

# Creating an employment super-highway



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We are extremely grateful to the many organisations that have contributed to this report and supported us by sharing their expert opinions.

Whilst the views in this study are those of PeoplePlus, the report is all the richer for the diverse contributions – from academics, policymakers, thought-leaders, charities and employers – which have enabled us to gain even deeper insights into the complexities of aligning labour market supply and demand in such a way as to advance the ambition of economic growth which is fundamentally 'inclusive'.

## FOREWORD

“**PeoplePlus believes that creating equitable, sustainable employment requires more than tailored skills training and support”.**

The UK has enjoyed a jobs boom in recent years that means employment today is at its highest level for a generation. That is to be welcomed of course and reflects the hard work of employers and consecutive governments to promote economic recovery since the Great Recession.

Yet, it is widely recognised across the political spectrum that the benefits of growth continue to be unevenly shared, and even more needs to be done to ensure greater prosperity for all. At PeoplePlus, such ‘inclusive growth’ is a core belief as we work to make a direct difference to the lives of a million people by 2022.

Finding a new job can be a stressful, challenging experience even for those prepared to change jobs during the normal course of their careers. But for those without traditional career paths, some of whom may never have held down sustained employment, let alone progressed in the labour market, the stress of unemployment or even underemployment can be overwhelming.

Rightly, this puts more pressure on those of us with responsibility for training and recruitment to continually improve and adapt. Pressure not just to make sure that more people are trained for jobs and ready to enter the labour market, but also to make the landscape of 21st century careers more navigable.

PeoplePlus believes that creating equitable, sustainable employment requires more than tailored skills training and support. This has to be matched by accurate intelligence regarding labour market demand so that we stop training people for jobs that don't exist, merely to fuel disappointment.

This conundrum is the genesis of our Intelligent Routeway Framework (IRF) – a unique interface between employers and training providers that can determine which jobs are available and match them against individuals, taking into account their specific training needs and the training companies best placed to support in delivering these. By replacing guesswork with employer data, the IRF creates an employment super-highway with the potential to help everyone on it: the job seeker whose chances of achieving sustained employment are increased; the employer now recruiting pre-trained candidates; the training provider – confident they are providing the ‘right’ support for their learners; and the funding body whose skills support efforts are optimised with direct reference to economic and social investment objectives.

As Department for Work and Pensions Minister, Mims Davies, has rightly said, ‘We want our children to go as far as their talents will take them’ – and most will if we invest properly in their futures. The IRF can enable this, since it forecasts recruitment trends and helps ensure courses and the individuals going through them are continually aligned and ‘future-proofed’ for the employer needs of today and tomorrow.

It is only by investing in such innovation, with the private sector working alongside government and the third sector, that we can achieve our shared goal of greater prosperity for all. This reflects the fact that, at PeoplePlus, we measure our success not by the pounds earned, but by the distance we travel to help turn lives around and strengthen communities right across the nation.

We have worked tirelessly to solve the seemingly intractable problem - consistently identified by the many expert contributors to this report – of the skills mismatch resulting from traditional approaches used to marry labour market supply and demand. With the IRF, we now have the technology to facilitate a paradigm shift with the potential to revolutionise recruitment.

We hope this report prompts more practitioners, policymakers, academics and employers to join us on the journey to making these ambitions a reality.



**Simon Rouse**  
Group Managing Director,  
PeoplePlus

## CHAPTER 1. THE RISE OF THE INCLUSIVE GROWTH PUBLIC POLICY AGENDA

“**While inclusive growth agendas have been promoted by policy makers across England, Scotland, Wales and Northern Ireland for some time, there remain massive challenges ahead to fully realise them”.**

White Heat has been the name of a film, a BBC2 television series and many a dance club to be sure. Its dictionary definition is ‘a state of intense passion or activity’. The phrase turned up unexpectedly in a 1963 speech given by then Prime Minister Harold Wilson – telling his audience that if the country was to prosper, a ‘new Britain’ would need to be forged in the ‘white heat’ of a scientific revolution. Elaborating later, Wilson wrote that his aspiration had been to ‘replace the cloth cap [with] the white laboratory coat as the symbol of British labour’.

