Development Agency in order to streamline services to users.

- 2.7 In readiness for the advent of the Skills Funding Agency, (SFA), the LSEB has also been working with the Department for Business, Innovation and Skills to construct a Memorandum of Understanding between the Board and the SFA to codify the relationship that has developed between the Board and the LSC so that this can be applied to the new Skills Funding Agency.

### **3 How the work of the London LSC and LDA reflects the priorities set out in the LSEB Strategy**

- 3.1 While acknowledging the scope of the work still to be done and the changes above that are needed to increase the Board's traction on the employment and skills system, it is important to note that the Board has been encouraged by the results of the first year of implementation of the Strategy. There are a number of achievements to note both in terms of recession specific and longer term initiatives and real evidence of goodwill in the Delivery Agencies to work together. As a result, the work of the LDA, LSC and Jobcentre Plus has been directly affected by the LSEB's Strategy to date and it is the Board's intention to sustain and increase this impact as the implementation of the Strategy continues. The following paragraphs set out examples to date of how the work of the LDA and LSC specifically has been influenced by the priorities of LSEB's Strategy.

#### ***Impact on the LSC***

- 3.2 In January, The LSEB reviewed the LSC's annual plan for 2009/10 prior to its publication. This was done through a task and finish group and by the full Board in order to influence LSC's planning and priorities. In June the Board reviewed the LSC's allocation of 2009/10 demand-led budgets and the priorities applied to these. The Board reviewed the LSC's capital programme, including the LSC's funding problems and the consequential adverse impact on Colleges in London. As a result the Mayor made representations to the Secretary of State on these issues. The Board regularly reviews LSC's performance against its plan to identify areas where additional action might be taken or where LSEB can intervene to press for further freedoms and flexibilities.
- 3.3 Over the last year the Board helped to secure unique agreement and funding for a programme designed by the LSC, 'Skills for Jobs', which has a number of strands which focus on different disadvantages faced by individuals. This is a programme aimed at meeting the needs of the London labour market and economy. Provision is typically two to eight weeks part-time. Training must focus on the skills required to achieve a job in the local labour market which must last at least 13 weeks. For example, funding is used in providing training designed to meet the needs of employers with vacancies offered through the Local Employment Partnership, (LEP), initiative developed by Jobcentre Plus. As part of the recession initiatives Skills for Jobs also helps newly redundant individuals who may need the support to move rapidly back into employment.
- 3.4 The LSEB has helped to maximise the LSC's 'Employer Responsive Provision' by arguing the case for additional flexibilities for the Train to Gain programme from September 2008. Subsequently, these flexibilities were extended nation wide as a result of the success in London.
- 3.5 The LSEB has worked with the London Apprenticeship Task Force to establish targets for the public sector to take up Apprenticeship places. The LSEB will be working with the National Apprenticeship Service to report progress on these targets to the higher Level Economic Group jointly chaired by the Mayor and the Minister for London.

### ***Impact on the LDA***

- 3.6 As a result of the LSEB's Strategy and the Leitch Report, the LDA have been working to make significant changes to its skills provision, with funding in future aimed at creating sustainable employment and linked to outcomes. The Board will be reviewing the effectiveness of these changes in due course.
- 3.7 There are a number of initiatives the LSEB has championed which have been delivered by the LDA and the LSC during the first year of Strategy implementation. The first is with regard to transitional funding for English for Speakers of Other Languages, following national policy changes and a review by the LSEB Board in 2007. This resulted in an ESOL transitional fund for one year, funded by £12m from the LSC and £5m from the LDA to support providers in reshaping their ESOL provision following changes to ESOL policy in 2007/08.
- 3.8 As a result of the LSEB's Strategy, the LDA has led the proposal to establish a Skills and Employment Observatory to improve and coordinate labour market information – a significant issue identified during the preparation of the LSEB's Strategy. As a result of further consideration by the LSEB in April 2009, it has been agreed that the

Observatory's work programme should include the ability to forecast future skills needs and assess gaps in provision. The Observatory will be aimed primarily at commissioners, including those commissioning 14 – 19 and adult provision.

### ***Influencing the Olympic Legacy***

- 3.9 The London Employer Accord, integral to LSEB's Strategy, has led a demand-led recruitment model to support employers and help disadvantaged people to develop their skills and find jobs. This resulted in over 500 jobs gained by March 2009, by working with LSC, JCP and some of London's major employers, including Travelodge and Sainsbury's. Members of the LSEB have supported the delivery of the LEST 2012 action plan, focusing on optimising the employment and skills opportunities for the Olympic Games and their legacy. This includes the London Employer Accord; Personal Best, (which offers volunteering as a potential route to employment); bespoke construction training with integrated employment support provision, which has resulted in over 1,200 people from the five host boroughs getting jobs during 2008/09.

### ***Integrating Employment and Skills***

- 3.10 One of the key aims of the Board is the integration of employment and skills services and simplifying the landscape for individuals and employers. Redesigning co-commissioning models is an essential part of this aspiration and the Delivery Agencies have been working together towards achieving this. They are in the process of compiling a Joint Investment Plan which will show how they are employing their funding to respond jointly to the Board's Strategy. It will show how they plan to better work together to provide services based on an individual's need and judged by their impact on sustainable employment and progression outcomes.
- 3.11 The Board is also supporting the Integrating Employment and Skills Trials taking place in central London which are an additional example of good joint working between the LSC and JCP. Within London there are two categories of trials underway, into work trials and in work trials. The 'into work trials' are part of the national Integrating Employment and Skills trials taking place in a London context. The 'in work trials' are specific to London and aim to support progression for those already in work.

### ***Tackling the Recession***

- 3.12 In addition to the agencies implementing priorities set out in the LSEB Strategy, there has been a large amount of joint working carried out by the agencies in direct response to the recession. The Rapid Response Offer is a cross agency led initiative which aims to minimise the impact of the recession upon businesses. The service offers a flexible package of support options which can be tailored to meet a business's individual circumstances.
- 3.13 The Rapid Response Offer is one of the initiatives contained within the Joint Action Plan (JAP). The JAP was published earlier this year by the LSC, JCP and the LDA and sets out a joint response detailing "how the services they deliver will collaborate to tackle the economic downturn"
- 3.14 In addition, a new six month offer for those unemployed for more than 6 months was launched by the Prime Minister in April 2009. Those unemployed and claiming Job

Seekers Allowance (JSA) for more than 6 months will receive significant extra support from Jobcentre Plus supporting them in improving opportunities for entering work or improving work related skills. They will have the option to access either skills support, an employer subsidy (which is paid to employers recruiting those who have been unemployed and in receipt of JSA for six months or more), volunteering opportunities or financial and training support to enter self employment. The LSC, Jobcentre Plus and the LDA in London have worked very closely to ensure that all four elements of this offer are both available across London and are appropriate to the needs of London.

### ***Infrastructure Projects – Skills and Jobs Opportunities***

- 3.15 In April the Board reviewed the opportunities for skills and jobs on two major public infrastructure projects – the Olympics and Cross Rail. The Board plans to review major infrastructure projects in future at an early stage and pass on the lessons learned, which include the need to mandate Apprenticeship places as part of the contractual processes.