**STOKE ON TRENT & STAFFORDSHIRE**

**LOCAL ENTERPRISE PARTNERSHIP**

**COMPANY EXECUTIVE BOARD MEETING**

**14 May 2020**

**Impact post COVID-19 on Skills & the Labour Market**

**Purpose**

1. To provide an overview of the latest position and impact on skills and the labour market of the COVID-19 pandemic, highlight action already taken and explore future interventions.

**Context**

1. International and national commentary alongside local business reports the four main sectors where COVID was having an immediate effect, these include:

* Accommodation and food service activities;
* Arts, entertainment and recreation;
* Manufacturing; and
* Wholesale and retail

1. The proportion and numbers of business premises and jobs operating in these high-risk sectors in each of our local authorities shows that there is a higher than national and regional prevalence of businesses and jobs in high risk sectors with over a third (33.5%) or 15,600 Stoke and Staffs businesses in such sectors and 39.5% or 192,000 jobs. Tamworth (47.2%) and Staffs Moorlands (46.3% - 2,000 jobs at Alton Towers) both having nearly half of their jobs in high risk sectors.
2. However, the picture is different when we look at the number of actual jobs in high risk sectors with the highest numbers in Stoke-on-Trent; East Staffs; Stafford; and Cannock Chase and it is in these areas where we already have some of the highest levels of unemployment across our local area. Analysis of localities (MSOA) shows that there are hotspots in our urban deprived areas, in particular Stoke but also Burton, Tamworth and Cannock.
3. There is a danger of the poorest being hardest hit – as areas with the lowest household incomes and highest levels of existing unemployment are found to be often the most vulnerable to the impact of COVID due to jobs being in high risk sectors and also women due to the gender pay gap. Notwithstanding the relatively higher rate of youth unemployment (4% compared to 2.8% all ages). We have identified businesses in high-risk sectors for engagement to provide support and identify opportunities to move staff into critical areas such as social care.

**Education & Skills Sector**

1. The government decision to end classroom-based delivery has had a significant effect on providers being able to continue to operate through distance and digital or remote learning.
2. The early years sector has seen significant closures due to the reduced income with almost two thirds closed in Staffordshire which has seen many apprentices in childcare be furloughed or made redundant.
3. The majority of schools have remained open for key workers and vulnerable children although attendance is very low at single figures.
4. The majority of colleges have remained open where students of key workers and vulnerable students attended but attendance is very low at single figures.
5. HE sector adopted remote teaching, kept open key facilities – nurseries – and issued procedures for staying safe in accommodation.
6. Both the County & the City commission and deliver adult learning programmes, part of this provision is now being delivered remotely and online but the nature of the provision e.g. craft based is not always suited to this arrangement and learners may struggle with getting access digitally given that they are often disadvantaged or vulnerable with low level skills.
7. Apprenticeship training providers have been impacted differentially depending on their sector and delivery model. Where off-the-job training can be done remotely then this is continuing and being accelerated but providers are struggling with assessment and there are reports that apprentices are being made redundant, furloughed or having reduced hours. In addition, given the way providers can be paid on actual delivery then many are facing financial pressures. FE colleges all have large apprenticeship programmes and will be impacted by this. A recent national survey suggests 19% of apprentices are not engaged in learning with providers at present.

**Careers Guidance & Employability**

1. The Careers and Enterprise Company Enterprise Adviser Network continues to work with its network to provide resources to schools remotely. Schools are being supported to complete the Gatsby Benchmark in Compass (62 out of 76 signed up schools) and a set of Toolbox Talks for careers leaders, teachers and advisers has been developed. Plans are being put in place for next September with schools or if they reopen sooner. Online CPD session is planned ‘Linking Careers to the Curriculum’ and has 43 teachers booked on so far. Work with Cornerstone Employers continues if they are operating. The Careers Hub has secured match funding through Higher Horizons to complete the Lancaster Challenge with 10 schools. The programme also continues to promote the Positive Directions NEET ESF programme and this needs to continue to help keep learners in school and college. Work also continues with Cornerstone employers where these remain open and active.
2. The ESFA contract with the National Careers Service (NCS) provider for the West Midlands including Staffordshire (Prospects) has seen a significant fall-off in demand for the service as it was not able to deliver careers advice and guidance to adults, both in work and unemployed through face to face sessions. Initially, Prospects furloughed staff for a short period but with additional flexibility introduced by the ESFA and the agreement with partners to introduce the Redundancy and Recruitment Triage Service – see below, all staff have now been re-engaged in the business.