Almost six decades on from Wilson's address, the search for the nirvana of a UK economic strategy that can simultaneously promote modernisation and more equitable growth is one that continues to grip politicians across the political spectrum. This is perhaps truer than ever today – as parties of all stripes put forward competing policy solutions for the 2020s with the aim of driving a new generation of sustainable growth after the Great Recession of 2008-09.

While the search for a more equitable economy has been a fixture of the political landscape for decades, the term ‘inclusive growth’ (defined by the [Organisation for Economic Co-operation and Development](#)<sup>1</sup> as ‘growth that is distributed fairly across society and creates opportunities for all’) has entered the UK's political vocabulary only recently.

As the RSA's [Inclusive Growth Commission](#) [underlined in its 2017 report](#)<sup>2</sup>, one of the factors explaining why this agenda has risen up the public policy priority list is that ‘the flow of opportunities and benefits from economic activity has become a first order question, no longer just a secondary concern. A global consensus is emerging around the view that inequality not only has a social cost, but that it also hampers long-term economic performance and the productive potential of people and places’.

While inclusive growth agendas have been promoted by policy makers across England, Scotland, Wales and Northern Ireland for some time, there remain massive challenges ahead to fully realise them. This is despite the fact that UK employment has been on an upward curve for the best part of a decade and, today, is at around the highest level since the mid-1970s when Wilson resigned as Prime Minister.



<sup>1</sup> The Organisation for Economic Co-operation and Development: Inclusive Growth.  
<sup>2</sup> RSA: The Inclusive Growth Commission

# CHALLENGES FOR POLICY MAKERS PROMOTING INCLUSIVE GROWTH

It is the case across much of the world, not just in the UK, that the twin forces of globalisation and technology are changing the nature of work and employment. These changing contours of the UK and global economies create a key set of challenges and opportunities for public policy makers as they seek to promote inclusive growth.

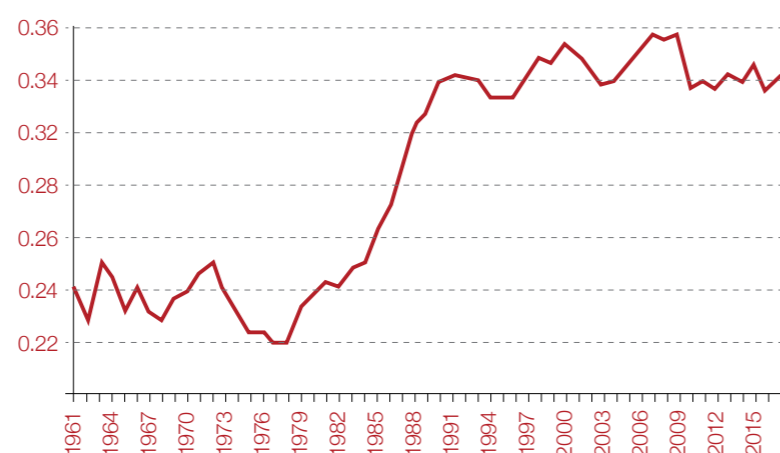
On the upside, those who are highly skilled and either settled or able to move where their skills are in demand are reaping increasing financial rewards. On the downside, there are those at the bottom of the labour market (or indeed outside it) who are being left behind – in most cases due to lack of skills. The net impact of this polarisation is that income inequality has widened in many countries since at least the 1980s.

The Institute for Fiscal Studies (IFS) evidences this in its [June 2019 report](#)<sup>3</sup> looking at UK living standards, poverty and inequality. Despite efforts to tackle income inequality, the UK's Gini coefficient<sup>4</sup> was 0.34 in 2017–18. As Figure 1 shows, this is substantially higher than in the era of Wilson's governments of the 1960s and 1970s. However, after rising sharply in the 1980s, it has been largely static for the better part of three decades, despite the wide range of public policy measures taken by both left and right governments seeking to address it.

As asserted by the [European Economic and Social Committee and International Labour Organization](#)<sup>5</sup>, the twin forces of technological change and globalisation are dramatically impacting labour markets. This includes technological innovation and workplace governance, but also the place of work in society and changing employment patterns and working conditions.

