

REPORT TO: Employment, Learning and Skills and
Community Policy & Performance Board

DATE: 19th September 2011

REPORT AUTHORS: Strategic Director Children and Enterprise

SUBJECT: Scrutiny Topic Assessing the Impact of
Deficit Policy on Employment Learning and
Skills in Halton

WARDS: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To update Members on the scrutiny topic 'Impact of Deficit Policy on Employment Learning and Skills in Halton'.

2.0 RECOMMENDATION: That

- 1. Members note and comment on the information gathered to date; and**
- 2. Members agree to receive a further progress report in six months time.**

3.0 SUPPORTING INFORMATION

3.1 For the Municipal Year 2010/11 Members proposed that a scrutiny topic group should consider '**Assessing the Impact of the Government's deficit policy on Employment Learning and Skills**' (in Halton).

The topic group has been chaired by Councillor Lloyd Jones. Councillors Austin, Howard and McManus have been Members of this group.

Much of the early work of the group was dependent upon the outcome of the Government's Spending Review, which was announced at the end of October 2010.

The group also considered that the Government's deficit policy would have an impact on a wide range of initiatives and measures in Halton, but that it was important to remain focused on issues that would be of specific relevance to this Policy Performance Board. Therefore, the group carried out an initial audit/assessment of emerging Government policy relating to the Employment, Learning and Skills agenda. Reference has been made for example, to the Local Growth White

Paper, and wider welfare reform agenda and its relationship with worklessness and potential return to work incentives.

An overview of Employment Learning and Skills policies that the Scrutiny Topic Group considered is contained in Appendix 1.

Members of the group also considered a number of publications from a variety of 'think tanks', and to maintain balance, from within and outside Government. Members considered work recently commissioned in the Liverpool City Region concerning Market Accounts. This work has concentrated on "Labour Market Dynamics", "Labour Market Segmentation" and "Job Creation and Destruction" in the light of the Government's deficit reduction policies.

The group felt that it was important to reflect on the macro economic context and then 'drill down' to local services and Employment Learning and Skills provision in the borough. A summary of the publications that were considered is contained in Appendix 2.

Members mapped current activities and the organisations undertaking this activity with likely future arrangements.

Consideration is being given to whether this activity will continue albeit with a different emphasis or a different delivery organisation. Similarly, whether activity has ceased but is being replaced by a different approach to solving or tackling a particular issue.

Finally, the Scrutiny Topic Group felt that it was important to compare statistics over a period of time so that a quantitative assessment of deficit policy could be considered. The Group acknowledged that given the Comprehensive Spending Review was announced in October, it would be too soon to measure this impact. A comparator date of 1st April 2011 was set. Therefore, it is proposed that a further report in six months time would give a more accurate reading of the impact of deficit policy.

As an interim arrangement, statistics have been gathered that relate to the period April 2010 to July 2011. Data are provided in Appendix 3

4.0 POLICY IMPLICATIONS

The work that the topic group has undertaken to date is playing an important role in not only understanding the policy context but drawing conclusions on how changes to legislation will impact on future service provision.

5.0 OTHER IMPLICATIONS

Work is progressing to evaluate which activities/actions have “worked” for Halton, and whether Government policy will accommodate these activities in the future. To this end, the remit of this topic group has informed work being undertaken by the Local Strategic Partnership in respect of Enhanced Partnership Working which is mapping the resources available in light of changes to Government policy.

Consideration is being given to whether this activity will continue albeit with a different emphasis or a different delivery organisation. Similarly, whether activity has ceased but is being replaced by a different approach to solving or tackling a particular issue.

6.0 IMPLICATIONS FOR THE COUNCIL’S PRIORITIES

Whilst the topic group focuses on the implications for Employment Learning and Skills in Halton, it is clear from the research that deficit policy is having an impact on other Council Priorities.

In regard to Environment and Regeneration, the most significant piece of legislation has been the Local Growth White Paper which, for example has seen the removal of Regional Development Agencies, responsible for coordinating economic regeneration in English regions.

7.0 RISK ANALYSIS

None.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no direct Equality and Diversity Issues arising out of this report. However, the research presented in appendix 2 suggests that there will be a number of future challenges relating to ensuring that adequate resources continue to be made available to our more vulnerable residents.

9.0 BACKGROUND PAPERS

None under the meaning of the Act.

Appendix 1 – Overview of Employment Learning and Skills Policies

Draft National Planning Policy Framework

08/2011

This briefing gives an overview of the draft National Planning Policy Framework (NPPF), which was launched at the end of July 2011.

Consultation on the draft NPPF closes on 17 October 2011.

(all) Gypsies and Travellers: consultation on new planning statement
04/05/2011

This briefing outlines the proposed planning framework for gypsy and traveller sites and context in which it will operate, and points to issues that require particular care in responding to the consultation which closes on 6 July

(ALL) Supporting Communities and Neighbourhoods in Planning Project

20/04/2011

The government has announced the allocation of £3.2 million worth of grants to organisations such as the RTPI for them to support communities involvement in local planning. This briefing comments on the announcement.