**ESF Skills, Employment & Social Inclusion Programme**

1. The ESF programme will be a critical piece to upskill and reskill people, keeping them economically active and getting people back to work. It has already delivered over 22,000 participants through the programme with over 10,000 positive progressions.
2. The ESF programme has two live projects operating from open calls with the Managing Authority (MA). The MA is providing updated guidance and FAQs to projects and it is expected that agreed EU programme amendments will be communicated soon. There are a further two open calls currently for projects that seek to [Engage SMEs in Education](https://www.gov.uk/european-structural-investment-funds?location%5B%5D=west-midlands&funding_source%5B%5D=european-social-fund) and [Raising Aspirations for All](https://www.gov.uk/european-structural-investment-funds/raising-aspirations-for-all-project-call-in-stoke-staffordshire-lep-area-oc12s19p1712) with a combined value of £3.9m have a deadline of 20th April.
3. The Higher-Level Skills Project operated by Staffordshire University has only just been awarded – but will not start delivery until October.
4. The Skills Hub Skills Brokerage Service operated by the Chamber of Commerce provides workforce analysis ensuring that employers are supported to access relevant skills support/workforce development activities. The Hub also provides a grant towards 48% of training for SMEs who want to undertake training with their workforce. Launched last autumn the Hub was gaining momentum with local SMEs and is a direct source for LMI to understand business skill needs.
5. Following COVID-19, demand for training for the Skills Hub has halted, training has been cancelled and as the employer contribution acts as match funding this could jeopardise the future viability of the project. We are working with the Chamber to consider flexibilities to the programme and the Chamber is also developing an online offer for business. A request to the MA has been made to seek changes to the project. Without the restart of training by SMEs the project could require an additional £90k of match funding from another source. Plans for the ending of lockdown are underway and we will need to relaunch the new offer for SMEs and perhaps explore further flexibilities such as increase the grant to businesses to 100% to encourage them to train staff.
6. The National Lottery Community Fund (NLCF) ESF opt-in £17.7m Building Better Opportunities programme has been extended to September 2022. The programme supports those unemployed individuals who are furthest from the job market and most at risk of social exclusion through a variety of specialist support including confidence building, coaching, personal development, training and job search.
7. The three prime providers delivering the programme across the region are:
   1. Steps to Work covers Lichfield, Tamworth, East Staffs and Cannock
   2. Ixion Holdings covers Newcastle, Stoke-on-Trent, Staffordshire Moorlands
   3. Business Enterprise Support covers Stafford & South Staffs
8. This programme focusses on tackling economic inactivity in the workforce and unemployment for people most at risk of social exclusion and has had 3,166 starts and 935 positive progressions. The contract outputs are 4,487 starts and 1,995 positive progressions leaving around 30% capacity in the contracts. The NLCF has issued guidance to the three providers on continued operation but providers are struggling with keeping people engaged and in the administration of the programme.
9. The ESFA phase 2 ESF opt-in £13.05m started in April 2019 and the programme runs until July 2021 and has the option to uplift the value of the contracts by 50% based on performance to December 2022. There are four aspects to the programme targeting different cohorts of participants which are:

* Support to young people who are NEET, RONI, unemployed or inactive aged 15-25 and is operated by Skills Training UK and is currently operating online.
* Skills Support to the Unemployed (SSU) and economically inactive individuals aged 16 plus and is operated by PeoplePlus and is currently closed and have furloughed staff.
* Community Grants (CG) to organisations moving people closer to the labour market and is operated by The Community Foundation for Staffordshire but many of the grant recipients are VCSO and some are closed or furloughing staff and some learners are unable to work online.
* Skills Support for the Workforces (SSfW) in SMEs & Skills Support for Redundancy (SSfR) offer skills support to both employed individuals and those who are under threat of redundancy or have been made redundant in the last 3 months aged 16 and over and is operated by Serco. Delivery and assessment is being impacted by workplace closure. Remote delivery out of the workplace is being developed.

1. This programme has been in tackling economic inactivity in the workforce, reducing long-term unemployment and NEET and has had 4,688 starts and 1,514 positive progressions to date. The contract outputs are 8,021 starts and 3,763 positive progressions leaving around 42% capacity in the contracts. Given the potential 50% uplift in contract values these four contracts can play a significant role in recovery. The ESFA has issued guidance to the four providers on continued operations.
2. ESF programme provides mechanism for further interventions and investment if providers can adapt delivery and engage participants in news ways. We will need to understand their capacity to do this and also what freedoms and flexibilities with the programme requirements they may need moving forward.