One manifestation of this changing landscape is that we are far less likely to spend an entire career with one employer or even just a few – with some studies claiming UK workers will change employers every five years, on average.

**Fig 1: IFS: 'Living standards, poverty and inequality in the UK'**  
The Gini coefficient of income inequality



**Note:** Years refer to calendar years up to and including 1992 and to financial years from 1992-94 onwards. Figures relate to UK households from 2002-03 onwards and to GB households for earlier years.  
**Source:** Authors' calculations using the Family Expenditure Survey and Family Resources Survey, various years.

Many people living in major urban areas with strong labour markets navigate this more frequent change in career without much issue. But for others, the ability to better understand what jobs are going to emerge in the future, how best to skill oneself and prepare to transition from one career path to another can be much harder to navigate.

Another example of the shifting employment landscape, which has also brought both opportunities and challenges, is the rise of the gig economy. A study from the [Trades Union Congress and the University of Hertfordshire](#)<sup>6</sup> showed Britain's 'gig economy' has more than doubled in size over the past three years. It now accounts for 4.7 million workers or as many as one in 10 working-age adults and looks only to grow further.

The gig economy's emergence has created many opportunities for people who want flexible work but has exacerbated the challenges associated with career progression once in employment. Historically, most organisations were larger and hierarchies more clearly defined. The path for frontline employees to climb the ladder was better laid out – especially in larger workplaces.

However, nowadays the size and shape of organisations is fast changing, with technology enabling organisations to be flatter, virtual and de-centralised. Take the example of Uber which has disrupted the traditional taxi and hire car industry.



The number of senior managers running Uber at the centre of the organisation is tiny compared to the vast fleet of self-employed drivers that participate in the ride-sharing platform. The progression from driver to HQ is not obvious – even though a significant proportion of Uber drivers in many countries are indeed college graduates.

“

**The gig economy's emergence has created many opportunities for people who want flexible work but has exacerbated the challenges associated with career progression once in employment”.**

So the only way to 'progress' is to work longer hours – which may increase earnings but doesn't turn a job into a career. Uber is far from the lone example, meaning we have to think much harder about how to improve the working lives of people unlikely to move up the ladder, even incrementally.

This challenge is particularly acute for those portions of society that haven't benefitted from the UK's economic growth since the 2008-09 downturn or the years preceding it, as evidenced by the Office for National Statistics (ONS). ONS has highlighted the fact that the UK economy was 11% larger in 2018 than before the 2008-09 recession. However, despite this growth, median incomes have grown at only **half that rate**<sup>7</sup> as productivity has flattened, as shown in Figure 2.

Within this national picture, we also face the challenge of regional 'haves and have nots'. There are persistent regional and local differences in productivity that the Resolution Foundation asserts are now close to record highs. Across the UK, these output per worker differentials vary by over 50% between London, the highest performer, and Wales, which lies at the bottom of the [table](#)<sup>8</sup>.

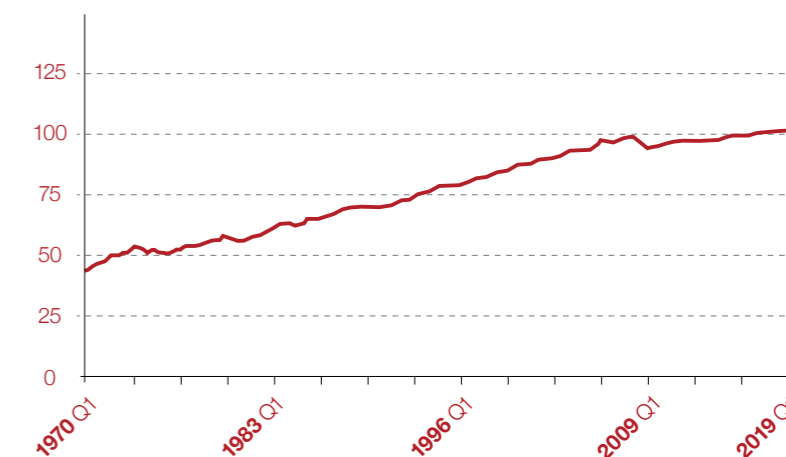
Between these two extremes, as Figure 3 indicates, Northern Ireland and a wide range of English regions, including East Midlands, West Midlands, North East and Yorkshire and the Humber, have relatively low productivity. A key challenge for policy makers seeking to promote inclusive growth is how best to tackle locally concentrated pockets of economic insecurity and non-inclusion that are disproportionately prevalent in these areas.

