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**In the DNA or missing gene? Devolution, local skills strategies and the  
challenge of inclusive growth in England**

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## **Editor's Foreword**

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**Abstract**

A central challenge for devolution in England is whether it can contribute to 'inclusive growth' and address low-wage, low-skill and dead-end work. This paper approaches this through the lens of local skills strategies, which figure prominently in the devolution agenda. While skills cannot solve problems that are rooted in the wage earning structures of an economy, skills policies can contribute to 'more and better jobs' in combination with other policy interventions. At national level, skills policies have been dominated by a narrow skills-supply, target-led approach. There are important questions around how local actors understand a 'skills problem' that reflects weak employer demand for, and use of, skill in a neoliberal economy and polarised labour market, and whether they might evolve more holistic approaches that engage with 'demand-side' challenges. Drawing upon qualitative research with local actors in the Midlands, the paper explores their assumptive worlds in order to shed light on opportunities and constraints.

**Keywords**

Devolution, England, skills strategies, inclusive growth, low-wage work

## Introduction

Julia Unwin, the former chief executive of the Joseph Rowntree Foundation, recently insisted that while there was ‘no silver bullet’ for low-wage work, meeting this challenge ‘needs to be in the DNA of all the work we are doing in city-regions’. This ‘inclusive growth’ agenda, she added, could ‘easily be lost in the hurly-burly of inward investment and local strategies’, which would then be ‘doomed to failure’.<sup>1</sup> Unwin’s comments follow numerous studies showing that one in five UK workers are low waged (Clarke and D’Arcy, 2016), three in four do not escape low pay after ten years (UKCES, 2015), and 12 percent of the workforce are ‘working poor’ (JRF, 2016). Many such jobs are low skilled and insecure. The United Nations (2016: 6) recently added its voice to concerns about the ‘high incidence of part-time work, precarious self-employment, temporary employment and “zero-hours contracts”’, alongside the restriction of the ‘National Living Wage’ to those aged 25 and over.

‘Inclusive growth’ is a contested concept subject to varied definition. A key distinction, however, is between a neo-liberal, *growth-first* or *growth-plus* agenda where the focus is on economic growth per se and connecting more people to work, and a *growth-shaping* approach which seeks to develop more and better jobs from which all can benefit (Lupton and Hughes, 2016; Green et al., 2017). Unwin’s remarks reflect widespread concerns with the qualitative dimensions of job growth and the need for a ‘whole economy’ approach which encompasses the lower end of the labour market (JRF, 2017). They present a serious challenge to the Conservative Government and its devolution agenda in England which promises to empower communities to drive growth and ‘rebalance’ an economy with severe socio-spatial disparities (Martin et al., 2016).

After the 2008 financial crisis – first under the Conservative-Liberal Democrat Coalition (2010-15) and then the Conservatives – this promise was forged in austerity, and saw the creation of Local Enterprise Partnerships alongside various ‘partnership deals’ (Pike et al., 2016). Industrial strategy (HM Government, 2017), which is also place-heavy, has been promoted for an economy dominated by finance, with a relatively weak manufacturing base and worsening productivity problem, the latter fuelling concerns over dependency on cheap labour (Thompson et al., 2016). Meanwhile, the Prime Minister, Theresa May, has outlined her post-Brexit vision of a ‘Britain that works for everyone, not just the privileged few...where wealth and opportunity are spread across every community’ (May, 2017: 3). This is in the context of continued commitments to fiscal retrenchment and ‘our flexible labour market that has created more jobs than ever before...where the experience of work for most people is positive and empowering’ (HM Government, 2017: 176), not to mention ‘one of the most centralised countries in the western world’ (Prosser et al., 2017: 1).

Devolution in England is both limited and variegated in terms of the budgets and powers devolved to different local areas. Commentators highlight tensions between centralisation versus decentralisation and growth versus equity, alongside governance failure and the government's role in normalising austerity and de-nationalising responsibility for regional inequalities (Pike et al., 2016; Martin et al., 2016). Recent studies connect such analyses with a neoliberal growth model linked to uneven development and labour market polarisation (Etherington and Jones, 2016). There are important questions around how local actors make sense of the challenges, and whether local strategies can contribute to inclusive growth given such constraints. This paper explores this through the lens of skills policy, which figures prominently in the devolution agenda.

For over three decades, skills policy at national level in England has focused primarily on boosting the supply of skills (Payne and Keep, 2011). This is against the backdrop of longstanding concerns over its limitations in tackling a 'skills problem' that reflects weak employer demand for, and utilisation of, skills, bound up, *in part*, with business models built on low-wage, insecure labour (Keep and Mayhew, 1999). While skills cannot solve problems of low-wage work and inequality (Buchanan et al., 2017a), they can be part of broader 'demand-side' interventions designed to enable firms to shift their current approach, including low-wage sectors (Keep, 2017; Green et al., 2017). National policy clearly matters but action is also needed locally. Highlighting a 'broad mix' of policies, including economic development, business improvement and workplace innovation, the OECD (2017: 3) notes that, 'It is often at a local level where the interface of these policies can be addressed. Policies which aim to improve skills use in the workplace can address the multi-faceted challenges many local economies are facing and contribute to national productivity and inclusive growth objectives.'

Commentators have questioned how far we are witnessing such policy innovation in England, with concerns that local growth strategies often target a narrow range of sectors, and that local approaches to skills mirror the national supply-driven approach in a context of major cuts to funding (Keep, 2015, 2016a&b; Sissons and Jones, 2016). However, research remains limited, and there has been little attempt to enter the assumptive worlds of local actors and explore *their* thinking. How do they *understand* the 'skills problem' and what opportunities, constraints and challenges do they envisage when it comes to addressing it locally? This is important as it may shed light on Unwin's challenge.

The paper draws upon qualitative research with key actors including LEPs, local authorities (LA) and Further Education (FE) colleges in the Midlands. The first section outlines national policy on local economic development and skills. The research methods are then outlined and the main

findings presented. The article concludes by considering whether we are witnessing local policy innovation in relation to the 'skills problem', before discussing some of the challenges.

### **Devolution, economic development and skills**

After 2010, the Coalition Government embraced a narrative of 'localism' and embarked upon a major overhaul of the infrastructure for sub-national economic development in England, with a particular focus on city-regions (Pike et al., 2016). Regional Development Agencies (RDAs), established under the previous New Labour government, were immediately replaced with 39 Local Enterprise Partnerships (LEPs), bringing together councils and members of the local business community to work in partnership to support private-sector growth and job creation (Pike et al., 2015). These moves reflected the latest development in a long history of sub-national economic development arrangements, oscillating between regional and local scales, which have had little impact on a country scarred by de-industrialisation where the dominance of the capital city and its hinterland stands in stark relief compared with most western nations (Martin et al., 2016).

Against the backdrop of austerity, LEPs quickly attracted criticism for being too small and under-resourced, with questions over their mapping to 'functional economic geographies', depth of business engagement, lack of trade union involvement, and democratic accountability (Ward and Hardy, 2013; Pike et al., 2015). Their role is to identify local priorities around key areas such as infrastructure, transport, skills and employment, innovation and business support as part of their 'Strategic Economic Plans', and to encourage investment by other local actors including supporting bids to various funding streams. Concerns over capacity and expertise remain. Although bigger LEPs can draw upon as many as 40 full-time staff, others have only two, with the average number just eight (NAO, 2016).

