

The Skills Challenge - Background Paper

May 2015

The purpose of this document is to capture the background context to the challenges being faced in the Watford area in relation to the skills agenda. This intends to support multiple discussions, including within Watford Borough Council, around the More Watford concept, and with relevant stakeholders across the town.

Macro / National Context

National Institute Adult Continuing Education (NIACE) Chief Executive, David Hughes 26th February 2015 referred to "... the clear consensus about the genuine threat that crippling skills gaps and shortages pose for UK economic growth. A whole range of organisations including the CBI, the OECD and the UK Commission for Employment and Skills have pointed to skills as a major constraint on the success of businesses."

The Skills Commission "Still In Tune" report 2014 states "At present, the skills system in the UK is not adequately matched to the modern structures of work in 2014, and will become further misaligned in coming years unless action is taken now."

YMCA Manifesto -Training and Education (2015) states "Young people are not being made aware of the different pathways available and especially those alternatives to mainstream educational pathways such as vocational training and apprenticeships... The governments focus and drive for apprenticeships as an alternative for young people is welcomed. However the application of this in practice has not been successful."

Trends

The following trends are recognised by the Skills Commission:

- The nature of work has changed, becoming more knowledge intensive and highly skilled in many instances
- Today's young people face increased competition from more experienced workers to access entry level positions
- There is a long term trend in declining rates of discretionary training for employees and particularly for workers with lower levels of education
- Individuals are being left with greater responsibility for sourcing and funding their own training
- There is greater flexibility in people's working patterns
- Many have multiple or 'portfolio' careers
- There are a greater number of women in the workforce
- The workforce is more international
- People are needing and wanting to work for longer

"The skills commission has concluded that siloed thinking from government departments, a lack of engagement between major components of the system such as schools, colleges and employers, and a narrow political focus on some aspects of vocational provision or particular policy levers is hampering our success."

Their view is that "Employer engagement in the skills system is essential, yet the increasing complexity of the system is in danger of pushing employers away."

Regional / Sub Regional Context

In September 2014 Herts LEP reported that “79% of Hertfordshire employers experience skills gaps.”

Hertfordshire LEP Strategic Economic Plan (SEP) March 2014 suggests that Hertfordshire has more ‘hard to fill’ vacancies than the national average in a wide range of occupations, from managers and professionals to caring, leisure and other services, and that 91% of these ‘hard to fill’ vacancies are linked to skills shortages.

They also refer to “real challenges for Hertfordshire based employers who need to compete with London salaries”, and suggest there is a reluctance to invest in workforce development due to a fear of quickly losing trained staff to London based competitors.

South West Hertfordshires economically active population is increasing potentially providing more labour for local businesses. However, this increase may be being influenced by the London housing market, with workers moving out of the capital due to the inaffordability of homes, but still commuting in for work. So it is possible that these skills are not available to local employers.

Regeneris draft SW Herts Economy Study 2015 recognises the following potential issues over the period to 2031:

- There could be insufficient labour to meet demand linked to the increase in employment
- There are risks in assuming that the area could meet its future labour force requirements through shifts in commuting and other changes in the labour market
- The impact of Londons housing and commercial market dynamics have a significant affect on the SW Herts labour market

The Centre for Economic and Social Inclusion state in their July 2014 report that the ‘skills gap’ for England is the equivalent of increasing everyone from an average of five GCSEs to an average of three A levels by 2022. They suggest the consequence of not meeting this challenge will be 9.2 million low skilled people chasing 3.7 million low skilled jobs, whilst employers try to fill 14.8 million high skilled jobs from a pool of 11.8 million high skilled workers. This national picture has the potential to be compounded locally by housing affordability issues resulting in Watford experiencing shortages of both high and low skilled workers.

Local Context

The 'skills gap' is recognised as a problem for local businesses and this has been discussed within various business and community forums for some time. Watfords Big Business Connect Group and the Town Centre Partnership have both said that one of the biggest challenges facing local employers is attracting and retaining the right staff. There is growing anecdotal evidence from Watford employers suggesting they are struggling in particular to fill low-skilled posts. Also there has been significant feedback from businesses about 'work-readiness', and the need for skills providers to better support development of interpersonal skills to enable people, particularly young people, to operate more successfully within professional workplace environments.

Freedom Communications' More Watford Discussion Paper November 2014 suggests; "It is clear that the best intentions of schools, colleges, charities and other learning organisations on their own, is not going to be enough to address skills and employment gaps..."

However there is limited evidence of what the local skills gap actually is today, and how this will evolve over the coming 15 years, particularly considering the employment growth predicted for the town and the impact of the major development projects. A picture is needed of what skills are required by local employers today, and in the future, and how this maps onto the skills coming out of local providers. There is also no clear view of how new opportunities being created in the town can be accessed by local people seeking employment.