Despite the longstanding presence of these regional differentials, there is no inevitability about them. Policy makers can make a significant difference, and both national and devolved schemes have already contributed to the narrowing of skills and employment gaps. Yet to achieve sustained, inclusive growth that benefits those who need it most, even more is now needed.

A key remaining challenge is to deliver greater collaborative endeavour across the various parts of government to promote this agenda. This has bedevilled administrations for many decades – not to mention the wider challenge of developing broader partnerships across the public, private and third sectors too.

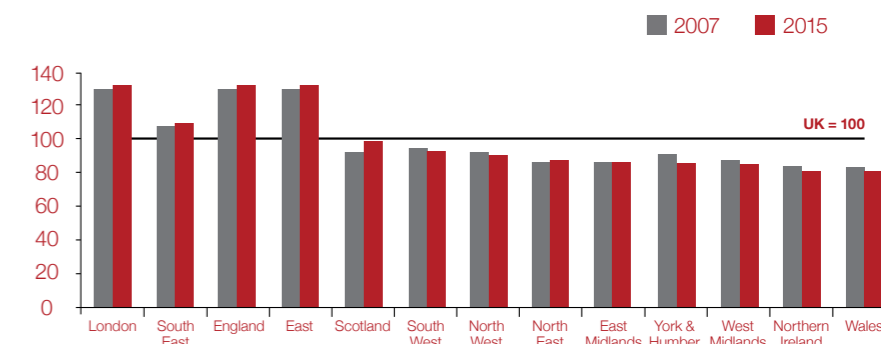
So why isn't this happening faster? In the next chapter, we explore the barriers to greater joined-up thinking and working in the public sector, and propose that reform is now needed to unleash the full potential of the UK's workforce.

**Fig 2: Office for National Statistics**  
Output per Worker: Whole Economy SA: Index 2016 = 100: UK



**Index:** Base year = 100  
**Output per Worker:** Whole Economy SA: Index 2016 = 100: UK

**Fig 3: House of Commons Briefing Paper: 'Productivity in the UK'**  
UK regional productivity, nominal GVA per hour worked



**Index:** where UK = 100

<sup>3</sup> IFS. June 2019: 'Living standards, poverty and inequality in the UK'

<sup>4</sup> The Gini coefficient is a commonly used measure of income inequality that condenses the entire income distribution for a country into a single number between 0 and 1 (the higher the number, the greater the degree of income inequality).

<sup>5</sup> European Economic and Social Committee (EESC) and International Labour Organization (ILO). 2016: 'Globalisation, climate change, technological advances and rising inequality: European social partners and civil society to discuss the future of work'

<sup>6</sup> TUC and University of Hertfordshire. June 2019: 'Platform Work in the UK 2016-2019'

<sup>7</sup> IFS. June 2019: 'Living standards, poverty and inequality in the UK'

<sup>8</sup> Resolution Foundation. July 2019: 'Mapping Gaps'

## CHAPTER 2.

# ENHANCING PUBLIC SECTOR COLLABORATION TO FOSTER INCLUSIVE GROWTH

A key challenge for central government in promoting an inclusive growth agenda is the division of responsibility for employability and skills across departments. This is a long-standing problem that has been made more complicated by devolution over the past two decades. Current efforts to address this can only be welcomed, but clearly it is a historic problem that will take time to fix.

In the meantime, a key challenge remains that neither skills nor employability programmes have evolved to address labour demand. People have been trained, yes. But for jobs, not careers. And sometimes for jobs that don't even exist. Or don't exist geographically where people can easily access them.

In an [April 2017 policy report](#)<sup>9</sup>, the Chartered Institute of Personnel and Development (CIPD) cited as a major concern the number of workers in the labour market who say their skills do not match the requirements of the job. The evidence suggests this reduces productivity and acts as a constraint on growth.