LEPs are no longer the only game in town, with new Combined Authorities the focus for various bespoke partnership deals, where the 'local' is invited to make 'asks' of central government in terms of devolved budgets and powers (O'Brien and Pike, 2015; Pike et al., 2016). Two waves of 'City Deals', from 2012 and 2014, involved a transfer of limited powers and budgets over certain policy areas to core cities. 'Local Growth Deals', from 2014, enabled LEPs to access a single pool of central government funding to support their growth strategies. These have been followed by a succession of devolution deals. With broader powers and statutory backing through the 2016 *Cities and Local Government Devolution Act*, these also vary in content and scope, and are conditional on an elected metro-mayor.<sup>ii</sup>

With central government deciding the terms of *any* deal, the process is top-down, often involving *in camera* proceedings between central and local 'elites' (Prosser et al., 2017), and leaves a

'messy' crazy paving of bespoke deals where some areas have them and others do not (Pike et al., 2016). Some commentators fear a Darwinian struggle whereby areas with strong traditions of partnership working between local authorities, like Greater Manchester, are able to draw down more resources and powers, threatening to widen regional disparities – this is set against the backdrop of a deep North/South divide rooted in a centralised political economy dominated by finance and the City of London (Martin et al., 2016).

The wider context is austerity where funding for local economic development fell from £11.2 billion under the RDAs between 2005/6-2009/10 to £6.2 billion between 2010/11-2014/15 (NAO, 2015). Local government has also experienced cuts of 40 percent in their overall budgets between 2010/11 and 2015/16 (Walker, 2015: 4) in a context where its tax-raising powers and ability to raise revenue through local borrowing are limited (Martin et al., 2016: 351; Pike et al., 2016). Deals promise funding for cash-strapped councils, even if this means working within central government's parameters and on its terms. The idea that the central state may be using devolution as a 'diversionary tactic' (Lowndes and Gardner, 2016) to shift 'risk' (Kennett et al., 2016) and responsibility for unpopular cuts ricochets around the literature (Keep, 2015). As Davies and Blanco (2017: 1527-1530) remind us, union defeats under the Thatcher government 'cast a shadow over the political landscape', and 'austerity-realism' where 'no mainstream social actor refuses austerity' is standard, reflecting 'strong central direction, weak regionalism, weak contentious politics and the dependency culture of municipality on centre'. Local elites may favour exclusionary approaches to deal-making as they seek to demonstrate 'good governance' and readiness, removed from 'potentially disruptive influences' of wider citizen engagement that might open up awkward *qui bono* questions around the growth agenda (Deas, 2014: 2307; Prosser et al., 2017).

While this makes local innovation difficult, it is important not to lose sight of local agency. Newman (2013: 4) reminds us that local government can challenge dominant narratives and develop counter-strategies that may constitute 'prefigurative pathways' towards alternatives. If Unwin is right, that inclusive growth needs to be 'in the DNA' of local agendas, it is vital that attention is paid to actors' rationality and what they think, feel and 'do' (Griggs and Sullivan, 2014). This means delving into their assumptive worlds, probing how they understand policy problems and engage with them. The localisation of skills policy offers a window through which to explore the capacity for local innovation around a more inclusive growth agenda.

### ***Skills policy goes local?***

For over three decades, skills policy in England has been primarily a national project aimed at boosting the supply of skills, seen as 'key' to international competitiveness, productivity and social

inclusion (Payne and Keep, 2011). Under New Labour, national qualification targets, aimed at developing a 'world-class skills base', were supported by significant public funding and state subsidy on the assumption that the UK was transitioning to a 'knowledge-driven economy' where employer demand for skill was rising. Continuing trends under preceding Conservative governments, the education and training (E&T) system became increasingly centralised, with schools and colleges subject to continued marketisation, more rigorous inspections, and ministerial mandates. Studies highlighted the negligible labour market value of many low-level vocational qualifications, limited employer involvement with apprenticeships, and concerns that some employers were using public money to fund their own training requirements. This went alongside long-standing concerns over weak employer demand for skills (for an overview, see Payne and Keep, 2011; Sissons and Jones, 2016).

The Coalition government emphasised making provision 'demand-led' and responsive to the 'real' needs of employers and learners rather than being 'provider-driven' (BIS, 2010). Further Education (FE) colleges were promised an end to state bureaucracy, New Labour's skills targets were abandoned, and public subsidy reined back under austerity. There was heightened emphasis on 'employer ownership of skills', with employers expected to contribute to reforms of apprenticeships and vocational qualifications and to invest more in skills on the assumption that they would do so where provision met their individual needs. Competition between providers would drive up quality and ensure responsiveness to learner and employer demand (Payne and Keep, 2011; Sissons and Jones, 2016).

Targets did not disappear, however, with government pledging 3 million 'new apprenticeship starts' by 2020, amid long-standing concerns over much poor-quality provision particularly in retailing and hospitality (Keep and James Relly, 2016). Apprenticeships, funded through a new employer levy from April 2017, are changing from 'frameworks' to employer-designed 'standards', while post-16 skills training is moving towards 15 technical pathways or T-levels, in an area of policy long noted for constant reform. In terms of employers 'owning' the skills agenda, studies indicate that the average volume of training per worker fell by around half between 1997 and 2010 (Green et al., 2013), with employer investment per worker said to have declined by 13.6 percent in real terms between 2007 and 2015 (Dromey and McNeil, 2017: 4).

Skills are a key part of the devolution agenda, figuring prominently in the work of LEPs along with City Deals, Growth Deals and Devo-Deals (Clayton and McGough, 2015; Keep, 2015, 2016a&b, Sissons and Jones, 2016). The expectation is that local actors will use their local knowledge to align provision with the needs of learners and the local economy, enabling 'a stronger, more responsive skills system' (BIS/DfE 2016). LEPs are encouraged to have colleges and universities represented on

their boards and to forge stronger connections between education and industry. While City Deals and Growth Deals often contained a skills and employment element, a report on experience in the North of England suggests some ‘frustration’ among local actors with short-term projects that were difficult to sustain and translate into ‘genuine changes’ (Round, 2018: 26).

Devolution deals are longer-term arrangements but skills devolution, as with devolution in general, remains limited. Much attention focuses on the devolution of the adult education budget (AEB) to LEPs and Combined Authorities by 2018-19. As Keep (2016a: 19) notes, cuts of 35 percent between 2010 and 2014, with a further reduction of around a quarter in 2015, leave £1.5 billion across England, the bulk of which is committed to meeting statutory learner entitlements to mainly basic skills provision. Other developments run counter to localism – the drive to turn schools into Academies funded by the Department for Education (DfE) in a context where compulsory education and 16-18 funding are excluded from devolution; apprenticeships are nationally funded and administered; and ‘area-based reviews’ in FE are a top-down measure aimed at college specialisation, closures and mergers (Keep, 2015, 2016a&b).

There are also challenges in matching skills provision to local economic needs in a context of marketisation and national accountability and funding mechanisms (Keep, 2016a&b; Lupton, 2017). Schools are incentivised to focus on performance in ‘league tables’ of test and examination results, with LEPs reliant on ‘soft influencing’ (Round, 2016: 32). FE colleges face a centralised funding mechanism tied to outputs in the form of qualifications, many of which are relatively low level, as well as major cuts to funding. Both schools and colleges are subject to ‘high stakes’ national inspections with evaluations based on these key performance metrics. With funding following the learner at 14-19, colleges are often in competition for students with school sixth forms and sixth-form colleges. These mechanisms make it more difficult to develop partnership working and sustain the ‘collective responsibility’ for all learners needed to support progression in learning and into work (Lupton, 2017).

