


# City-REDI / WMREDI Universities and Regions Forum Policy Briefing December 2022



How can universities, colleges and employers deliver  
the skills for local productivity, innovation and  
prosperity?

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## How can universities, colleges and employers deliver the skills for local productivity, innovation and prosperity?

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# Key recommendations and executive summary

The UK is experiencing low levels of economic growth compared with international competitors<sup>[1]</sup>, and sustained inequality between different parts of the country<sup>[2]</sup>. Skills are fundamental to this because they are a driver for productivity and growth, whilst also equipping people from all backgrounds to benefit from it. The UK can address this by nurturing successful ‘skills ecosystems’, which bring business and public service employers together with universities, colleges and government to raise both the demand for and supply of skills, and in a way that is tailored to the needs of local areas.

Successful skills ecosystems operate at different spatial scales, depending on the levels of skills needed, the character of each place and their economic and social priorities. While there are commonalities in skills needs across areas, the precise mix of requirements and identity of actors involved in skills ecosystems varies across places. Different approaches are being adopted across the UK nations, and between the English cities and regions. It is increasingly important that the UK learns from the ways in which skills are being supported in other countries.

Three fundamental challenges need to be addressed if we are act on the evidence to improve skills systems in England:

1. We need to create mutually re-enforcing incentives for the different actors within local skills ecosystems by aligning the local and national influences on them. This means cutting through the current silos between different policy domains locally and nationally, particularly those between further education colleges and universities, skills and innovation, and the supply of education and training and its utilisation by businesses.
2. We need to provide confidence and coherence for the different actors in local areas by committing to policies and investing in the capability of local institutions beyond the short-term. This crucially includes more substantial devolution of powers and funding for skills, and the factors that influence them.
3. We need to capitalise on the potential for universities to attract people and investment, and to drive innovation and skills demand among business and public services in their local areas, by anchoring their education and research activities within their local skills ecosystems. This requires universities to be positioned centrally within local skills strategies and have greater accountability to local as well as national and international stakeholders.

The government’s Autumn Statement<sup>[3]</sup> provides a platform for this through its exploration of ‘departmental-style’ funding settlements for devolution trailblazer areas that will provide more flexibility and accountability, and their potential extension to other mayoral combined authorities. Also, the appointment of public service delivery expert Sir Michael Barber to see through the implementation of skills reforms adds impetus to change.

Our analysis and recommendations in this briefing – which are based on a seminar held in October 2022 by the Universities and Regions Forum<sup>[4]</sup> at City-REDI / WMREDI at the University of Birmingham - are intended to support the delivery of these commitments. They build on previous City-REDI / WMREDI research<sup>[5]</sup>, as well as participants’ insights from working for and providing advice to local and national government in England, the national governments in Wales and Scotland, and the OECD’s education and economic development programmes.

## What is the problem?

**Skills are fundamental drivers of productivity and economic growth.** They also have a role in addressing inequalities. Yet skills are complex to define and difficult to measure. Often educational outcomes are used as a proxy for skills, with higher levels of educational attainment translating into better employment outcomes. When focusing on ‘levelling up’ in relation to skills, frequently the emphasis is on geographical differentials in relation to levels for formal qualifications. For example, a Centre for Cities feature on levelling up (Swinney 2022)<sup>[6]</sup> noted that in 2019, 30 per cent of working-age people did not have five good GCSEs or equivalent in Barrow-on-Furness, and 22 per cent had a degree.

This compared to 9 per cent and 59 per cent respectively in St Albans. These statistics highlight marked differences in the levels of demand for and supply of qualifications across places, whilst also illustrating the types of outcome indicators often used in regional and local economic strategies.

***Productive, innovative and prosperous places are built on successful ‘skills ecosystems’.*** A ‘skills ecosystem’ comprises actors and institutions concerned with the development and deployment of skills. The term ‘skills ecosystem’ was coined by Finegold (1999)<sup>[7]</sup> to describe the Californian experience of high-quality jobs in technology intensive industries, which indirectly supported jobs in a vast range of other sectors. A skills ecosystem is akin to a biological ecosystem, with all separate parts connected, interdependent and working together in order to function well as a whole. It requires: (1) a catalyst for its start; (2) continual nourishment; (3) a supportive host environment; and (4) a high degree of interdependence amongst the stakeholders and partners in the system. As in biological ecosystems, the rapid growth of one ‘species’ of skills development, such as degree-level higher education, may diminish the prospects for others and the diversity of the system as a whole.