Watfords Economic Development Strategy 2015-2020 refers to potential for the town to support job growth of 13,290 over the period 2006-31, almost double the 7,000 target set in the Core Strategy. This is based upon the Economic Growth and Delivery Assessment (EGDA) report produced for the council by Nathaniel Litchfield and Partners in November 2014. It identified that job growth in all areas of Watfords FEMA¹, which includes Three Rivers, Dacorum, Hertsmere and St Albans, is forecast to increase at a greater rate than growth of working age population, although this is also forecast to grow faster than the national average. It suggested that not effectively planning to accommodate this growth would "... represent an acceptance that the Borough will continue to underperform economically and fail to achieve its full economic potential...and in the longer term would undermine the overall sustainability and vitality of the Borough." Whilst the EGDA considered Watfords growth, a further study has been commissioned to consider growth of both employment and housing across the wider FEMA, and is due to complete this Summer. Early indications suggest that Watfords employment growth could actually be even higher than this 14,000 figure due to the increasing attractiveness of the town resulting from CRL, and also from the affordability challenges within both the London housing and commercial markets.

Strong headline indicators for economic activity and employment rates, such as NOMIS, masks some underlying issues in the labour market, such as a disconnect between jobs available (high proportion of service-related jobs) and highly qualified professional resident workforce, many of whom commute out of Watford for higher paid employment². The decline in self-containment rate³ has highlighted the need to

¹ Functional Economic Market Area - the spatial level at which the relevant economic market operates taking into account labour markets, housing markets, supply chains in industry and commerce, service markets for consumers and transport networks

² Watford 2014 EGDA

better connect the skills of local people with the jobs available, which in turn would improve pressures of commuting and congestion. Improving levels of workforce self-containment bring the benefits of increased local expenditure and better employee work-life balance, as well as reduced congestion.

Wage levels for workplace jobs within Watford are 14% lower than resident wages. This suggests that skilled residents are commuting to higher paid jobs outside the Borough, particularly in Central London - between 2001 and 2011, the volume of residents travelling to London for work increased by 25%⁴. Yet whilst it is recognised that in recent years local job growth has not kept pace with growth in Watfords' working-age population⁵, it is also likely that Watford has attracted a flow of London workers to relocate, with the increased capacity in housing stock in recent years proving more affordable than London housing.

West Herts College delivers further education courses for around 4,500 students, as well as working with local businesses to deliver a range of apprenticeships schemes. They have identified the need to focus on the following skills as key drivers to the local economy (which are also in line with the national picture):

- STEM skills: specialist skills in science, technology, engineering and maths, particularly with Watfords growing pharmaceutical, life sciences and technology sectors
- Permutations of these across technology, digital and creative skills, with the arrival and growth of Warner Bros Studios and associated supply chain
- English and maths: as core skills across the workforce
- Service sector skills - in the widest sense, but particularly to support the growing retail/leisure sectors with Charter Place development
- Short and medium term construction skills to support the major development project

There are a range of other providers of further education within Watfords FEMA, including Oaklands College and Watford UTC, and there are several apprenticeship providers operating across the area.

Herts LEP have provided information about apprenticeships across Watford and Hertfordshire to support this discussion.

So what is needed?

This is a wide and complex area. There needs to be recognition of the difference between what can be **affected** locally, and what can be **influenced** regionally and potentially nationally. Local action in response to the skills challenges must be specific, focused and deliverable. There are many organisations operating within the Watford area with an interest in the skills agenda and with experience of delivering good outcomes. For the town to step up to the challenge around skills, a consensus approach is needed, bringing stakeholders together to collectively determine a plan to meet the skills challenge in Watford.

³ Self-containment is defined as the percentage of employed residents who are employed within the boundaries of the Local Authority Area

⁴ Watford 2014 EGDA

⁵ Watford 2014 EGDA

Possible Options:

- Create a Community Interest Company along the lines of Freedom Communications More Watford concept to address the local skills agenda, similar to that created in other towns (Reading, Rushcliffe)
- Work with Herts LEP to address local skills as part of their Growth Area Forum⁶ – discussions are due to start around the wider Growth Area Forum agenda in September 2015
- Seek support from Hertfordshire County Council as the authority responsible for education and skills
- Other suggestions?

Possible Activities:

- Commission a labour market / skills gap analysis across Watfords FEMA – what do/don't we know to enable informed decision making and take appropriate actions?
- Connecting demand and supply - what skills will be needed in the new jobs coming forward, particularly through the major development projects, and how can we ensure local people have access to these opportunities?
- Engage developers and businesses to plan for job growth
- One Stop Shop for access to skills support, bringing a joined up approach and seeking to remove duplication and maximise output (eg Reading – Elevante Me website for 16-24 year olds <http://reading.elevateme.org.uk/index.htm> and YouNG initiative from Rushcliffe)
- Improve engagement of Watfords business community in local skills development

⁶ LEP lead initiative to harness growth around the M1/M25 corridor. Growth Area Forums are also being established for the two other Growth Areas identified in the Herts LEP Strategic Economic Plan