Independent Ageing: new LGiU research report

Localising Support for Council Tax in England

08/2011

The government has published its consultation proposals for localising council tax support. The reforms are potentially very significant for all councils and their residents. Councils should respond fully to this consultation.

Local Government Resource Review: Proposals for Business Rates Retention

07/2011

The Local Government Resource Review aims to incentivise councils to encourage local economic growth.

Implementing social housing reform: directions to the Social Housing Regulator

Fairer Care Funding: The Report of the Commission on Funding of Care and Support

07/2011

This report summarises and comments on the Dilnot report, focusing on measures of particular interest to councils.

Learning Criminal Justice: Breaking the Cycle consultation the Government response

06/2011

The government sets out its plans to reduce offending, some of which are controversial. The range of issues covered includes many which are of direct relevance to local government and their partners.

(Learning) Adults facing Chronic Exclusion - final evaluation

06/2011

This briefing summarises the final evaluation report of the Adults facing Chronic Exclusion programme. It offers insights into the nature of entrenched deprivation and the successful techniques and cost effectiveness of various approaches.

(ALL) House of Lords inquiry into behaviour change

05/2011

The House of Lords is holding an inquiry into behaviour change as a means of implementing government policy. One aim is to consider whether local authorities have sufficient expertise to ensure interventions are evidence-based and effective

(MP) The Community Infrastructure Levy: An Overview

05/2011

This briefing summarises and comments on a newly published overview of the Community Infrastructure Levy from the Department for Communities and Local Government.

The Community Infrastructure Levy (the levy) came into force in April 2010. It allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed as a result of development. This includes new or safer road schemes, flood defences, schools, hospitals and other health and social care facilities, park improvements, green spaces and leisure centres.

(EF) Safer and Active Communities : the Baroness Newlove report

05/2011

This briefing summarises this report which makes proposals on how to strengthen and support local communities, and provide them with new powers and resources. It comments on its relevance to councils in view of the Baroness' move to the DCLG.

(BD) Consumers Powering Growth - Better Choices : Better Deals

05/05/2011

This briefing introduces the Government's new Consumer Empowerment Strategy. It draws local authorities' attention to the implications and opportunities for their strategic, regulatory and service provider roles.

(ALL) Recovery Britain: ESRC report

24/03/2011

The Economic and Social Research Council (ESRC) has published a report Recovery Britain presenting findings from recent research on the long-term effects of the recession and the social and economic ramifications of the recovery.

Budget 2011

(All) Equality Act 2010: Banning age discrimination in services, public functions and associations – a consultation on proposed exceptions to the ban

06/03/2011

This briefing outlines the proposed exceptions to the Equality Act that are relevant to local authorities, particularly the implications for health and social care where there will be no specific exceptions to the legislation.

(Employment) Growing the Social Investment Market: A Vision and Strategy

02/03/2011

Growing the Social Investment Market looks to develop the concept of a Big Society through expansion of the social investment market. Key to this is the establishment of a Big Society Bank. This brief outlines the strategy and comments on its main points.

(Employment) The Welfare Reform Bill

22/02/2011

This briefing sets out the main provisions of the Welfare Reform Bill, heralded as the biggest reform to the benefits system since the creation of the Welfare State.

(BD) Trade and Investment for Growth White Paper

15/02/2011

This paper outlines the Government's strategy for trade and investment. It is among the first appearing under the Growth Review. It is important background for those developing strategies at local levels.
Right to Challenge: CLG consultation

(MP/PS) Microgeneration strategy consultation

12/01/2011

As part of a raft of announcements on climate change the Department of Energy and Climate Change is launching a consultation on microgeneration. Some of the issues of importance to councils are the role of planning, ESCOs, heat mapping and the Green Deal.

(PS) Community Right to Buy consultation

21/02/2011

This briefing summarises and makes comments on the DCLG consultation on the Community Right to Buy-Assets of Community Value. It is one of a series arising from the Localism Bill.

Appendix 2 –

Centre for Local Economic Studies (CLES)

“The implications of Local Government cuts and changes to Service Provision”.

The CLES report outlined the implications of the Comprehensive Spending Review with approximately 28% cuts in Local Government finances over the next four years. Whilst the CLES report considered the issues pertaining to a wide range of services provided by Councils, the group focused on the implications of potential cuts upon the local economy.

Although the CLES report suggests that a reduction in budgets does not necessarily equate to a reduction in jobs, nevertheless recent economic indicators for Halton point to an increase in people claiming job seekers allowance, (JSA) and a higher proportion of young people (18 – 24) currently seeking employment.

The CLES report points to a number of other potential implications, which Members will need to consider over the coming months.