***Aligning skills for productivity and equity sits at the heart of the political imperative of ‘levelling up’.*** One of the twelve missions set out in the February 2022 Levelling Up White Paper (Department for Levelling Up, Housing and Communities, 2022)<sup>[8]</sup> is to increase the number of adults engaged in high-quality skill training in every area of the UK, with a target by 2030 to get an additional 200,000 people in England to complete high-quality skills annually, driven by 80,000 more people completing courses in the lowest skilled areas. These may be considered modest aspirations given the scale of the skills challenge in UK; indeed the character of skills training is narrowly conceived within the White Paper. It is, though, significant that tackling skills inequality is identified as fundamental for levelling up. Analyses by the Centre for Progressive Policy (2021)<sup>[9]</sup> suggest that the total employment cost of inequality in basic skills in England is between 348,000 and 573,000 jobs. Reducing the share of people without a formal qualification to the rate in the top 10% of local authorities implies a significant uplift in employment across the country. The employment cost is greatest in towns and cities with a large working age population and low skill levels (e.g. Birmingham).

***Successful skills ecosystems operate at different spatial scales, depending on the levels of skills needed, the character of each place and its economic priorities.*** While in debates on productivity much of the emphasis tends to be on higher level skills, evidence suggests a wide range of skills are important for businesses and for local economies – including literacy, numeracy and digital skills, technical skills, soft skills and management skills (Lyons et al., 2020)<sup>[10]</sup>. Transferable skills, such as analytical/creative skills, interpersonal skills, self-management and emotional intelligence are likely to become more important in the face of technological change (Taylor et al., 2022).<sup>[11]</sup>

***While there are commonalities in skills needs across areas, the precise mix of requirements and identity of actors involved in skills ecosystems varies across places.*** Key factors here are the sectoral and occupational mix of employment and socio-demographic characteristics of residents and workers. In England (and in the devolved nations of the UK) national policy and planning has a strong influence on skills policy. However, in England in particular, the ‘national’ scale is large and encompasses a heterogeneity of circumstances. It seems too large a scale for developing trust and accountability, and for meaningfully engaging with employers, and thereby addressing the imperatives for sub-national skills, innovation, prosperity and inequalities. While the regulatory and funding apparatus is developed nationally, the strategy for delivery tends to happen at the sub-regional scale and the infrastructure for it is primarily local, albeit this varies with skill level and the degree of specialisation (Green and Rossiter, 2019)<sup>[12]</sup>. In general, there is a positive association between optimal delivery for successively higher levels of skills and geographical scale (i.e. basic skills may be delivered at the neighbourhood scale, intermediate skills at the local or city-regional scale and specialist degree level skills at a regional or national scale).

***Different approaches are being taken across the UK, and across English cities and regions.*** Skills and training are devolved policy areas across the UK nations. This means that skills policy initiatives are the remit of the devolved administrations in Scotland, Wales and Northern Ireland, and only of the UK government in the case of England and the UK Shared Prosperity Fund, which is intended to replace EU funding. So, the emphasis of policy, and the skills delivery landscape, varies across the different nations. In England there is asymmetric devolution: some Mayoral Combined Authorities (MCAs) administer the Adult Education Budget (relating mainly to Level 2 and Level 3

qualifications), which enables some alignment of skills funding to local needs. Two MCAs – Greater Manchester and the West Midlands – have been selected as Trailblazers for further skills devolution and are seeking full devolution of some components of skills funding and co-commissioning of others.<sup>[13]</sup> Other areas are negotiating devolution deals for the first time.

### Devolving the Adult Education Budget in the West Midlands, UK

The West Midlands has a **young, diverse population**. Prior to the pandemic the region's economy benefitted from **unprecedented growth above the national average**, with rising productivity, jobs and employment. Despite this, the regional labour market is characterised by **relatively high unemployment and significant skills gaps**.