1. However, given the projected increase in unemployment then there is unlikely to be sufficient capacity within the current ESF programme to address potential demand and support in the longer-term without further investment.

**Local Growth Fund**

1. The Skills Equipment Fund (SEF) funded by LGF and requires 50% match is operated by the County Council. The SEF allows local employers and training institutions to submit bids to secure funding to purchase state of the art equipment and fund minor adaptations to accommodate the equipment to support the growth in Stoke-on-Trent and Staffordshire’s priority economic sectors. Two rounds of the SEF have been launched to date and 7 projects have been secured with a total project value of £5m.
2. Grants have been awarded to the following organisations:

* Newcastle & Stafford College’s Group – Advanced Manufacturing, Mechanical Electrical Centres, Hybrid Construction Technology Project
* Staffordshire University – Apprenticeship Digital Skills Portal, Clinical Simulation Lab, Digital Shed
* Stoke-on Trent College – Technical Curriculum Development Project, Academy of Technology & digital skills
* Perkins Engines Stafford - Manufacturing Excellence Centre
* South Staffordshire College - Cannock Engineering Academy

1. The SEF round 1 projects have delivered a growth of 1,067 Apprenticeships and 874 new learners.
2. A cost benefit analysis has been completed as per the New Economy Manchester Cost Benefit Tool, using the target learner growth figures for the SEF round 1 & 2 projects. It identified that over the next 15 years the projects would collectively provide an economic benefit of £141m and a fiscal benefit of £33m. The analysis reflects that if the targets are achieved the £2.3m SSLEP grant would be practicably repaid after 1 year.
3. The Staffordshire FE colleges and Staffordshire University are all delivering the training remotely/online or remain open for vulnerable learners and key workers and ensuring learners are safe and well. There is a risk that following COVID-19, the target Apprenticeship and learner numbers attributed to the SEF round 1 and 2 projects will not be achieved which are due to report to 2023 and 2025 respectively.

**Apprenticeships**

1. There is unspent Apprenticeship Levy in both public and private sector businesses. The County & City Councils and the NHS Trust have already worked with businesses and training providers to transfer Levy to business. With the Chamber of Commerce there are plans to extend this offer by having a joint marketing campaign to encourage SMEs to apply for the transfer funding, and if there is more demand than supply then potentially other employers with underspend could be included. The surplus Levy could provide further support for apprenticeships or other training, such as pre-apprenticeship training if further flexibilities are given by national government.
2. Continuing to promote and support apprentices is ever more important. The Apprenticeship Ladder for Staffordshire is part of a national initiative managed by Performance Through People in the LEP area to encourage businesses to take on apprentices and invest in their future by giving them the skills both they and the business need. The Ladder works with the Express & Star and the Sentinel to promote apprenticeship opportunities offered by local employers. The Ladder has agreed to continue to operate and also work as a partner with NCS provider Prospects to support apprentice being made redundant.
3. The Employer Apprenticeship Ambassador Network was set up to promote Apprenticeships, share best practice, and support, encourage and mentor other businesses in establishing their own apprenticeship training programmes. The Network in the West Midlands is chaired by by representatives Jenny Johnston from KMF and in Staffordshire by Emma Bridgewater. The Network will be useful in any effort to promote to business the value of apprentices and assist with recovery of the programme.
4. The annual Apprenticeship graduation ceremony is held in July each year. The ceremony is to give apprentices the opportunity to experience a graduation ceremony but the 2020 ceremony has now been rescheduled to September and will provide an opportunity to promote apprenticeships during the recovery period.
5. The Graduation, AAN Network and Ladder will be important in continuing to promote the value of apprentices to business and the workforce in the recovery. In the meantime, a campaign to encourage employers to furlough or let apprentices continue with training their remotely, may reduce those facing redundancy.
6. The surplus Apprenticeship Levy available from the public and private sector could provide a resource to kick start recruitment by funding an initiative that offers free apprenticeship training to businesses, and grants to cover apprentice wages, as they recover from lockdown.
7. In the longer term it may be necessary to consider Pre- Apprenticeship models to maintain a pipeline of skills and prepare young people to take up opportunities as they start to increase. Although apprenticeship opportunities may decline significantly it will be important to maintain the improvement in quality brought about by the recent reforms to ensure that apprenticeships still provide opportunities for settled employment and raised skill levels. Pre-apprenticeship programmes would require national changes to funding or levy flexibilities as well as strong partnerships and a marketing plan. Providers will need to work with employers to train potential apprentices in anticipation of forced changes within the labour market and recovery as a result of lockdown. The flexibilities could also include apprentice wage subsidies or employer staff training costs to encourage employers to continue to recruit apprentices during the time it will take for businesses to recover. If employers are supported with the costs incurred whilst training, then this can be promoted as a way to aid recovery.