The new Apprenticeship Levy<sup>iii</sup> also means that individual employers will be contracting with training providers in a ‘market’, while new ‘adult learner loans’ put purchasing decisions in the hands of individuals. How these different ‘markets’ are to be aligned with local economic needs is unclear. Attention focuses on the role of labour market intelligence (LMI) and careers information, advice and guidance (CIAG) in shaping learners’ study choices to marry up demand from learners with that of employers. As Keep (2015, 2016a) notes, while developing a more locally responsive skills system confronts many challenges, supply-side approaches aimed at better skills matching to local needs have limited traction when it comes to the problem of weak employer demand for skill.

### ***Weak employer demand for skill***

The 2015 Employers Skills Survey (UKCES, 2016) found that 6 percent of employers reported at least one skills shortage vacancy, with 23 percent of ‘hard-to-fill’ vacancies said to reflect ‘skill shortages’. Most employees, however, remain fully proficient for their current job, with ‘skills gaps’ affecting just 5 percent of the workforce. By contrast, three in ten employers have at least one member of staff with skills and qualifications above those required in the job, and two in five report having employees who are ‘over-qualified’. The UK Skills Survey estimates around 37 percent of employees, and 22 percent of graduates, were ‘over-qualified’ in 2012 (Felstead et al., 2013). England/Northern Ireland are in the bottom three of 20 OECD countries for self-reported levels of ‘over-qualification’, estimated at 30 percent of the workforce (OECD, 2013). While there are challenges when it comes to measuring skills utilisation, the evidence suggests that the UK may have relatively pronounced problems on this front (Lloyd and Payne, 2016: 25-30).

Employers’ skill demands may reflect particular product market strategies and are ultimately derived from the way in which jobs are designed (Keep and Mayhew, 1999). ‘Demand-side’ weaknesses are *partly* bound up with business models built on cost minimisation, low wages and precarious work, with ‘too many’ businesses said to be ‘limiting their ambitions by organising work around a low level of skill’ (UKCES, 2015: 41). These problems are concentrated in certain sectors, notably residential care, food and beverage services, retail (except vehicles), accommodation and education (Pike et al, 2017), and local geographies that are particularly dependent upon them (Green 2012). Retail, accommodation, food and administrative services are estimated to account for a third of the UK’s productivity gap with leading European economies including Germany and France (Thompson et al., 2016).

There are questions around how much progress can be made on the ‘demand-side’ given shareholder short-termism, weakened trade unions and a lightly regulated labour market which allows employers to compete on the so-called ‘low road’ (Payne and Keep, 2011; Lloyd and Payne, 2016). Until national policy can be shifted, however, the question remains as to whether devolution might allow space for innovative local strategies that *begin* to engage with problems of low skills demand and the under-utilisation of skills in the workplace, including those presented by low-wage sectors and firms. As Keep (2015: 18) notes, ‘the central issue is going to be whether skills policies at local level can be more closely integrated into combined and coordinated models of economic development and business improvement.’ Arguments for shifting skills policy in England beyond skills supply hit a brick wall under New Labour where policy red lines ruled out any break with labour market flexibility or interventions inside the firm that threatened managerial prerogative (Payne and Keep, 2011).

Those red lines remain, notwithstanding ‘new industrial strategy’ and the introduction of the new National Living Wage (NLW).<sup>iv</sup> The latest version of industrial policy focuses on ‘sector deals’ (e.g. life sciences, automotive, artificial intelligence), but with LEPs and Combined Authorities also expected to lead on ‘local industrial strategies’ (HM Government, 2017). As under the Coalition (Mayhew and Keep, 2014), nationally it retains an ‘exceptionally narrow’ focus on a few ‘exotic’ high-tech sectors, with ‘99 per cent of the economy (by employment) and 90 per cent of manufacturing...likely to be by-passed’, and ‘threatens to widen regional divides’ (Fothergill et al., 2017). Whether the NLW might ‘shock’ some low-paying employers to move ‘up-market’ and shift their business model in such a way as to make more productive use of skills remains unclear. Early indications suggest that, in a context of weak labour market regulation, most ‘have not significantly altered their business models to date’, with many preferring tactical responses such as price increases, reductions in working hours, greater use of zero-hour contracts, and retrenchment of holiday pay, overtime pay or paid breaks (D’Arcy, 2016a: 4; Thompson et al., 2016).

In this context, can devolution open up ‘new policy thinking spaces’ (Keep 2015: 17) around the ‘skills problem’ from which more integrative *local* approaches might put forth shoots? Inward investment strategies to attract high-skill jobs, alongside efforts to develop high value-added, high-skill sectors in the local economy, would certainly figure (OECD, 2017; Green et al., 2017). However, the OECD acknowledges that this would not address the problem of local sectors and firms on the ‘low road’. They highlight the need for local economic development strategies with wider reach and ‘working more directly with employers to look at issues related to work organisation, job design and human resource management policies.’ This would mean ‘bring[ing] together employment services, training policies, economic development organisations as well as innovation programmes’ (OECD, 2017: 9).

A recent UK report on inclusive growth in cities (Pike et al., 2017: 25) refers to addressing ‘innovation gaps’ in low-productivity, low-wage sectors through ‘upgrading and improving management, innovation, job redesign, greater worker autonomy, job rotation, multi-skilling and progression routes for workers whose skills are currently under-used’ (see also Mayhew and Keep, 2014; Thompson et al., 2016; Green et al., 2017). In terms of possible approaches, commentators have pointed to Scandinavian ‘workplace innovation programmes’ and ‘skill ecosystem’ concepts and projects (Payne, 2012; Sissons and Jones, 2016). In the former, research experts facilitate internal organisational development through dialogic means involving ‘broad workforce participation’. Skills ecosystem projects, such as those tried in Australia, seek to help local stakeholders re-think ‘the skills problem’ from the ‘demand-side’ by understanding the ‘regional or sectoral social formations in which human capability is developed and deployed.’ Focusing on

‘ecosystems associated with low and middle levels of skills’, the aim is to understand skills in context so that education and training interventions are linked to wider efforts to address firms’ competitive strategies, approaches to job design, and career ladders (Buchanan et al., 2017b: 444, 446).

Some suggest LEPs might play a role in initiatives of this type (Ray et al., 2014; Thompson et al., 2016; Dromey et al, 2017). The Joseph Rowntree Foundation has partnered with Leeds City-Region to explore ways of improving progression for those in low-wage jobs, including targeted careers advice (Green et al., 2016). Other options include building local support for a *real* living wage, the public sector ‘leading by example’, and using public procurement, as well as large private-sector ‘anchor institutions’, to lever better jobs (Sissons and Jones, 2016; Green et al., 2017; Pike et al., 2017). As Keep (2015, 2016a) argues in relation to skills, however, much depends upon the capacity of local actors to think beyond the familiar, along with the resources, time and expertise available to fashion new approaches. The danger is that local skills policies in England simply end up reproducing ‘miniaturised versions of the same old target driven supply-side models’ that have prevailed nationally but with less resource. In terms of progress, ‘Early signs are not uniformly encouraging’ (Keep, 2016a: 22-23).