The WMCA gained responsibility for the Adult Education Budget in 2019. Prior to this, **skills funding was contracted centrally**. Other skills related challenges included:

- **Competition over collaboration.** Over 400 colleges and providers delivered £126 million of Adult Education Budget to West Midlands residents. 15% of delivery was from out-of-area providers. Links between Jobcentre Plus, employers, and colleges/providers were patchy.
- **Links between economic needs and provision were often superficial.** 67% of provision was at Level 1 and below, much of which was generic employability, targeting the unemployed but with less than a 10% success of getting people into jobs. Less than 1% of provision focused on Level 3, despite regional skills needs. Digital skills provision was limited.
- **A lack of innovation** resulted in provision often not being tailored to meet emerging needs.

Devolving the AEB budget aimed to enable the WMCA to develop a flexible adult skills offer, more responsive to the needs of local residents and businesses. Since gaining responsibility over the AEB, the WMCA has instituted changes including:

1. Supporting the development of a more **collaborative skills system**. Strong regional collaboration has been linked to addressing the needs of local areas and sectors.
2. Reducing the number of training providers to develop **more strategic relationships**.
3. Developing provision, based on **data, research and insight**. Focusing on strengthening relationships with providers and employers has been key to this.
4. Promoting **regional system leadership**, with skills and training strategically aligned to regional economic need. There has been a 33% increase in provision aligned to regional priority sectors. Level 3 provision has increased seven-fold.
1. Introducing **new eligibility criteria with more support for people in low-paid, low-skilled work** e.g. Access to HE for ambulance contact centre staff to progress to paramedics.
2. Launching **dedicated provision to engage under-represented groups** in training e.g. digital bootcamps have delivered 50% BME participation through new providers/ programmes.

Since gaining responsibility for the AEB, the WMCA has secured more than £0.65 billion of public funds for jobs and skills for the region, as well as attracting greater private sector investment. This shows how devolution can support the **rationalisation of the provider base** to allow for more strategic and joined-up approaches. Devolving the AEB budget can be key to developing a more **responsive and flexible local adult skills offer**, that can better meet local needs and address local priorities. Regional authorities can be **better placed to identify current and emerging labour market demand**. Regional commissioners can be key in developing dedicated, responsive provision.

Nonetheless, the WMCA is **limited in its' ability to address longer-term skills needs more strategically** because of a lack of influence over 16-18 provision, apprenticeships and level 4/5 provision. It is seeking greater influence over post-16 technical and vocational education.

*There is interest in how to support skills and deliver skills for prosperity and growth throughout the world.* The OECD is a champion of sharing and learning from good practice, with the Local Employment and Economic Development

(LEED) Programme being especially active at local level. It is also important to learn from failures, so that they are not replicated, but information on where and why initiatives do not work tends to be harder to find.

### Personal Training Accounts in France

**France introduced Personal Training Accounts** (*Comptes Personnels de Formation*, CPF) in 2015 to promote the uptake of lifelong learning. It is an interesting example of a scheme where individuals build up training entitlements over time **based on their work history**. The credits can be used by individuals to fund further training, and remain with the individual if they change employer or become unemployed.<sup>[14]</sup>

The CPF is funded through a **compulsory contribution paid by businesses** with over 10 employees; self-employed workers pay a flat-rate contribution to their training fund. Between 2014 and 2018, the CPF was credited in hours (24 hours per year for a full-time employee up to a ceiling of 150 hours). In 2017 the entitlement for the least skilled workers was increased to 48 hours/year and ceiling of 400 hours.<sup>[15]</sup> Since 2019, full and part-time employees and the self-employed are entitled to training up to the value of 500€ per year up to a limit of 5,000€. For people with no qualifications, 800€ (up to a limit of 8,000€) is available.

The programme was initially criticised for increasing the complexity of finances for the training of job seekers. In response, the French government moved from hourly based training credits to a finance-based system as they perceived it would be easier to understand.<sup>[16]</sup> Moving to a **finance-based system** aimed to increase the individual's understanding of the capital available to them, and to better enable them to guide investment in training and improve competition in the training market.<sup>[17]</sup>

Interviews conducted with stakeholders involved in the skills ecosystem in Lille suggest the CPF is driving engagement in lifelong learning and providing individual learners with **greater flexibility** since employees are no longer required to seek employer approval for training outside work hours.

