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## 60-SECOND SUMMARY

Skills are crucial to productivity and to the wellbeing of communities, businesses and individuals. The North of England needs a skilled workforce and a system for skills development that meets the changing needs of the regional economy.

Qualifications levels across the North of England are lower than for England as a whole. A higher proportion of the population of the North have no qualifications or a qualification at or below Level 3 as their highest qualification, while a lower proportion hold a degree or other Level 4 certification. Furthermore, the available evidence suggests that skills needs in the North of England are different from those of the UK as a whole.

The Employer Skills Survey suggests that that trends in skills shortages and gaps in the North of England are distributed differently across occupations from national ones, and also that there are some striking contrasts between parts of the North.

Yet systems for developing adult skills are both highly centralised and extremely complex. Across the North there is much excellent provision, including fruitful collaboration between providers and employers at the local level. However, some stubborn challenges remain.

Historically the UK skills system has been largely supply led, rather than shaped by the identified needs of learners, employers and local economies. It also suffers from:

- relatively low levels of investment in skills provision by employers and government, compared to similar nations
- low employer demand for skills, and poor skills utilisation
- too much provision that has poor labour market outcomes, and some aspects of funding that may inadvertently incentivise this.

Devolving some powers and budgets for skills would help to align provision with regional economic and social priorities, and to create more agile and efficient systems. For this project, we worked with officers from a small group of northern Local Enterprise Partnerships

(LEPs) who are engaged in skills devolution and related issues, to identify the opportunities of this policy and develop recommendations for its future.

## RECOMMENDATIONS

Our recommendations are set in the context of the Skills 2030 framework for reform of the adult skills system in England (Dromey et al 2017). We propose the following.

- 1. Further powers and budgets for skills should be devolved to LEPs, including powers to shape apprenticeship provision (building on a strong track record of work under the City Deals and Growth Deals).**
- 2. To support further skills devolution, LEPs should develop and publish regional Skills Priority Lists to shape incentives for providers and learners.**
- 3. LEPs should commission skills budgets using Outcome Agreements focussed on developing local skills ecosystems, and on labour market outcomes including pay, work progression, and productivity in the local economy. LEPs should be allowed to use funding to incentivise programme completion, initiatives to support pay and work progression, and both economic and social outcomes.**

City Deals and Growth Deals passed some powers and budgets for skills to northern city regions. This experience has given LEPs a strong resource of knowledge on which to build and some excellent projects and programmes are in place. Devolution of the Adult Education Budget (AEB) is an important but limited addition to these. The AEB offers new opportunities to LEPs but is a relatively small funding stream, spent mainly on statutory entitlements to basic skills provision.

In our project regions, there is considerable ambition for skills devolution. Desired outcomes include a coherent skills system, developed in the light of specific aims for economic and social development in particular places. Introducing a place-based industrial strategy in England offers an important opportunity, especially where LEPs have a role in its delivery. Their remit for economic development provides a lever to align skills provision with skills utilisation in the context of local sectoral mixes and opportunities. This should include the ‘everyday economy’ – including industries with a history of low pay, low skills and poor progression – as well as high-growth, high-tech sectors, to ensure that skills provision has its full potential impact on both economic and social outcomes. Within LEPs, extensive good practice is in place to help achieve these priorities including:

- using limited skills devolution to leverage wider influence through alignment of programmes, using the AEB (or other frameworks) to articulate priorities, and using evidence from previous rounds of devolution to argue for desired outcomes
- developing clear, shared frameworks of desirable outcomes for skills devolution and shaping funding and other incentives to achieve these
- partnership working and the establishment and use of networks to achieve collaboration, coherence, a shared vision and effective actions by stakeholders
- the production and use of high-quality data on skills needs, provision and current and future labour markets.

Limited resource to put skills devolution into practice represents a risk for LEPs. As well as developing policy and data and working with partners, they will eventually have to assume some of the operational management functions currently undertaken by the ESFA. Yet skills devolution takes place in the context of reduced funding and staff numbers. The North needs a clear strategic vision to co-ordinate the potential of skills investment as a contributor to economic growth, productivity and prosperity with the opportunity to bring social benefits to individuals and communities.

- 4. Business support provided by LEPs should focus on skills utilisation**, and should be closely integrated with devolved powers for skills policy.
- 5. Sector Deals developed as part of the industrial strategy should include a skills element**, with associated investment where appropriate.
- 6. Skills devolution should be integrated with other devolved powers to improve place-based approaches to social and economic development**, including economic development and employment support; this could also extend across the range of devolved powers.
- 7. Partnerships and networks should play a key role in developing and implementing skills devolution** and a requirement for partnership working should be included in Devolution Deals.
- 8. A ‘Skills for the North’ body should be established**, based in a northern city, with a remit to support northern LEPs to take forward skills devolution.

## The progressive policy think tank

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