The CIPD study echoes the conclusions of the [Leitch Review of Skills](#)<sup>10</sup>, released a full decade earlier, which concluded that traditional approaches to delivering skills have been too supply driven, based on government planning supply to meet ineffectively articulated employer demand. This model, the report said, has a poor track record – it has simply not proved possible for employers and individuals to collectively spell out their labour needs or for provision to be effectively planned to meet them.

Citing reforms in England to develop a system responding to demand rather than trying to plan supply – under which providers only receive funding if

they effectively meet the needs of their customers – the Leitch Review concluded that this new model must be embedded across the system. It was argued that this approach is the only way to increase employer and individual investment in skills and ensure the increased investment delivers economically valuable skills. Yet a decade later little appears to have changed.

One of the biggest indictments of the supply-centric approach is that many of the left behind in society are still being left behind. The Social Mobility Commission's [Adult Skills Gap report](#)<sup>11</sup> shows that the poorest adults with the fewest qualifications – those who would potentially benefit most – are the most unlikely to access adult training.

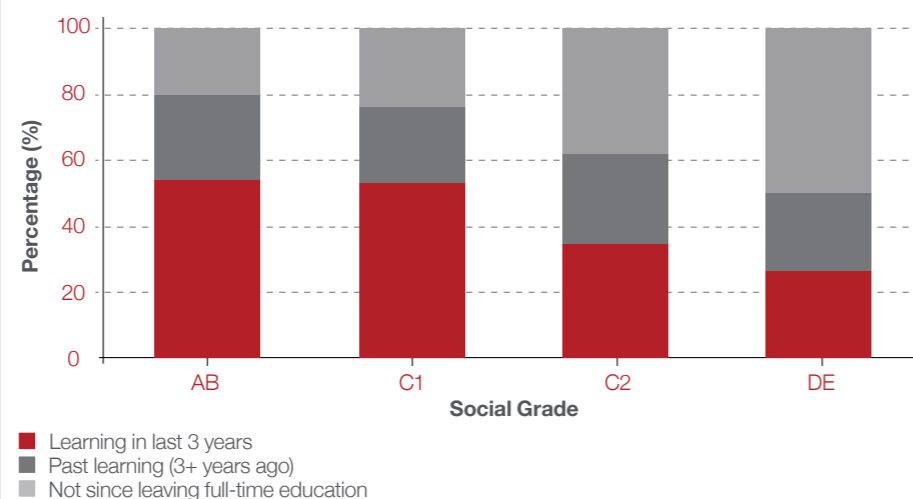
As Figure 4 illustrates below, the Social Mobility Commission also found that workers whose parents come from disadvantaged households are least likely to participate in adult training, and that employees from more privileged

backgrounds are more likely than low-skilled workers to take advantage of in-work learning to rise up the ranks. The commission has previously found that one in four of the UK's low-paid workers will never escape low pay – largely because of poor skill levels.

This is a troubling picture and one that is acknowledged across the political aisle. However, no government has yet been able to decisively overcome the big challenge of how to promote and embed an integrated long-term central government response to turn the situation around.

**Fig 4: Social Mobility Commission:**

The adult skills gap report Adult participation in learning by socio economic class, 2014



<sup>9</sup> Chartered Institute of Personnel and Development. April 2017: 'From 'inadequate' to 'outstanding': making the UK's skills system world class'

<sup>10</sup> Leitch Review. December 2006: 'Prosperity for all in the global economy- world class skills'

<sup>11</sup> Social Mobility Commission. January 2019: 'The adult skills-gap: is falling investment in UK'

## WHY INNOVATION BY DEVOLVED NATIONS AND REGIONS MAY INCREASINGLY PROVIDE SOLUTIONS TO INCLUSIVE GROWTH

Whitehall policy makers have attempted to drive an inclusive growth agenda through multiple routes. There is already a UK youth strategy, an industrial strategy, a social mobility strategy and a civil society strategy amongst others.

However, the responsibility for these potential strategic drivers of economic growth are dispersed across several parts of central government from the Department for Digital, Culture, Media and Sport to the Department for Business, Energy and Industrial Strategy.

Whilst Whitehall has gone some considerable distance in recent decades in promoting more interconnected policy agendas, departments are still not fully integrated, undermining collaborative impact and a collective vision.