**Whilst the CPF has increased the number of individuals engaging in lifelong learning** – in 2020, 984,000 training sessions were followed as part of the CPF compared to 517,000 a year earlier<sup>[18]</sup> – experiences with the scheme emphasise a number of key learning points. The scheme indicates the **importance of establishing clear systems for certification and quality assurance** of provision. During the first phase of implementation of the CPF, issues occurred regarding a “*profusion of certificates, labels and the mixed assurances they provided*”.<sup>[19]</sup> Officials then introduced a single compulsory certification for training providers. Experiences point to the need for public funders of training to **regularly evaluate training systems and their outcomes** and find clear ways to convey these to the public.

## Analysis of the problem

**A focus on the local in skills policy is not new.** In England there has been a succession of institutional structures over recent decades with some responsibilities for skills policy and delivery: from Local Employer Networks, to Training and Enterprise Councils, Local Learning and Skills Councils, Regional Development Agencies, Local Enterprise Partnerships and now Local Skills Improvement Plans (LSIPs). LSIPs aim to place employers at the heart of local skills systems, provide an agreed set of actionable priorities that employers, providers and stakeholders in a local area can get behind to drive change and facilitate direct and dynamic working arrangements between employers and providers.<sup>[20]</sup> It remains to be seen whether this will facilitate genuine and sustained co-development of skills strategies that position employers as co-producers rather than customers, and whether the partnerships will reach across universities as well as further education colleges, so that local skills and innovation strategies can be more closely aligned with each other.



**There have been frequent changes to skills policies and institutions.** Placing employers at the heart of the skills system is not new. Writing in January 2021, Westwood (2021)<sup>[21]</sup> noted: “*The challenge for skills policy in England is not setting out ambitious reform plans, it is sticking to them. Since the Further and Higher Education Act in 1992 there have been fifteen government commissioned reviews of FE or the skills system in England, or significant aspects of it, at least fifteen white papers and five major Acts of Parliament.*” Keep et al.’s (2021: 5)<sup>[22]</sup> detailed chronology of 30 years of policy in further education is a “*story of frequent reform, fluctuating policy interest and changing policy actors and influencers*”. This policy churn suggests a tendency to develop policies without good data, evidence on successful models, and learning from evaluation. It also militates against building up local capacity and expertise to inform policy making and delivery.

**Frequent policy and institutional changes are a recipe for complexity, confusion and a lack of trust.** It is difficult for learners and employers to navigate, engage with or contribute to local skills systems. This can hamper local partnership working and efforts to streamline skills provision, and integrate it with other services, because policies and structures change before they have had time to become embedded. International evidence on levelling up – across skills and other policy domains – is clear that persistence matters.<sup>[23]</sup> Yet in England, especially, there has been a tendency to develop policies without good data, evidence on successful models, and learning from evaluation, and a failure to develop the capability of local institutions. Governments have frequently sought to wipe the slate clean, rather than nurturing the accumulation of learning and expertise over time.

**A role for devolution?** Greater devolution of education and skills investment decisions to a regional or local level<sup>[24]</sup> could overcome problems of fragmentation, centralisation and competition in the skills system caused by the application of national policies at a spatial level that prevents responsiveness to the needs of local actors. For policies to work, Morgan (2020)<sup>[23]</sup> proposes that the solution is community-led skills devolution. This is based on the principles that decisions should only be made centrally when they cannot be made locally, and that community-led skills devolution should be underpinned by place-based ‘single pot’ skills budgets. It also rests on the contention that a partnership approach is needed to better mobilise the contribution of skills to local and regional development. However, policy also needs to join up between the local and the national scales, with strong feedback loops from the local frontline to the national, and over time.

### Tertiary Systems in Wales and Scotland

Wales and Scotland have [populations](#) of 3 million and 5.5 million respectively. This is equivalent to some of the larger English metropolitan areas and regions in England, such as Greater Manchester at 3 million and the West Midlands at 6 million, and it is smaller than London at 9 million. There is lower population [density](#) than in England, notwithstanding the concentration of people, businesses and government around Cardiff in south-west Wales and across the central belt between Glasgow and Edinburgh in Scotland.

Wales has slightly lower proportions of [qualified](#) people than England, with 80% at Level 2, 62% at Level 3 and 40% at Level 4, though its position is comparable to the regions of the English north and midlands. In Scotland, 83% have reached Level 2, 68% Level 3 and 54% Level 4, which is higher than England overall but lower than London.

