

From Recession to Recovery

The Skills and Employment Strategy
for London (2009–2014)

LONDON
SKILLS &
EMPLOYMENT
BOARD



MAYOR OF LONDON

Mayor's foreword

There has been a seismic shift in the economy since we published our first Skills and Employment Strategy last year. While London may be weathering the recession better than other regions of the UK, it has undoubtedly taken its toll upon the capital, its businesses and our people.



In reviewing our strategy, the need for practical measures to minimise the impact of the recession and to prepare for recovery, has been central to our thinking. Equally, we must maintain a determined effort to tackle the persistently high levels of worklessness that London has experienced for many years. Tackling the barriers that disadvantaged groups face in the labour market remains key to establishing a more equitable, inclusive and successful city.

We want to let Londoners make the most of their innate talent and flair so that they make London's economy even more productive and successful and we want all Londoners to have the opportunity to find fulfilling jobs. To ensure the skills needed for our global city to lead the economic recovery, we are determined to retain the commitments we made to improving levels of employment and qualifications. London's employers are key to achieving the skills and employment outcomes we wish to see and I am keen that this increasingly becomes a core part of their business, as is the case in many of London's leading companies.

Separately, we are publishing our annual report for 2008/09. This demonstrates good progress in the initial year of our work and the joint working across agencies, facilitated by an employer-led Board, has helped to sharpen our response to the economic downturn. I am grateful to the Board,



our partners and to the staff of Jobcentre Plus, the Learning and Skills Council and London Development Agency for the commitment they have shown in our first year. This foundation will be important. But we have a vital job of work to do for London over the next five years and there will be immense challenges for employers and delivery agencies alike. This Board can provide the leadership to address these challenges and, as Chair, I am keen to ensure that employers are fully engaged in the strategy with all levels of government working collectively towards the most effective solutions for London and Londoners.

I look forward to your continuing support in achieving our goals.

Boris Johnson
Mayor of London

Executive summary

Our vision

This strategy sets out how we will help to tackle the impact of the recession and to prepare for the recovery in London. Last year we produced our first Skills and Employment Strategy at a time of predicted continued economic growth. Barely was the ink dry when the unprecedented events in the financial markets in August and September 2008 set in motion a global recession.

To prepare for recovery, we must address the underlying challenges in the capital. Our vision is twofold: to increase the supply of skills required to improve London's competitiveness as a global city, and to tackle the high levels of worklessness and the significant number of Londoners with no qualifications, or low skill levels, to overcome the economic and social polarisation in London.

Progress to date

In our first year there has been good progress on implementing the strategy by the delivery agencies – the Learning and Skills Council

(LSC), Jobcentre Plus (JCP), and the London Development Agency (LDA). Together they responded rapidly to introduce initiatives to tackle the recession through a Joint Action Plan. This has produced a range of new services for employers and Londoners.

A rapid response service has benefited employers having to make redundancies. The brokerage services for skills and business support at regional level have been streamlined. Business Link has provided an increased range of support to help businesses trade through and out of the recession. The take-up of both Train to Gain and Apprenticeships increased significantly.

The delivery agencies introduced new services for the newly unemployed and those still unemployed after six months. Entrants to the labour market, including graduates, are being supported by the Future Jobs Fund, the Backing Young Britain initiative, and the Young Person's Guarantee, which should help them gain the



skills they need as jobs emerge. The Mayor has prioritised regional support through internships, a new jobs portal and plans for Jobsfairs.

There has been progress nationally towards a more flexible and integrated employment and skills system. The Flexible New Deal is being rolled out though we have yet to see how well it will work in practice. The Department for Work and Pensions (DWP) has provided opportunities for greater influence and involvement in the commissioning of employment services. Train to Gain and Apprenticeships have been made more flexible and attractive to employers. The LDA has redesigned its skills support to focus on sustainable employment. We are on track to introduce a London Skills and Employment Observatory,¹ led by the LDA, in 2010.

Inevitably, the Board has also experienced a sense of frustration in a variety of areas. This arises from evidence of just how difficult it is to simplify the system and integrate services

across organisational boundaries. There is a lack of freedom to meet regional priorities within national programmes. We know that there is more we can do to help businesses be more competitive and help Londoners progress through work.

London Skills and Employment Board

The Board (LSEB) is responsible for producing, delivering and reviewing a long-term strategy for skills and employment in London as a catalyst for change. This is our primary source of influence – we do not control budgets or targets. The strategy provides a framework for the delivery agencies to work together to help ensure that regional priorities are taken into account within national initiatives.

¹ The London Skills and Employment Observatory is an important part of LSEB's strategy. The aim is to build a shared understanding of the London labour market and its future trends.

The Board, which is statutory,² began work in late 2006 and was formally established in early 2008. It is chaired by the Mayor and employer-led. The membership of the Board is drawn from employers of both large organisations and small businesses, the voluntary sector, local authorities, education and employment providers and union representatives. This blend of knowledge and experience gives the Board a unique perspective on skills and employment in London.