Two studies of the Sheffield City Region add to these concerns. Examining the City Deal, Sissons and Jones (2016: 869) note that local growth strategies have focused on a ‘narrow range’ of high-tech, low-employment sectors (e.g. advanced manufacturing, low carbon technologies, creative and digital technologies), mirroring national industrial policy. In the skills area, while the sectoral focus was broader, the emphasis was on growing apprenticeships and addressing ‘skill shortages and gaps’, leaving the ‘dominant issue’ of poor skills utilisation, low pay and limited career progression, in some of the target sectors such as care, hospitality and retail, unaddressed. This, they suggest, ‘may be considered indicative of the direction of travel of skills policy at a local level’ (2016: 865). Etherington and Jones (2016: 386-387) argue that local actors remained wedded to supply-side employment and skills policies and locked into the national neo-liberal growth model and its ‘brutal logic of labour market segmentation’, with these issues de-politicized through elite partnerships that ‘restricts the voice of disadvantaged groups...within the city-region policy process.’

Hatcher (2017) highlights similar challenges in the West Midlands Combined Authority (WMCA), which has a devolution deal worth £36.5m per year over 30 years, with £1 million allocated to employment and skills annually as part of an £8 billion overall investment programme (WMCA 2016: 28).<sup>v</sup> Its Strategic Economic Plan (WMCA, 2016: 9) prioritises job growth alongside ‘the drive to accelerate an improvement in productivity’, the third lowest of all city-regions (D’Arcy, 2016b), and identifies seven ‘transformational’ and three ‘enabling’ sectors.<sup>vi</sup> In terms of skills, the focus is on ‘ensuring the skills needs of business are met and everybody can benefit from economic growth’

(WMCA 2016: 8), through a three-pronged approach: ‘ignite’ (targeting those in education and training); ‘accelerate’ (targeting those in work); and ‘re-tune’ (targeting people out of work and those whose skills don’t match labour market demand). The aim is also to have 153,000 fewer people with no qualifications and an additional 156,000 people qualified to level 4+ by 2030, along with the development of ‘employer-led’ sector skills strategies targeted at priority sectors (WMCA, 2016: 48).<sup>vii</sup> While the SEP alludes *en passant* to a ‘large number of low value companies in low growth sectors’ (WMCA, 2016: 7), there appears to be no accompanying strategy.

The Midlands Trades Union Congress, which has successfully lobbied for a seat on the WMCA Board and two on its Productivity and Skills Commission (PSC), reports that four in five jobs created in the region since 2010 are ‘low-skilled, low-paid and often part-time, insecure jobs in sectors such as retailing, waitressing and residential care’ (cited in Hatcher, 2017: 28). Other studies show that 22 percent of the region’s workforce is low waged, with agency work contributing a quarter of net employment growth in since 2009 (D’Arcy, 2016b). Working households make up over half of those in poverty, while a fifth of working families rely on in-work benefits (JRF, 2017). With a lower employment rate and higher unemployment rate than the national average, and certain Black, Asian, and Minority Ethnic (BAME) groups particularly disadvantaged, there are major challenges in terms of ‘creating more and better jobs and connecting people in poverty to opportunities’ so that growth is inclusive for all (JRF, 2017: 3). The PSC (2017: 6-7) in its *Call for Evidence* sees productivity as ‘complex’ with multiple drivers, one of which is skills. It aspires to ‘inclusive growth’, involving ‘quality jobs across sectors, inclusive of a large part of the labour force’, and references academics highlighting the ‘need to focus not just on workers’ skills but also on how employers use those skills to make workplaces productive.’ How it will move forwards on these ambitions remains unclear, but the perspectives of local actors may help to shed light on opportunities and constraints.

### **Local skills strategies in the Midlands**

How then do local actors view skills devolution and the prospects for a more local approach to skills? How do they understand the ‘skills problem’, and what scope exists to evolve more integrated approaches to demand-side challenges given the ‘inclusive growth’ agenda? Qualitative research was undertaken in four LEP areas in the Midlands in 2016-17. This involved 22 semi-structured interviews with actors closely involved with the local skills agenda (Table 1). Interviews lasted 1-2 hours, and focused on the opportunities and constraints presented by devolution and local priorities for skills, including any links with economic development, business improvement and low-wage work. All interviews were transcribed and coded thematically. The politically sensitive nature of the

interviews meant that all names and areas had to be anonymised which necessarily restricts the ability to add local texture to the findings.

**Table 1: Research Interviews**

<b>Area</b>	<b>Interviewees</b>
<b>LEP1</b>	LEP officer overarching role (LEPofficer1) LEP officer working on skills (LEPofficer2) FE principal; LEP people board (FE1) FE principal; LEP people board (FE2)
<b>LEP2</b>	LEP officer responsible for skills (LEPofficer3) LA economic development officer (LA1) LA employment and skills lead (LA2) LA employment and skills officer (LA3) LA skills and economic development officer (LA4) FE principal (FE3)
<b>LEP3</b>	LEP officer responsible for skills (LEPofficer4) LA 14-19 officer (LA5) LA skills and employment officer (LA6) FE principal; LEP people board (FE4)
<b>LEP4</b>	LEP support unit (LEPunit1) FE principal (FE5) Employer; LEP board (E1)
<b>Other</b>	Chamber of Commerce (Chamber) Midlands TUC officers1&2 FE consultants1&2

***Towards local skills strategies: opportunities and constraints***

The strategic economic plans and skills strategies of the four LEPs reveal many commonalities. These include addressing skills shortages and gaps, forging education-industry links, boosting apprenticeship volumes, raising qualification levels and reducing the proportion of the workforce with no qualifications, and ensuring young people are ‘work ready’ and that the unemployed have the ‘right skills’ to access employment. Skills utilisation is either not mentioned at all or only briefly

in passing. In line with national policy, most interviewees referred to these priorities and understood a 'demand-led' approach to skills in terms of *matching* supply to 'employer-led' demand. However, there were differences, with LEPs focusing mainly on 'transformational sectors' and council officers more exercised by problems of 'worklessness'.

There was a widely held view that devolution was the right direction, with opportunities to join-up skills provision with local economic needs. Some alluded to projects like High-Speed Rail<sup>2</sup> (HS2), a key 'priority action' for WMCA, by raising awareness of employment opportunities in schools, and using pre-employment training to help local unemployed residents to access job opportunities. Many also provided examples of initiatives to address 'skills gaps' in priority sectors. A support unit for one LEP had brokered relationships between local colleges and employers in advanced manufacturing so that learners could be trained on the same machinery used in particular firms, an initiative which had attracted government and media attention. Others spoke of 'a lot of good work' in colleges in providing 'courses...relevant to employers rather than just filling seats' (E1), and 'some fantastic work with local companies' (FEconsultant1). However, there was a widespread recognition that skills devolution remained limited, with many expressing disappointment and frustration.

#### *The Adult Education Budget*

When it came to the AEB, the general feeling was that this would amount to 'tuppence ha'penny because it's all apprenticeships now...you've got no control over that' (LA1). This was 'devolution with no money' (FE2), 'more or less nothing' (LEPofficer1), with government devolving a budget that was 'completely depleted' (LEPofficer3) and without even any funding for administration. Once statutory entitlements had been met, many felt they would have little left for local priorities: 'it's paying for Maths and English and a first level 2 and 3 for the under-25s' (FE2); 'what money have we got with no strings attached? I'd say none...we may have some influence over delivery agreements' (LA6). One described the AEB as 'a drop in the ocean', adding: 'if I was the Combined Authority I'd say stuff your adult budget...because I'm not administering this for nothing' (FE5). A few felt that government was right to proceed cautiously, given questions over whether an 'untested' local infrastructure (FEconsultant1) could 'spend money any more wisely than central government' (LEPunit1).