Until the 1990s there was a single UK system for higher education and local authorities across the nations were responsible for further education and polytechnics or equivalent. Separate higher education agencies were established in England, Wales and Scotland in 1992, but their approaches only begun materially to diverge from 1998, with the devolution of powers to the Welsh Assembly and, more substantially, the Scottish Parliament.

Devolution has yielded different higher education and student finance policies across the nations, with no tuition fees in Scotland and greater support for maintenance and part-time study in Wales. Also, different approaches to the oversight of further and higher education. Wales is now transitioning to an integrated [Tertiary Education and Research](#) system. Scotland

has had a single Funding Council for universities and further education colleges [since 2005](#) and is now wanting to [integrate](#) them further.

This contrasts with the system of [regulation](#) for higher education in England, which is separate from the arrangements for [further education](#) and [apprenticeships](#). Whereas the system in England promotes competition between universities and colleges, and choice for students and employers, the intention in Scotland and Wales is increasingly to promote coherence and collaboration, with the aim of improving pathways for learners, alignment with the nation's skills needs, and more affordable and resilient models of tertiary education. These models also reflect the requirement for cognitive and technical skills and attributes for [future jobs](#), which requires integration between academic and vocational education.

In Wales, the changes include [merger](#), [federation](#), [skills partnership](#) and [shared apprenticeships](#). Scotland has historically delivered more of its higher education [below degree level](#) and in colleges, and it has used [outcome agreements](#) to promote [articulation](#) between college and university courses. In its next phase of tertiary development, it is [testing](#) the development of skills training through collaboration between universities, colleges and employers. These pathfinders are focused on industrial sectors with particular importance to specific parts of the country, such as energy in the north-east of Scotland and land-based industries in the south, as well as broader national priorities such as digital and healthcare. In doing so, they demonstrate the potential for devolving activity beyond the level to which powers and funding have been devolved, and harnessing national regulation and funding for local agency.

The experience of national devolution in the UK demonstrates the potential for further and higher education to become more closely aligned with the skills priorities of different areas in England, given the necessary powers and funding.

***Higher levels of education and skills are not necessarily improving productivity and equity; indeed, there may be concentration of skills and wages in some places at the expense of others.*** While boosting the supply of skills is important for levelling up, on their own skills are an insufficient lever for it, i.e. skills are 'part of the mix' rather than 'the entire fix'. Support for business improvement and innovation – including to adapt product market and competitiveness strategies of businesses, investment in plant and equipment, in research and development and in infrastructure (both digital and transport) are also key 'elements in the mix'. Skills policy does not work in isolation: investment in local care provision and transport can provide the 'scaffolding' to enable local people to participate in education, training and employment; economic development strategies can equip businesses to pursue more productive approaches within which higher level skills may be just one dimension.

***Skills are a derived demand, so it is necessary to focus on the demand for skills and their utilisation in addition to their supply.*** There is a long history of governments emphasising, and often relying on, investment in skills supply to improve prosperity<sup>[26]</sup> and productivity.<sup>[27]</sup> Yet despite increases in the proportion of the population with higher levels of skills, growth in prosperity and productivity has proved more elusive.<sup>[28]</sup> After all, many students applying to university and college courses are not motivated primarily by productivity, innovation and prosperity at the point when they apply for study and supply-side approaches do not shape demand and absorptive capacity for skills.<sup>[29]</sup> Indeed, many firms do not plan ahead and invest in skills or even know what skills they want. Some of those that do invest in skills lack the absorptive capacity to make good use of investment in human capital.

***In some local areas and sectors 'low skills traps' exist.*** Here the potential for supply-side action on skills is limited as there is not impetus to invest in skills.<sup>[30]</sup> One such example is provided by the hospitality and retail sectors in the Birmingham city-region prior to Brexit and the Covid-19 pandemic.<sup>[31]</sup> At that time, employment rates in the Birmingham city-region were lower than nationally, especially for the least qualified. A ready supply of migrant workers in the city-region (including higher-skilled migrants willing, at least temporarily, to fill jobs requiring lower skills only), particularly in neighbourhoods where some of the firms interviewed were located, meant that recruitment to low-skilled jobs was not a particular issue. In making wage-setting decisions employers referenced local wage norms and

set their own wages accordingly, so illustrating isomorphic behaviour where local labour market conditions result in conforming to similar wage levels. In many instances ‘low road’ business models and competitiveness strategies precluded escape from the ‘low skills trap’.