Our primary responsibility is the strategic direction of the LSC's adult skills budget in London, worth £635 million in 2009/10. Through the strategy, the Board is also able to influence the work of the LDA and JCP. The delivery agencies have agreed to work together in implementing their contribution to the strategy. The Board assesses the impact of their work. The strategy also influences the way in which the regional European Social Fund framework is applied in London.

Drivers for change

In reviewing our strategy, the Board consulted widely and identified a few key drivers for change:

- A changed economic climate – our evidence base, *The London Story 2009*³ is dominated by the impact of the recession. The Board concluded that our strategy must be flexible enough to tackle the impact of the recession and contribute to recovery.
- Reduced public expenditure – the burden of public debt will lead to significant reductions in public expenditure. Integrating and jointly commissioning services should achieve better results and value for money.
- Changes in policy and organisations – the LSC will be replaced in April 2010 by the Skills Funding Agency (SFA), which will fund skills for those aged 19+, and the Young People's Learning Agency (YPLA), which will fund local authority commissioning plans for 14–19 provision. The Board welcomed the announcement that some strategic functions intended for the SFA will transfer to Regional Development Agencies.⁴ In London, this change will need to take account of the role of the LSEB to maximise the opportunities for streamlined funding and services across the LDA and SFA.

Our strategic aims

Our strategic aims are:

- **Strategic aim 1** – Working with employers to support them in developing their businesses and keeping London's economy competitive to provide more job and skills opportunities to Londoners.
- **Strategic aim 2** – Supporting Londoners to improve their skills, job and advancement prospects through integrated employment support and training opportunities.

- **Strategic aim 3** – Creating a fully integrated, customer-focused skills and employment system.

The Board intends to pursue these strategic aims as set out below.

Working with employers

It is vitally important that, in a recession, businesses consider how to improve productivity and find new markets. Increasing the skills of the workforce is important to this and in preparing for recovery. Despite the recession, concern continues to be expressed about skills shortages, skills gaps and employability skills. There is a continuing challenge to persuade employers of the business case for training and diversifying their workforce.

We have set the following objectives for our work with employers:

- Provide support to minimise the recession and support London's recovery.
- Establish an integrated service offer to employers.
- Ensure the employer service offer is geared to London's priorities.
- Promote the business case for investing in skills and a diverse workforce.

Our strategy is based around helping employers to survive the impact of the recession and emerge stronger. The recession has made the

Board all the more determined to establish a single, compelling service offer for employers. To achieve this, access to publicly funded services should be integrated, of high quality, geared to employers' needs, and accessed via a single brand. At a time of pressure on funds, the integration of services should help achieve better value for money. In exchange for the delivery agencies establishing an integrated service offer, we will encourage London's employers to take up services and make the added investment in their workforce, which is necessary for London's continuing recovery and global city ranking.

Supporting London's people

Last year we set out to help Londoners improve their skills and advancement prospects in order to tackle London's worklessness and reduce the numbers with no or low qualifications. We identified disadvantaged groups where there is an employment gap in London as BAME⁵ groups, lone parents, disabled people, those with no qualifications, and those aged 18–24 and 50+. Assistance for these groups remains important.

The recession has created a fresh set of challenges with a significant rise in unemployment. It has grown most rapidly in outer London and at

² The LSEB was established under the Further Education and Training Act 2007.

³ *The London Story 2009* – see www.london.gov.uk/lseb

⁴ Announced by Lord Mandelson, Secretary of State for Business, Innovation and Skills, 31 July 2009.

⁵ BAME represents Black, Asian and Minority Ethnic groups.

a slower rate in inner London. It has affected young people and groups traditionally with good levels of job security, such as professionals. We want to prevent young people becoming tomorrow's 'lost generation' of long-term unemployed.

People from a disadvantaged group, the long-term unemployed or economically inactive, are most likely to face the greatest barriers to work. To ensure that their needs are met, the Board is determined to ensure our approach captures initiatives to address long-term unemployment and economic inactivity alongside measures to tackle the recession.

We have identified the following objectives:

- Minimise the impact of the recession and prepare for recovery.
- Establish an integrated services offer to individuals.
- Ensure the individual offer is geared to London's priorities.

There have been positive steps taken towards establishing a single offer to individuals but we now want to build on these to produce a spine of support that can be accessed as needed for those in and out of work. National policy is heading in this direction and the delivery agencies are working together – with local authorities and other partners – to establish services that are appropriate to London's challenges and

provide a personalised journey to sustained employment. By 2014 we want to see the offer fully established and marketed within a single identifiable brand for adult skills in London.

A customer-focused and simplified system

There is still more to do to create a simplified system to support employers and Londoners. While there are examples of employers who have built a relationship with a broker and used Train to Gain successfully, there is still evidence of businesses finding the system difficult to navigate and not linked sufficiently to their needs. There continue to be examples of individuals, particularly with multiple barriers to employment, falling between various services. This demonstrates that more work is needed to design personalised customer journeys, especially where they involve referral from one programme or organisation to another. The benefits system still has some disincentives to work. Individuals and families must be categorically better off in work.