It is central government agencies that are directly responsible for employment and skills policy, design, funding and oversight. Some 20 employment and skills funding streams are managed by eight departmental agencies, spending more than £10 billion a year, including Jobcentre Plus, the National Careers Service, and the Education and Skills Funding Agency.



Even at this level of specialised responsibility for employment and skills, the structural limitations of government have meant it has been difficult to create a cohesive strategic plan. And central government also needs to engage more extensively on these agendas with councils which currently have little ability to influence national priorities, funding or delivery or how services will operate in local areas.

Perhaps most problematic, central government's approach tends to be top-down and monolithic at a time when hyperlocal and flexible are the zeitgeist. Funding for skills and training is being increasingly devolved, which is generally good, but an unforeseen by-product is that national employer organisations keen to develop inclusive recruitment solutions find it much harder to undertake these – because they are unclear how to access support and from where.

According to the 2018 [CBI Education and Skills Annual Report](#)<sup>12</sup>, more than three-quarters of businesses expect to increase the number of higher-skilled roles in coming years. Yet two-thirds fear there will be a lack of sufficiently trained people to fill them.

The CBI report highlights a gap between what is learned in schools, colleges and universities and what is valued by employers and points to qualifications being only one part of the mix with nurturing the right attitudes, behaviours and skills just as important. Education and skills not only underpin productivity, but are important to social justice and prosperity, the report emphasises.

Looking to the future, it is significantly more likely that solutions to these conundrums will come from devolved nations and regions, rather than Whitehall. Just as in the United States, where much successful policy experimentation takes place in the 50 states, devolved growth strategies in the UK are beginning to bring new innovation to a system of government that has long been very highly centralised.

Decision making at the local level is enabled by the fact that this is where so many relationships based on shared ownership, common understanding and successful track records exist. And the joined up thinking this promotes is already bearing fruit in places such as Manchester and the West Midlands under mayoral authorities, and in London too since the adult skills budget was devolved.

Take the example of the [Liverpool City Region Combined Authority](#)<sup>13</sup> where research conducted by Oxford Economics

has forecast that the success of the devolved approach adopted there, with funding being driven by local leaders with a deep understanding of the region's needs, will have big economic benefits. By 2040, this is expected to include the creation of over 100,000 additional jobs, a net increase of 20,000 businesses, with an additional 50,000 people travelling to live locally, nearly doubling the size of the regional economy to £50 billion by 2040.



The prospects of the Liverpool programme being successful are increased by the Combined Authority's ability to engage regional and local employers in upfront discussions about shared outcomes. This and other examples of devolved powers being used to promote a joined-up approach, bringing all the right people to the table, reinforce the importance of a locally integrated work and skills action plan.

To be sure, devolution is not a silver bullet. Yet local authorities are beginning to demonstrate they can improve on existing outcomes relating to people with complex needs who require more joined-up services.

This sort of results-driven blueprint has the potential to help solve key challenges of both jobseekers and employers. Equally, it can help ensure that devolution is tied to improved results and better value for money by maximising public funds for training and skills.

<sup>12</sup> CBI/Pearson Annual Report. 2018: 'EDUCATING FOR THE MODERN WORLD'

<sup>13</sup> Liverpool City Region Combined Authority. 2016: 'Building our Future: Liverpool City Region Growth Strategy.'

## CHAPTER 3.

# WHY THE ROAD TO INCLUSIVE GROWTH IS PAVED WITH BETTER TRAINING



**The inconvenient truth is that, to this day, training providers have little reason to respond flexibly to demand changes in the labour market”.**

The concept of labour market supply and demand has been a feature of our economy since at least the dawn of industrialisation. If only more thought had been given to its role in policy thinking around skills, training and the inclusive growth agenda, we might not now have the supply side bias that several influential reports like the Leitch Review have highlighted.