#### *A local skills system?*

Many interviewees were frustrated with the level of local influence over education and training provision. With apprenticeships, 16-18 funding and compulsory education all outside of the

devolution agenda, and government 'nationalising central control of education' through academies and free schools, one referred to 'the illusion of localism' (LA5). For most, skills devolution 'fell a long way short of what we wanted' (LEPofficer3). This was something which 'looked fantastic at first...but then we find...you can't talk about apprenticeships, you can't talk about DfE and what happens in that space...and all you can really talk about is this small bit of money over here [the AEB]' (LA6). While some regarded the Apprenticeship Levy as positive in terms of 'bring[ing] the requirements of business to the fore' (FE4), many questioned how meeting an 'arbitrary' apprenticeship target would address local needs 'when they're not giving us any money to direct that locally' (LEPofficer3). In terms of schools and 16-18 funding, it was widely accepted that 'DfE are not going to give that up' (FE5), 'no way on earth' (FEconsultant1) and 'won't talk at all' (LEPofficer4).

What many aspired to was a 'whole system' approach based on effective partnerships between education and training providers and close links with employers (Lupton, 2017). Skills planning required local leadership and influence over 'the whole education journey' (FE5) in order to develop 'coherent pathways for young people to participate in education, employment or training and then into employment' (LA5). As one put it, there was 'no point devolving elements of the skills system and leaving others in centralised control...the skills problem is not just 18+; it's 11+, 3+' (FE5). Many felt 'tired and weary of trying to join things up' when 'we asked for what we thought was important to deliver transformation...and we're constantly told you can't have that' (LA6).

Many saw themselves working against the grain of centralised accountability mechanisms and state-managed markets in education. Schools were seen as being too focused on 'league table' results, siphoning-off the best students into sixth forms, with weaker ones 'dumped' on FE (LA3) or into poor quality apprenticeships because 'that's who apprenticeships are [assumed to be] for' (LEPofficer4). The transfer of careers guidance to schools, some of which 'still won't let colleges go in and talk about options' (LEPofficer4), had turned this function into a biased 'lottery' (LA5). One FE principal commented, 'we're back to a French teacher in a cupboard at the end of a Friday and the sheeps and the goats' where better students were pushed down an academic route and FE was expected to deal with the rest (FE2). With colleges 'paid per bums on seats' (LA1), colleges also had little option but to respond to learners' study choices, irrespective of local labour market needs. This left many questioning how local skills planning could work without 'some ability to persuade or tell rogue elements...to work together' (FE5).

While a competitive mind-set was 'massively unhelpful' (FE4), there were valiant efforts at partnership working, with area-based reviews offering a mixed picture. One area claimed that it had gone beyond government's narrow FE remit by including schools and higher education. 'Heat maps' of travel-to-learn patterns had shown that providers were not always in competition. This had

helped providers to 'interrogate their own motivations' and 'bring them back to moral purpose' (LA5) by 'pushing us more together rather than apart' (FE4). Others considered area reviews a 'huge distraction', with weak incentives to maximize partnership working (FEconsultant1) and simply 'another set of meetings to attend', the main driver being to take 'cost out of the system' (FE2).

Overall, there was a feeling of not having 'seen much change from the supply-side', with 'skills planning' for local economic needs happening 'in pockets' and remaining 'fairly haphazard' (LEPofficer3). Colleges complained of rigid funding formula still geared to 'whole qualifications' when employers wanted 'flexible, bespoke' learning packages (FE1), which then depended on employers paying: 'We can only fund qualifications...employers won't pay for anything' (FE2). Talk of college 'freedoms' was quickly corrected as 'a slight relaxing of controls' within a 'heavy-duty assurance regime' (FE1), or dismissed as 'absolute rubbish' (FE2). The requirement for school leavers without GCSE Maths and English to re-take them or sit a functional skills-test had turned one college into a 'remedial Maths and English factory' (FE2). At the same time, colleges were dealing with funding cuts, reforms to apprenticeships, technical qualifications and student loans which meant 'throwing everything up in the air again' (FE5), resulting in a 'lot of change and weariness' (FEconsultant1).

### *Labour market intelligence*

The quality of labour market intelligence (LMI) is critical if current and future skills needs are to be identified and provision planned accordingly. While some felt LEPs were 'well placed...to articulate demand' (FE1), the picture is variable. LEP2 had only four full-time officers, one of which dealt with skills. They had seconded an officer from the council's economic development department to work on labour market data. Lacking 'a database of employers', there was 'very little work being done', making it difficult to go beyond 'messages of the kind of "no-one-is-coming-out-of-school-ready-for-work"' (LEPofficer3). In LEP1, officers questioned the reliability of 'broken-down national data' based on 'fairly bog-standard analysis of SOC [standard occupational classification] codes...that has barely any relevance at local level...just baloney' (LEPofficer1). 'Data codes are being chucked at LEPs who are expected to do something with it', commented another (LEPofficer2). While they had used consultants for a more focused piece of work and had run networking events with employers, with a skills team comprising just two persons they could 'barely do little more than get some data together and spend the money you're given' (LEPofficer1).

LEP3 was also reluctant to use national data because 'experience has shown these [projections] don't come to pass' (LEPofficer4), and relied instead on key 'sector champions' as 'go-

to people' for sector needs. A representative with a local employer body conceded it was difficult to 'cut out the chatter and get a clear view' and was more often a case of 'playing with percentages.' LEP4 stood out in terms of having a 30-strong labour market observatory established by local councils prior to the LEP, making it 'one of the few LEPs that have got this...data gathering work embedded' (Unitofficer1). Overall, these findings suggest that the work undertaken around LMI is more variable than the 'excellent practice' identified across the board in Round's (2018) study in the North.

LMI is dependent upon getting good data from employers and assumes that they can articulate future skills requirements. While many smaller firms were said to lack 'a long-term planning infrastructure' (LA1), the problem was much broader with many employers failing to go beyond 'general grumbles people are not employable or don't have the right skills' (FE2) but 'without actually doing much about it' (FE4). Many felt that employers were often too quick to talk of 'skills shortages': 'businesses will consistently say...they can't find people with the right skills. When you say "what skills?", that always falls away...what they mean is that they can't get the person with the skill level they want for the wage they want to pay' (LA1). An FE principal remarked how this applied even in some engineering firms: 'you want an 18 year-old with 30 years' experience who can use your piece of machinery and you're going to pay them 12 grand, and...why can't you get them?' (FE5).

### *Employer ownership*

Many thought that there was insufficient clarity around employers' responsibilities when it came to 'owning' the skills agenda. Some doubted whether, 'outside of the Rolls Royces and Jaguar Land Rovers' (FE1) and those willing to give up their time to work with LEPs, most wanted to be engaged: 'it's the usual suspects around the table' (FE2). While there were some fantastic employers, many raised questions about employers' commitment to skills development more generally. As one noted, 'there's no onus on employers to be providing skills...that's a big issue' (LA3). There were also complaints of 'big employers influencing the [apprenticeship] standards...narrowing it to their needs' (LA4), echoing concerns around 'quality' and the 're-badging of existing job and firm-specific training as apprenticeships' (Dromey et al., 2017: 29). Even in engineering, apprenticeships were becoming 'an end-point assessed skills test in very narrow fields, often developed with employers who can't be bothered to do the training for their own employees', in what one predicted would be 'an utter failure' (FE5). For one LEP board employer, this was progress: 'I'm trying to narrow it into some areas so we can get some very specific training' (E1).