The recession has reinforced the Board's determination to integrate services to improve outcomes for the customer. The Board has agreed the following objectives:

- Improve the experience for the customer.
- Improve capacity and delivery and identify future skills needs.

- Establish better integration across local, regional and national government.
- Simplify the employment and skills system.

The Board remains convinced of the case for further change. Alongside the strategy, the Board is developing proposals for discussion with Government and others, which are summarised briefly here. The Board's preferred option would be to establish a single organisation for employment and skills in London. Recognising that this may not be achievable in the short term, the Board has proposed increased levels of joint commissioning to help integrate services across organisational boundaries.

Joint commissioning would ensure a step change in integrating services and should be achievable with the agreement of the Whitehall Departments involved. The Board has developed a series of suggested organising principles for the employment and skills system that are: customer focused, globally competitive, improved value for money and accountable. The Board favours a demand-led system for employment and skills that meets the needs of employers, Londoners and the labour market. Nevertheless the Board is aware that demand-led systems are not a panacea. They should be accompanied by high quality advice linked to the labour

market. For foreseeable skill needs and support to disadvantaged groups, a significant degree of commissioning will still be required.

In discussions with Government, the Board will suggest:

- A national target for sustainable jobs with progression.
- Greater flexibility to set regional priorities and customer entitlements.
- Greater influence over employment and aspects of Higher Education provision.

The Board's targets

In setting targets, the Board considered the context for these. London has the lowest employment rate in the UK. Since 1992 the average gap between London and the UK has been 3.7%. That gap narrowed to 2.4% prior to the recession and recently widened to 3.9%. London has a low level of employment for those with no qualifications. At 45%, it is 6% below the UK average. While levels of employment respond principally to economic conditions, active labour market policies are effective in raising employment in targeted groups. London has the highest qualified resident population in the UK, but there are 610,000 people with no qualifications.

Unlike in most commercial operating environments, the Board has limited influence over the targets of the delivery agencies. For example, none of the delivery agencies' targets is geared to increasing London's employment level. The Board's influence over qualifications extends to intermediate level, but not to degree level and Higher Education. Despite these limitations, the Board has concluded that, if the delivery agencies work together and the Board involves Higher Education in its agenda, it should be possible to make progress. The Board has set the following strategic targets for 2014:

- Close the gap in employment between London and the UK to 2%.
- Reduce the gap in employment within London for BAME, disabled people and lone parents from 19.4% to 16%.
- Increase the percentage of Londoners with a qualification to 92.4%.

Short-term priorities to 2011

The following short-term priorities to March 2011 are designed to contribute to the achievement of LSEB's strategic aims:

Employers

- Establish an integrated and compelling employment, skills and business support service offer that contributes to economic recovery and builds on good practice.

Individuals

- Establish an integrated and compelling employment and skills service offer for young people and Londoners who are unemployed that helps them to find sustained work.

System

- Build a shared view of the future skills needs of London, including priority sectors at regional and sub-regional level.
- Work with DWP, Department for Business, Innovation and Skills (BIS) and the delivery agencies to consider policy developments and commissioning models to achieve greater recognition of London's priorities within national programmes.

Work on the integrated service offer will consider the development of a single brand for adult skills and employers.

Influencing the new Skills Funding Agency

The LSC will be replaced in April 2010 by the SFA. The remit of the SFA will be to fund adult skills. Through its strategy, the LSEB will continue to influence the work of the SFA, which will be required to carry out its responsibilities in accordance with the strategy.

The Board looks forward to establishing a positive and constructive relationship with the SFA so that together we can achieve increases in skills, employability and the productivity

of businesses. The Board's primary expectations of the SFA are that it will:

- Implement its contribution to the Board's strategy.
- Increase Apprenticeships to close the gap on take-up between London and the UK, including underrepresented groups, and establish clear progression routes.
- Align and integrate services across organisational boundaries to establish a single employer and individual offer.
- Contribute to the achievement of and report on LSEB's targets.
- Produce its contracting plan for approval by the Board.

Making it happen – delivering the strategy

The Board is a strategic not executive body and relies on its partners to deliver this strategy.

The delivery agencies have each agreed to lead the work on one of the three strategic aims and to be accountable for the relevant key actions across the implementation plan. LDA leads on employers, JCP for individuals and LSC for the customer-focused system.⁶

They have established programme boards for implementation. Members of the Board sit on these and on the Joint Delivery Group, which reviews progress and reports it to the Board.

We are confident that our updated strategy will meet the needs of employers and Londoners and help us to tackle the recession and contribute to recovery. We look forward to working with our partners and delivery agencies to achieve real progress for London's employers and people.

⁶ The SFA will not lead strategic aim 3 and alternative arrangements will need to be agreed.

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