**Support for business improvement and innovation is key:** The example above highlights the need to scale up and intensify business support and improvement in order to raise ambition and strengthen absorptive capacity. While science-led innovation is important, universities and colleges also have a role to play in the wider workplace innovation that is needed for enhanced skill utilisation and raising demand for skills. Research and development and scientific breakthroughs can be important for productivity growth, for which universities are crucial. However, incremental innovation can have a greater reach across sectors and local areas. Hence a broad model of innovation is needed.

### An Academy for Smart Specialisation in Sweden

Värmland is located in Sweden on its border with Norway. It has a population of around 300,000, half of whom live in its main city of Karlstad. Its situation might be considered to be comparable to places in England such as Lancaster and North Lancashire, York and North Yorkshire, or Exeter and East Devon. The main economic activities are based on a heritage of forestry-based and steel industries, but its smart specialisation strategy seeks to diversify and internationalise beyond this through the organisation of development of the region’s assets. This is intended to enhance the competitiveness, resilience and indeed inclusivity of the regional economy for all sections of its population.

The integration of higher education with the economic strategy of the Varmland regional government began with a ‘10 professor’ programme to engage academic staff and create common ground with Karlstad University. This led to the establishment of an [Academy for Smart Specialisation](#), which is run jointly between the regional government and the University. The Academy provides a platform for researchers, companies, funders and entrepreneurs to work together on applied research and training in thematic areas that have they have identified jointly as priorities.

The priority areas - value-creating services, forest-based bioeconomy, digitalisation of welfare services, advanced manufacturing and complex systems, culture and place-based digitalised experiences, and systems solutions with photovoltaics - were identified on the basis of their potential for international recognition, critical mass of companies, capacity for innovation and entrepreneurship through clustering and networking, and the potential contribution to societal challenges and inclusion.

The partnership between regional government and the university in Karlstad demonstrates how regions and universities can benefit from more embedded partnership, through which universities move beyond their traditional mission. Universities help to generate place identity and culture, as well as attracting people and investment. Their research and education activities benefit from connection with businesses, public services and communities, whilst empowering them with the skills, knowledge and entrepreneurial mindset to address fundamental challenges such as the Covid pandemic, sustainable and inclusive development, and the complexity of future work.

Greater devolution to the UK’s cities, regions and nations could position local authorities to invest in longer-running and more in-depth partnerships of this kind, corraling resources around priorities that are specific to the location, such as transport in the West Midlands or offshore energy in the North East. This will, though, require local government and universities to establish more common ground and integrated ways of working.

Local knowledge is important in tailoring local support to local needs. Traditional low pay sectors and small businesses may not engage in conventional business support but are not uninterested in productivity enhancing measures – including developing digital skills, and management initiatives. Evidence suggests that Covid-19 may be changing mindsets – providing an opportunity and/or necessity to think differently. Research on microbusinesses in the catering



and creative sectors in Birmingham is testament to this (Ram et al., 2022).<sup>[32]</sup> Community networks are important and Universities can help through their education missions, too, by providing tailored training and facilitating internships.

### Further and Higher Education Collaboration for Skills Training in the East Midlands, UK

The number of people in the East Midlands qualified to Levels 2 and 3 is above the England average. However, the number qualified to Level 4+ is below the national average. Graduate retention represents a challenge, with 35% to 39% of graduates from the area's three universities remaining in the East Midlands following graduation. Significant place-based variations in skills and productivity exist across the East Midlands districts.<sup>[33]</sup>

Mansfield and Ashfield have experienced **socio-economic challenges** following the closure of its coal mines in the late 20th Century. *"The area has not developed a major new post-industrial purpose beyond a range of distribution jobs that are now themselves under threat from automation. Both towns are in desperate need of levelling-up."*<sup>[34]</sup> Prior to the Covid-19 pandemic, skill levels and earnings in the two districts trailed national averages by some margin. Employment levels and economic activity rates corresponded to national and regional averages.

A key challenge is the **lack of a regional vision for skills** in the East Midlands. This stems from recent institutional instability and the complex political geography in the region. A **new devolution deal** is being developed between the government and four of the local authorities in the East Midlands (Derby, Derbyshire, Nottingham, and Nottinghamshire). **Some interesting and effective examples of local skills initiatives exist.** The extension to Nottingham City tram network (completed in 2016) involved a public body setting out to procure a major local infrastructure project in a way that would maximise the local employment and training benefits of the project. Legacy European Social Fund partnership programmes have supported the development of micro-credentials for local businesses.