Notwithstanding the apprenticeship levy, there were frequent complaints that too many employers were still accustomed to 'free training'. A local employers' organisation felt that the concept of 'ownership as put out in the market place is that you can pick what provision you want and we [the government] will give you some money to buy that' (Chamber). An FE principle commented how 'the first question employers will always ask is "is it free?"' (FE2). Many felt they needed to become more demanding of employers in terms of their engagement with local challenges. One LEP officer reflected: 'if we're offering a business, financial or other support to grow the business, shouldn't we then be saying...we expect you to be offering either an apprenticeship or work experience opportunities or a foot in the door for an unemployed person?' (LEPofficer4). A local authority officer commented: 'for me, there's an ask and a responsibility for businesses' (LA6). In the end, it was a case of working with employers who had a 'pulse of altruism', with the hope of business 'reinventing a narrative of corporate social responsibility' (LA6), but with few clues as to what would work this magic.

There is then considerable frustration with skills devolution, alongside a view that there were still some opportunities for a more local approach. The next section considers whether low-skill, low-wage jobs were viewed as a problem for local skills strategies, and whether there was any attempt to re-think and redesign current approaches in light of this.

### ***The challenge of low-skill, low-wage work***

Reflecting tensions between LEP and council agendas, many were certainly concerned about an overly narrow focus on 'elite' growth sectors. As one local authority officer put it, 'everyone focuses on the sexy, high-growth sectors...advanced manufacturing, our LEP talks about it endlessly...okay, it's building on our strengths but it's like one percent of the workforce' (LA1). Others noted how 'some of us think that's not necessarily as balanced [an approach]...as it should be' (LA2) and were concerned that it took precedence over work with 'marginalised' groups excluded from the labour market (LA6).

Low-quality employment also created problems for FE when it came to learner retention and progression. A college principal noted that 'our offer, particularly for adults, is overwhelmingly geared to lower-level learning because in the majority of jobs...the demand is for low-level skills'. At 16-19, despite pressures to progress learners to level 3, they 'lost most at level 2, and why, because they're employable at level 2' (FE2). Others noted that for 'a lot of employers, all they want is somebody who's going to...turn up on time...with the mental capacity to keep a job' (LA3) and 'employers will say...as long as they come along enthusiastic and well-dressed, we'll teach them the

skills they need' (LEPofficer1). One college principal insisted that the 'skills problem' was 'primarily a demand-side problem; the economy is not producing a sufficient number of high-value added jobs across a range of sectors to put sufficient pressure on the supply-side to present people [for higher-level skills]' (FE5). This in turn has consequences for colleges seeking to enhance their status as training providers.

While the problem of poor-quality jobs was recognised, interviewees differed in terms of what they felt should, or could, be done. One LEP officer candidly insisted that their role was 'understanding what a successful business needs to grow...if actually their business is genuinely low-end stuff, nothing wrong with that whatsoever' (LEPofficer1). For others, the complexity of the problem, limited capacity, and not knowing what interventions could make a difference kept it 'a bit below the radar' (FE2). 'I think people know the problems, where people struggle is coming up with solutions', remarked one LEP officer (LEPofficer2).

Some felt that more needed to be done to support progression out of low-wage work. One interviewee spoke of a project undertaken by a district council 'to move low-paid workers constructively through to better jobs', which had been presented at a recent LEP board meeting. While the LEP was said to be 'alive to these things', they struggled however to identify anything 'the LEP had actually led' (FE1). A LEP officer in another area wondered where the resources and capacity to do this would come from: 'We've talked about it in workshops, then there's what we actually have to deal with and the capacity we have' (LEPofficer4).

With multiple competing demands and limited resources, LEPs had little time to think strategically about low-wage work where potentially 'the acceleration in productivity could happen far more' (LA1). One LEP officer commented, 'we're so busy fire-fighting we don't have strategic discussions around productivity...we're swamped with providers wanting to come and talk to us...to manage funding streams and deal with all sorts of enquiries...that's the reality of working in a LEP' (LEPofficer2). Another referred to how capacity was further stretched by constant micro-management where a 'minister or senior civil servant wants something doing by tomorrow'. Referring to their City Deal, they explained how the Cabinet Office were 'still asking us to feedback, line-by-line, three years later...so "did you really hold those events?"' (LEPofficer4). The general view was that LEPs simply did not have the resources and capacity to address problems presented by low-skill, low-wage areas of the economy. Some felt that concentrating on 'sectors where higher-quality, higher-salary jobs will come from' was sensible given that LEPs were 'small organisations and can only do relatively small things' (LEPunit1). Addressing low-end work was just 'too difficult and too complicated...and if I'm honest that's not...what we're doing' (E1).

Many noted how LEPs were dependent upon local authorities: 'the LEP is basically the local authorities anyway because they're the only people with any infrastructure to do anything' (FE2). In a context of cuts, however, councils' economic development functions, where they still existed, were under severe pressure. One had seen its economic development team reduced to four officers and was 'barely surviving', with a loss of strategic thinkers and a shift to headline-grabbing projects across council functions: 'Oh God, have we been stripped of capacity...we've lost people...who have spent time thinking these through and we have more people focused on "deliver this, it looks shiny"'. This added to pressure to 'mirror' the centre's diagnosis and prescription: 'there isn't anybody really...developing a local strategy...we're taking the national view and localising that' (LA2). While the problems of poor-quality employment were acknowledged, the typical response was to argue for greater focus on helping unemployed residents to acquire the skills and attitudes needed to access entry-level jobs and working with employers to 'take a risk' with disadvantaged or marginalised groups. Of particular concern is that some in local councils felt that simply questioning the current focus on 'priority sectors' could mean risking your job: 'to be saying "that's not quite working", it's like "well, if you don't like it, get out"' (LA3).

Addressing poor-quality employment was even more difficult given the pressures to meet targets on jobs and qualifications: 'the proportion of residents with a level 3 qualification, that's really easy to measure...if it's the proportion of people in a higher-skilled or higher-paid job, that's much more difficult' (LA5); 'jobs, jobs...and the number of people with a level 2 and level 3' (FE2); '55,000 jobs by 2023...3 million apprenticeships by 2020...you're never going to get away from that' (Chamber). LEPs were 'doing a basic job to hit targets', with government's growth-first agenda leaving some confused as to the type of growth they should be supporting: 'I'd love someone to tell me what the core remit of a LEP is' beyond 'we want you to create a nice environment where businesses can come and grow' (LEPofficer2). 'Everyone is so busy', commented another, 'no one looks across the whole and says "that's where it will lead us"' (FE1).

Some, however, were beginning to think in terms of a broader approach to skills and productivity. One college principal argued for the need to 'look at certain sectors...and say what's driving the low productivity?' where 'you're not trying to drop on skills and suggest the supply-side has all the answers or has got it wrong again.' The fundamental weakness, in their view, was local leadership and vision, with local authorities 'insufficiently staffed with thoughtful people who understand this, who can help lead a strategy for more than five minutes...Local authorities are crap.' A LEP officer felt that they needed 'to get experts on board with sufficient knowledge of particular sectors' so that they could dig down into what was needed and 'the money behind that to affect change' (LEPofficer4). Others argued that the issue was not always productivity but decent

pay and properly funded services: ‘so look at the care sector...people...driving around six homes an hour and doing ten minute slots...what we should be doing is paying more for that service...everyone assumes productivity is the panacea...it’s not’ (LA1).