When assessing where cuts need to be made across the local public sector, local authorities must be aware of how they may impact upon the local economy. This requires a nuanced approach which does not necessarily equate budget cuts to job losses (e.g. the economic characteristics outlined below, means the wider economy would struggle to cater for major job cuts in the public sector):

- Small local economy and not entrepreneurial – if an economy has a relatively small economy, large scale cuts would put severe pressure on the local economic base. There would be limited ability to absorb jobs from across the public sector – this combined with depressed business conditions and a new economic era of lower or sluggish growth would mean that it would be particularly difficult for job seekers. Furthermore, if there is a poor entrepreneurial culture, it is unlikely that there will be a host of new businesses starting up. A further consideration is that will many people who have been in the public sector may not necessarily have the required culture of entrepreneurial endeavour;
- Lack of large companies – SMEs would need to fill the breach created by public sector job cuts due to the lack of large companies (which have more capacity to create new jobs);
- Lower value jobs not high end knowledge economy – in an era of ever increasing competitiveness, sustainable job creation will be ever more focused in those places which have higher value economies. This could potentially mean there is a limited scope for new investment in areas with lower value jobs;

- Impact of cuts upon retail sector – in areas with a high proportion of retail sector there could be problems. This sector will have struggled in the slowdown and major public sector cuts would further dampen local consumer demand;
- Impacts on the wider economy – each public sector job is estimated by Insight East to generate between 0.3 to 0.5 jobs in the wider economy – public cuts therefore are not just confined to the sector alone, an important point for all local authorities to note;
- Many small, self contained rural economies – some areas like Suffolk, are made up of several small, rural economies with a number of market towns predominating. These places are not well connected and their local economies are not conducive to agglomeration led growth and significant job creation.

Members also considered the response of the **Chartered Institute of Personnel and Development (CIPD) to the Comprehensive Spending Review (CSR)**, CIPD believes that Government's forecast of the loss of 490,000 public sector jobs by 2014-15 understates the full impact of public sector downsizing. The Chief Economic Adviser at CIPS estimates that deficit reduction measures will be around 750,000 and that some cuts could be disproportionate because of ring-fenced areas of spending (for example, the NHS).

Consideration was also given to the wider economic impact of CSR 2010, particularly in regard to the UK's GDP and Total Managed Expenditure Growth. The accountancy from Deloitte makes reference to the fact that Government is a direct buyer of at least £220 billion worth of goods and services each year – about 25% of Total Managed Expenditure. This accounts for approximately 6% of GDP and employs over 1.2 million people.

HM Treasury Response

Members of the Topic Group also considered H.M. Treasury's response to comments on deficit reduction.

In its response, the Treasury reiterated its Programme for Government, deficit reduction and the need to ensure economic recovery.

Referring to the independent Office of Budget Responsibility public sector borrowing will decline from 11% of GDP in 2009/10 to 1.1% of GDP in 2015/16.

Cyclically – adjusted or “structural” current deficit will be eliminated by 2014 – 15 two years earlier than projected and public sector net debt will peak at 70.3% of GDP in 2013-14.

The response from HM Treasury concludes that the Government's fiscal mandate is to ensure that public finances are returned to a sustainable path.

Liverpool City Region Labour Market Accounts - Final Report

The study considers the flow of working age people between the three main economic statuses of employment, unemployment and inactivity within the Liverpool City Region (LCR). The analysis considers both the nature of these changes and also the characteristics of the people in the different statuses. This summary considers the key issues that have emerged from the research in relation to the public sector/higher skills

The analysis confirms that the recession has reduced labour market dynamism, with working people less likely to change their occupation or move to another employer. This change is likely due to the perceived risks of leaving a secure job coupled with a lack of opportunities in the labour market at the current time. However, there has been an increase in part-time working, suggesting that when faced with a choice, people have reduced hours rather than face redundancy.

There has been an increase in the flow of unemployment to employment according to the research. However, it is suggested that this flow may be of the short term unemployed who are better skilled and experienced rather than the longer term unemployed. Over the coming years, the number unemployed is likely to increase, through public sector job losses coupled with reform to incapacity benefit. The research suggests that those with higher skills who are more job-ready that will be first in line to secure emerging job opportunities and indicates that those holding NQF level 2+ qualifications appear to be the ones progressing most easily upwards between economic statuses.

The research also expresses concern that a number of public sector occupations (such as teachers, planners, health professionals and town planners), which are not well represented in other sectors of the economy, will be highly exposed to changes in sectoral demand. Unlike previous recessions, graduates who have been working for many years are more exposed to changes in the economy, particularly government spending.

The research highlights a current trend across the North West region that those becoming unemployed appear to be more highly skilled than the employment opportunities that are currently available. As well as running counter to the national trend, it also suggests that the concept of a knowledge economy is not delivering enough jobs at the current time. This phenomenon may be related to the current growth of the consumer services sector which is creating jobs requiring lower qualifications while higher skilled jobs are being lost in public and business services. Further research is required to establish whether this is a short term issue, or one that will require significant attention.

Many students are currently moving into relatively low skilled and part-time jobs in sectors such as retail, hotels and restaurants. This may displace job opportunities for long term unemployed. In addition, more full time students are facing unemployment in the LCR, compared to regional and national benchmarks. This is particularly worrying since the unemployment rate for

graduates nationally is 20%, almost double the rate before the start of the recession. It is interesting that trade apprenticeships have continued to be an important route out of unemployment and suggests that helping young people to get work experience in relevant industries should help their future prospects.