Nottingham Trent University (NTU) opened a satellite campus in Mansfield to deliver courses responding to community and employer needs. Level 4 and above provision at Vision West Nottinghamshire College's (VWNC) University Centre was transferred into NTU's portfolio in 2020. Subsequently, additional courses have been developed. **541 students** have completed 28 courses at the Mansfield Hub so far. Student numbers are projected to grow to 801 by 2024.

A key principle of the initiative was **partnership working** between NTU, local civic agencies, businesses and community groups to co-produce plans for the University's contribution to the town and surrounding area. NTU convened **stakeholder workshops** in Mansfield discuss the benefits of making Mansfield a university town and how such benefits could be delivered.

The initiative illustrates *"how a HEI can utilise its resources, capability, networks and innovation to support a locality left behind by the knowledge economy"*.<sup>[35]</sup> It shows the importance of HEIs **collaborating with local stakeholders and employers** to identify the benefits to the local community of HEIs engaging in new disadvantaged areas and co-developing plans. It also demonstrates how universities, colleges and local agencies can act without waiting for central government.

***There is work to do to build and strengthen local skills ecosystems in the UK so that they replicate features of successful local skills ecosystems identified from international evidence.*** Local and international evidence (Green et al., 2017<sup>[36]</sup>; Froy et al., 2012<sup>[37]</sup>; Taylor et al., 2021<sup>[38]</sup>) points to the importance of a mutually reinforcing set of factors:

- strong local economic governance
- consistent policies over the medium- and long-term
- buy-in from stakeholders – employers (in a central role), trade unions, sector-based organisations, etc.
- harnessing the power of the public sector (for example, public purchasing policy)

- collaboration between further education, higher education and training providers
- flexible and responsive training provision
- high levels of long-term investment
- sector focused economic development strategies (e.g. in high tech or digital clusters)
- infrastructure investment – with education and skills closely integrated and playing a supportive role
- ongoing communication across the ecosystem
- integration across policy domains (e.g. skills policy is linked to economic development in order to address weak demand)

The good news is that incremental improvements on any of these features can be positive for the overall functioning of skills ecosystems.

### **Coordination of federal, state and local investment to address skills needs in Chicago, USA**

The workforce system in the United States is multi-layered and is designed to be implemented at the local level. Federal funding is authorised through the Workforce Innovation and Opportunities Act, administered by the U.S. Department of Labor's Employment and Training Administration (ETA). The most recent federal appropriation of \$2.879 billion flows directly to states largely passed through local workforce agencies for adult employment and training activities, youth activities, and dislocated worker employment and training activities. The uses of these funds are subject to local and state plans negotiated annually with regional administrators of ETA. These plans specify performance expectations on such measures as wage gains of workers who are trained and placed through the workforce system. In addition, there are some 2,400 American Job Centers operated by the states that facilitate the labor exchange market in communities across the U.S.

The greater Chicago metropolitan area is served by seven local workforce agencies. The Chicago/Cook Workforce Partnership covers the City of Chicago and Cook County of which Chicago is the county seat. The Partnership itself is organised as an independent not-for-profit corporation and is designated as the administrator of federal funds allocated to the Chicago/Cook jurisdiction. The Board of Directors is appointed by the Mayor of Chicago and the President of the Cook County Board, and the Partnership is physically headquartered at County facilities. Since it is a not-for-profit corporation, the Partnership obtains funds from foundations, corporations, and other entities for 26 initiatives that go beyond the scope of federal funding. Services are delivered through a network of approximately more than 90 community-based organizations, American Job Centers, satellite sites, and sector-driven centers.

Layered over the federally-funded system are networks of community colleges offering 2-year associate degrees, high school equivalency degrees (GED), and training programs leading to occupational or stackable skills-based credentials. Students pay reduced tuition or, in some cases, no fees. They are eligible to also receive direct assistance through federal and state financial assistance programs. Businesses often contract directly with community colleges to provide direct training services for their workers. The State of Illinois' community college system is organised by districts and are funded largely through local property taxes. The Boards, except in Chicago, are elected locally; Chicago's City Colleges Board overseeing seven campuses is appointed by the Mayor. Community colleges also receive direct state-funding support as well as education funds from the federal government.