The Midlands TUC, which has representation on the WMCA and its Productivity and Skills Commission, is relatively optimistic about the prospects for a ‘grown-up approach’ to skills and productivity (TUCofficer2). It insists productivity can only be addressed through ‘decent well-paid jobs, not bogus self-employment, zero-hours contracts and minimum wage rates’ (TUCofficer1) and that local industrial strategy needs to take a whole economy perspective. Seeing itself as a ‘critical friend’, it is pushing for a real living wage, public procurement to drive up progressive labour standards, and for using projects like HS2 and targeted skills training to open up better job opportunities for marginalised groups in areas blighted by deprivation.

### ***Business improvement for better skills utilisation – is anything happening?***

There is also the question of the business support available to help firms shift their organisational strategies and make better use of skills (Mayhew and Keep, 2014), not least small and medium-sized enterprises (SMEs) confronted with increases in the minimum wage. The OECD (2017: 10) emphasises the need for intermediaries that ‘have specialised technical expertise to offer to employers on work organisation, job design and human resource development practices’, with ‘SMEs, particularly those in low-wage sectors’ likely to require ‘specialised targeted supports’. This has long been an area of weakness in England (Dromey et al., 2017: 63-4), where ‘the overall emphasis tends to be on providing information and guidance rather than direct interventions in how businesses are managed’ (UKCES, 2010: 77).

This observation applied before the closure of Regional Business Link Services, operated by RDAs, in 2011. Currently, universities, through business consultancy functions, and Chambers of Commerce, occupy this space. Could LEPs play a role and are they actively engaging with skills utilisation? Attention focuses on the £24 million made available to LEPs to develop ‘Growth Hubs’. Designed as a one-stop shop to signpost businesses to relevant support and advice, these were described as being set up ‘on a shoestring’ with ‘a couple of people at the end of a phone, saying “OK, tell me what you need, these are the things that might benefit you, go away and talk to them”’ (LEPofficer2), and as having little capacity to ‘talk to businesses face-to-face’ (FE4). This is a long way from sustained business support that works closely with a firm, and even further removed from what, in some North European countries, would be called ‘workplace innovation’, where research experts support management, workers and their representatives in publically-funded development projects on a voluntary basis (Payne, 2012; Mayhew and Keep, 2014).

Local actors differed over whether they felt this was a gap. Some questioned whether there was much pent-up demand from employers for help with issues such as moving 'up market' and job redesign, or if it was even appropriate for LEPs to get involved in changing workplace and management practice. As one LEP officer noted: 'should we be badgering them to do things they don't want to do?...most businesses don't contact us and don't want to' (LEPofficer1). A representative from a local employer body agreed: 'I'd be interested to know the numbers of businesses who would sit down and say "I want that"' (Chamber). Others questioned whether employers would pay for such assistance: 'When they [employers] say they want business support, actually what they want is some money, they don't necessarily want advice or if they do...they're looking for services for free' (LEPunit1). An employer on one LEP board, 'not overly impressed' with Growth Hubs, felt those 'who need it most are probably the least likely to seek it', their view being that 'the market will sort itself out' and LEPs could 'only let industry do its best or worst' (E1).

For many, however, the state of business support was problematic. One council officer commented: 'I know there's a gap. There isn't much out there...at the moment it's Growth Hubs'. This reflected 'the let-the-market-get-on-with-it' culture, with the opportunity provided by the National Living Wage to 'have that conversation' with businesses 'around productivity' in danger of being missed (LA1). Without a dedicated funding stream, and with few staff with the relevant expertise, most saw little prospect of LEPs building such capacity. The general view from local councils was that while they did some of this activity in the past 'we don't have the resource', with most of their current work focused on 'commissioning activity for business through a grants and loans regime' (LA6). Commenting on the state of business support, one officer posed the question bluntly: 'well, where does it exist?' (LA6).

One college principal felt that improving business practice, however, was a bigger priority than apprenticeships and central to raising employer ambition around skills development: 'the practice inside British business is pretty poor once you get down below a number of luminaries and some good SMEs... Would we be better spending money on training more apprentices or improving the leadership and management capacity of businesses? I'd do the latter...More employers that I work with develop modern and innovative business practices...would be my wish, but I don't have a how' (FE5). Interestingly, some colleges felt that they might offer assistance: 'potentially colleges could fill that space...there's definitely a need not currently being met' (FE1). If part of the challenge of addressing skills utilisation is about 'how we embed the skills conversation within the broader business support conversation' (LEPofficer4), this would seem to be an area worth revisiting. Future research could usefully begin to map whether LEPs across England are identifying skills utilisation as a key challenge and whether there is any emerging activity to address this.

### **Motivations for actors' engagement**

Given concerns in the literature that devolution involves delegating spending reductions and de-nationalising responsibility for difficult problems, it is pertinent to close by revisiting actors' motivations for engagement (Keep, 2015). There is no doubt that funding plays a big part, with the fear that 'if you're not involved you're going to miss out' (LA2). Some rejected the idea however that devolution was simply about shifting blame and lacked any substance: 'I'm not in the camp this is all a ploy to devolve blame' (FE1); 'there's an element of truth...but I do think there's genuine desire to devolve' (FE4). Others were less sanguine, with devolution 'as currently configured...a hospital pass' (FE5) and 'blame layer' (LA3), where it felt like government was 'saying we don't need to pay for this anymore because we've devolved it' (LEPofficer4).

All agreed, however, that *in principle* devolution was the right direction and that there was little alternative to engagement. While this might not be 'real devolution yet...there's so many things if you look across Europe we're not doing', it was 'up to us in the regions to grab it and make the most of it' (FE4). Devolution was 'the only show on town', 'a chink [of light]...I wouldn't call it localism' but it was still a 'fantastic opportunity' (TUCofficer1). Most viewed devolution as a 'double-edged sword', accepting that 'under this Government this is what we're going to get' (LA5), and as a 'journey', the final destination of which was unknown but where central government would still need convincing of its merits.

This was accompanied by a strong commitment to the local area which meant working within current constraints however difficult. As one put it, 'how can we serve our residents by just burying our head in the sand?' (LA5). Even the more sceptical felt that 'we've got to take a couple of hospital passes before you can get this out to the wing' (FE5). Another put it like this: 'We all know devolution means extra responsibility...that's not going to be matched by the current level of resource...but we've got to look for the bigger prize – it's the start of a journey' (LA6). Perhaps the final word should go to a college principal who speaks of the frustration and pragmatism that runs throughout these accounts: 'I'd rather that than any more "I thought this up in the bath this morning, make it happen and don't tell me it's a silly idea because I'm a civil servant and I'm a minister...Even without sufficient funding and infrastructure, I'd rather say "OK let's have a go locally because this is our local area we care about"' (FE2).

## **Discussion and conclusions**

Focusing on the Midlands, the research has probed local actors' framing of the 'skills problem' and the opportunities and constraints they face in addressing it. The interviews reveal considerable frustration with progress on skills devolution, echoing concerns raised in recent reports (e.g. Keep, 2015, 2016a&b; Dromey et al., 2017; Round, 2018). They include the limited influence afforded to local actors over the E&T system, the place-blind nature of DfE policy, and the problems presented by marketisation and centralised accountability mechanisms for developing local cooperation among education and training providers. In terms of adult skills, the emaciated AEB is unlikely to budge very far the incentives structures that currently drive colleges and other providers towards national targets and funded qualifications, and leaves little scope for local skills planning. While the picture is variable, there are questions over the quality of LMI data, and the ability of many employers to articulate future skills requirements as well as the depth of employer engagement with the skills agenda. Notwithstanding these problems and concerns over the devolution of central government spending cuts, local actors display a strong commitment to the principle of devolution and for working within existing parameters for the benefit of the local area.