**Redundancy & Recruitment Triage Service (RRT)**

1. A key outcome has been securing the support of NCS provider Prospects to launch the RRT service. This will match unemployed and people at risk of or being made redundant with live vacancies helping businesses recruit. Sectors such as food, transport, distribution and Care are key routes for retraining people.
2. We need to ensure Prospects are supported in any business recruitment and capturing vacancies from the Growth & Skills Hub, Chambers of Commerce, LEP and FSB. Serco who operate the SSfW & SSfR can provide training support to people and individuals. The apprenticeship Ladder for Staffordshire will support employers with apprenticeships and apprentices whose apprenticeship is under threat.

**Conclusions**

1. In the short-term rapid retraining to help redeploy people in sectors recruiting in care, IT, food and transport is a priority and matching these people to opportunities will be a key mitigation through Redundancy & Recruitment Triage service that has been established.
2. But whilst existing programmes and potential flexibilities provide the opportunity to address the recovery in skills there is an opportunity to be more transformative and with programmes that address longer-term skills issues. Digital skills could be prioritised for reskilling/retraining, for instance women returners, to move into professional and higher-level technical roles backed by a digital reskilling programme on a large scale. There is also an opportunity to use a digital programme/campaign to capitalise on the recent skills developed by the expansion of homeworkers. As individuals used technology to self-help due to the disruption caused to business activities and processes. e.g. unavailability of face to face meetings, driving up the consumption of existing technologies could drive more rapid productivity improvements.
3. As the economy returns to operating in a new normal this provides the opportunity to tackle longstanding skills issues that are not part of mainstream provision. Providing this provision through flexibilities in funding could provide much needed employment for the out of work. For example, in construction CSCS cards, transport HGV drivers, fork lift truck drivers which could support lower skilled people into work as well as in economic important sectors.
4. Leadership and management skills are repeatedly cited as holding back growth in productivity and are a skills deficit that any improvement in practice leads to increased output. The last recession saw growth in managerial, professional and associate professional roles. Therefore, the training and development of current leaders and managers and in preparing people for these roles provides an opportunity to address this.
5. A recession in the labour market is often associated with increased long-term unemployment, obviously an outcome that we want to avoid by taking early intervention. As we saw in the last two recessions, people out of work for long periods become stigmatised, depressed, and hard to place. They become separated from the labour market. So, even when economic recovery comes, unemployment can remain unnecessarily high. The key is to prevent long-term unemployment in the first place.
6. Youth unemployment is likely to rise as experience of past recessions shows the decline in jobs in elementary occupations has hit the young particularly harshly. Therefore, training for young people to access work or start their own business could be provided. Indeed, for those employed in precarious roles, zero hours contracts, and the Gig economy will need employment support.
7. Seeking to develop an a new ESF open call or apply flexibilities to existing programmes to deliver a programme targeted at those individuals likely to be the hardest hit following COVID-19 i.e. the poorest in deprived communities, those in hardest hit sectors will be important. This could include provide tailored support including financial support to move the individuals closer to the labour market and employment as new opportunities are created in expanding sectors or skills shortage areas.
8. Business start-up programmes could be enhanced or expanded with grants and incentives. In the last recession over 50’s were much more likely to start their own business and could be a key target group. For example, DWP New Enterprise Allowance programme, designed to help unemployed people start their own business could be enhanced by the introduction of grants to provide in addition to the existing loans facility as could other enterprise programmes.
9. Whilst we are in recovery and there is underutilisation of workforces it is a key time for business to review their production and business processes and introduce automation. Training in for example business improvement, lean, agile and automation could be encouraged, and programmes introduced into the workplace. There may be also be an increased demand for ‘bite-sized’ training courses as businesses re-skill staff to meet the changing demands of their organisations in recession. Tax incentives or grants could be used to encourage business to upskill their workforce on a larger scale than the Skills Hub can currently offer.
10. All of these activities will require funding and incentivising in some way. The Government is piloting the National Retraining Scheme in MCAs and this could be an ask for our area. The Manifesto also committed to a National Retraining Fund we could ask to be a pilot of this as part of our recovery plan.
11. Capital investment to support the ability of providers to respond to upskill and retraining needs will need to sit alongside revenue and capacity considerations for training programmes. The pay back from this investment is relatively quick and is easy to deliver with a bank of projects already in the pipeline which may need further refinement given the rapid shift in online delivery of education and training.

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