Apprenticeships are either industry- or individual business-driven experiential learning programs that are governed by either federal or state regulators. Approximately half of the states make their own determinations regarding the authorisation of apprenticeships. The federal government covers the other half of the country. Illinois' apprenticeship programs are under the federal system. While some programs may receive public subsidies, the advantage to employers is that they are able to pay reduced learning-related wages while an apprentice is being trained. Traditionally, apprenticeships have been concentrated in construction and in union-friendly states such as Illinois are operated by the trade unions. Apprenticeships are expanding dramatically in manufacturing, services – including financial services, healthcare, technology, and in among businesses that can

formalize an experiential learning program for new entrants that has the right combination of classroom and on-the-job, mentored training. Local and state workforce agencies are actively fostering the growth of apprenticeships.

This illustrates how local actors – universities, colleges, employers, local agencies and third sector organisations – can align investment from different levels of government, harnessing the investment power of national and regional government to address local needs.

## Summary of findings and recommendations

We have identified in this briefing the importance of skills for driving productivity, economic growth and improvements to spatial equality, which sit at the heart of the challenge of ‘levelling up’. Also, our insights, based on research and practice, highlight that local areas are best served by policies that seek to nurture skills ecosystems, which stimulate dialogue and collaboration between further and higher education institutions, and build demand among employers across businesses and public services. There are good examples of this across all parts of the UK, which we have highlighted in this briefing, but they have too often been hampered in England by fragmentation between different sectors, centralisation and lack of responsiveness to local needs, and short-term changes to policies, funding and institutions.

Best practice can be found where local and national regulatory and funding approaches have been aligned to support sustained partnership, so many of our recommendations below are focused on this. Notwithstanding this, participants in the seminar we held in October 2022 were clear that universities, colleges and local government should not rely on national government to nurture successful skills eco-systems across the country. In particular:

- i. Universities, further education colleges, local agencies and employer representatives do not need to wait for national government to map the strengths, needs and provision in their local areas, and broker coherent and collaborative responses that shape demand for skills as well as their supply.
- ii. Universities have the autonomy and capability to integrate more closely with communities, businesses and public services, so they are diagnosing as well as responding to skills and innovation imperatives, embedding this across their education and research missions, and aligning their investment with local opportunities.
- iii. University researchers and practitioners can themselves develop a shared body of evidence on the innovative and impactful ways in which they are integrating with the communities and institutions around them, building demand and capability for skills and knowledge in their local areas.

The government in England could, though, help with this by:

- i. Ensuring that the next round of Trailblazer devolution deals equip MCAs to align skills training and apprenticeships with the specific priorities of their local areas, including through shared investment between different employers. This requires further devolution of funding and regulatory powers, as well as the enhancement of the capability of local institutions to manage investment of this kind and be accountable for it.
- ii. Empowering MCAs to broker a joined-up approach to the regulation of further education, apprenticeships and higher education in their local areas, drawing on the lessons from tertiary education systems elsewhere in UK and around the world. This could be initiated through ‘regulatory sandbox’ pilots in the Trailblazer areas, with an initial focus on innovative models such as micro-credentials and personal finance entitlements, from which learning could be gathered to create a roadmap towards more systemic change.

- iii. Earmarking an element of the funding provided to further and higher education for collaborative projects between the two sectors. This could include joint capital investment for universities to develop their presence alongside colleges and employers in places with low levels of educational progression and skills, and the integration of universities within LSIPs through partnership investment with the UK research funding bodies.

## Conclusion

Skills are central to the productivity, growth and equity challenges for levelling up. Based on international evidence, we believe that the UK should tackle this by nurturing 'skills ecosystems'. Universities, colleges, local agencies and employer representative bodies should not wait for national government to advance this. They can themselves form the partnerships to map the strengths, needs and provision in their local areas, and broker coherent and collaborative responses to them. There are, though, important steps that the UK and national governments can take to support this. They include further devolution of powers and funding for skills, and improvements to the incentives for collaborative working across further and higher education. Also, crucially, the creation and sustenance of a regulatory and funding environment that lasts beyond the short-term is important, so it gives local actors the confidence to invest in deeper partnership.

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