The findings also lend support to studies suggesting that current approaches may be struggling to move beyond a narrow skills-supply, target-led approach, with an agenda focused on headline growth sectors, coupled with a growth-first, work-first approach to tackling skills gaps and shortages which leaves poor quality employment unaddressed (Keep 2015, 2016a&b; Sissons and Jones, 2016). Perhaps understandably given the focus of central government policy, most understood being 'demand-led' in terms of matching skills provision to local economic needs. However, some do recognise the need for more integrative approaches which engage with the broader issue of raising employer demand for skill and improving skills utilisation in the workplace. While actors are aware of problems presented by low-skill, low-wage jobs, there are few signs that this is driving the conversation locally or translating into specific policies or programmes around better skills utilisation. Fronting-up to these issues appears to be hamstrung by a number of factors – the failure of central government to provide a lead; pressure to meet targets on jobs and qualifications; resource and capacity constraints; limited understanding of how to tackle the problem; and disagreements over whether it is legitimate to advise employers on internal operational decisions or whether employers would welcome such assistance.

Skills policies alone cannot solve problems of low-wage, low-skill and dead-end jobs, the causes of which are 'deeply rooted within the power and wage earning structures of many economies and labour markets' and the social settlements which sustain them (Keep, 2017: 676; Lloyd and Payne, 2016). It could be argued that local actors in England are locked into a national

neoliberal growth model with its 'brutal logic' of labour market polarization, and that what is being devolved is responsibility for uneven development, social inequalities and austerity (Etherington and Jones, 2016). However, there remains an element of political choice in terms of how local actors respond as well as the potential space for more progressive local strategies that might make some headway on skills demand and utilisation. These need to act in concert with measures to tackle *directly* low wages, precarious work and lack of in-work progression. As part of this, however, demand-side strategies need to encompass the upgrading of low-skill, low-pay sectors and jobs, with skills interventions feeding into economic development and business improvement initiatives explicitly designed for this purpose. It will be interesting to see, therefore, how the 'local' industrial strategy pilots emerging from the Government's new Industrial Strategy develop (Round, 2018).

We will only know the extent of the progress that can be made if, and when, such approaches are tried. Whether that space can be fully opened up without reinvigorating local democratic participation and bringing in the voices of wider civil society, in particular those most exposed to poor-quality employment, and then who would do so, remains moot (Hatcher, 2017). Even if the commitment to address skills utilisation 'right across the labour market' could be secured (Round, 2018: 24), the evidence suggests that many local actors may need support in thinking through the kind of strategies and interventions that could make a difference. The research concurs with Keep's assessment that, 'There is a need for a major staff and organisational development exercise aimed at staff and governors in colleges, LEPs, and Combined Authorities' (Keep 2016b: 11) as a first step towards a more integrative approach to the 'skills problem', along with a significant injection of resource capability.

Lessons might be learnt from initiatives trialled in Leeds City Region aimed at improving progression opportunities for low-wage workers alongside business support activity to upgrade employer demand for skill (Green et al., 2016), although it remains to be seen whether this initiative gathers momentum or withers on the vine. Concepts such as 'skill ecosystems' might be used to help local actors *re-think* local 'skills problems' as potentially one of supply, demand and utilisation, and could form the basis for local projects, involving key stakeholders, were funding to be available. Potentially, LEPs might contribute to a 'workplace innovation' programme, alongside universities and colleges, assuming government were to identify the need for such and sufficient capacity-building measures put in place (Payne, 2012; Ray et al., 2014).

Given the paucity of business support and questions over Growth Hubs, attention needs to be given to how local firms, in particular SMEs faced with the National Living Wage, might be helped to rethink their business models. Indeed, calls are mounting for LEP's business support offer to focus explicitly on skills utilisation (Dromey and McNeil, 2017; Round, 2018). While this research suggests

that some LEPs may struggle to do this with existing levels of resource and capacity, lessons might be learnt from pilot projects trialled by the CIPD as part of its People Skills Programme (Lewis, 2015). In terms of a broader decent work agenda, local authorities can certainly lead by example, encouraging private sector employers to adopt voluntary Living Wage Compacts, and using public procurement and local ‘anchor institutions’ to embed progressive employment standards (Bowman et al., 2014; Sissons and Jones, 2016). A recent study of how leading international cities have addressed ‘inclusive growth’ shows what can be achieved, and highlights the importance of ‘growing and shaping the labour market combining a demand-led strategy to achieve high-quality jobs with links to labour supply as a central component’ (Green et al., 2017: 8, see also Pike et al., 2017).

While it is vital to push for more powers and resources to widen the ‘space for innovation and experimentation’ (Pike et al., 2017: 51), local actors cannot simply wait on the largesse of the centre; it is time to set the trains running in the imagination and explore the potential of a new way of designing local skills strategies in support of inclusive growth. Fronting-up to inclusive growth depends upon visionary leadership from local politicians as well as pressure from other stakeholders and civil society (Hatcher, 2017). This will not be easy given the current national growth model, continued centralisation, hollowed-out local government, and ‘weak contentious politics’ (Davies and Blanco, 2017). Strengthening the trade union voice remains important, and it will be interesting to see if the Midlands TUC can exert influence on the strategic direction of the WMCA in a context where business voice remains dominant. Bringing in wider civil society, not least those exposed to poor-quality employment and groups which speak on their behalf, to re-politicize the question of ‘what kind of economic growth and for whom?’ requires political will and effective mobilisation (Etherington and Jones, 2016). This research is limited in that it focuses on one region, and does not include the perspectives of local political leaders, where further research would be interesting. For now, on the evidence of this research from the Midlands, inclusive growth resembles more the missing gene in the DNA of local strategies. Unwin’s warnings that it could fall by the wayside remain.

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## Endnotes

<sup>i</sup> Opening address to the launch of the University of Manchester's Inclusive Growth Analysis Unit, <https://www.youtube.com/watch?v=3kFpBaBHLPg>.

<sup>ii</sup> <https://local.gov.uk/topics/devolution/devolution-deals>

<sup>iii</sup> Employers with a wage bill of £3million pay a levy equivalent to 0.5 percent which is distributed to training firms in the form of a digital voucher to spend with a provider of their choice.

<sup>iv</sup> This is the Government's nomenclature for the higher-rate national minimum wage for those aged 25 and over. Introduced on April 1, 2016 at a rate of £7.20, and rising to £7.50 from April, 2017, it is due to reach £9.30 by 2020. The NLW is still 22 percent below the French minimum wage or SMIC, [www.boeckler.de/wsi-tarifarchiv\\_44064.htm](http://www.boeckler.de/wsi-tarifarchiv_44064.htm).

<sup>v</sup> This has been added to through a second deal, see <https://local.gov.uk/topics/devolution/devolution-deals>

<sup>vi</sup> The Transformational Sectors are Advanced Manufacturing; Business, Professional and Financial Services; Construction (Building Technologies); Digital and Creative; Life Sciences and Health Care; Logistics and Transport Technologies, Low Carbon and Environmental Technologies. The Enabling Sectors are Retail; Public Sector including Education; and the Cultural Economy including Sport. No rationale is given for the selection or their allocation to these categories.

<http://oldwmca.centro.org.uk/media/1205/wmca-sectoral-analysis-2016.pdf>