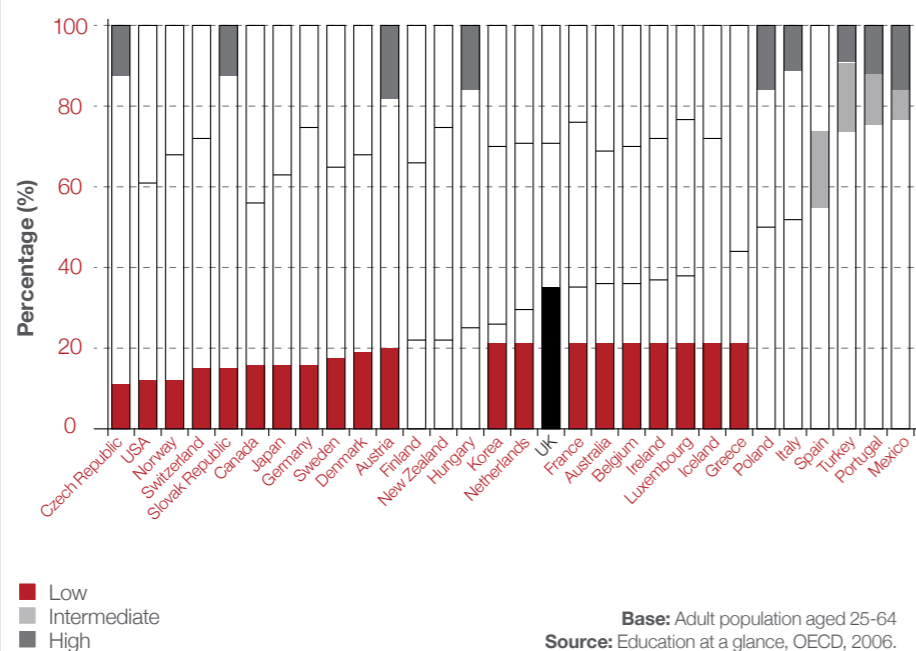
By and large, Leitch blames this disjointed education and training provision for failing to deliver the skills landscape our economy needs. It is therefore no coincidence that our skills base has lagged behind that of many advanced nations, as illustrated in Figure 5.

To be completely fair to recent and contemporary political decision-makers, this is far from a new problem. Instead, deep-seated, historic failures have led us to this point.

In a separate report entitled ‘[Education and Skills: The Economic Benefit](#)’<sup>14</sup>, the Department for Education and Skills (the precursor to the current Department for Education) asserted that government has a responsibility to ensure that the education and training system better reflects employer needs. That may appear an obvious point, yet the supply-driven system is full of incentives resulting in significant amounts of funding being focused on qualifications, rather than whether or not people actually get jobs or higher pay.

The inconvenient truth is that, to this day, training providers have little reason to respond flexibly to demand changes in the labour market. Colleges in particular have a poor reputation for dealing with employers and are often perceived to train for training’s sake without reference to the skills employers want.

**Fig 5: Leitch Review of Skills. Final Report: ‘Prosperity for all in the global economy - world class skills’**  
International comparisons of qualification profiles



These obstacles are not just a challenge for central government. Innovative as devolved administrations can be, they are facing barriers too.

Take the example of English combined authorities which have plans to achieve inclusive growth, in part by identifying those industries they want to play a key role in enhancing their national or international competitiveness. The strategic use of public funds for training and skills to meet these regional ambitions is essential but requires a very specific understanding about the recruitment needs of the organisations involved.

Historically, devolved training has been based on regional requirements related to which organisations and industries have been targeted for growth – but with no clear connection to training providers who could have helped ensure this growth was inclusive. Bridging this gap would enable providers who spend regionally allocated public money to make better sense of how that training investment is utilised.

# HOW DEMAND-DRIVEN THINKING CAN HELP RESOLVE THE ‘SKILLS MISMATCH’

Alarmingly, the CIPD’s 2018 report entitled ‘[Over-skilled and underused: Investigating the untapped potential of UK skills](#)’<sup>15</sup> found nearly half of workers reported being mismatched in their roles. The research also discovered that those able to use their skills fully are the ones who experience better job satisfaction and increased earning potential and are more resilient to change.

The origin of this huge skills mismatch, according to [research by the Centre for Economic and Social Inclusion](#)<sup>16</sup>, is the fact that colleges receive funding from the government on the basis of studying and passing qualifications, rather than on job outcomes. According to the study, ‘there is a real need for a step-change in the way public services – such as schools, colleges, and employment and training providers – collectively respond to the needs of employers across a place’.

Take the example of the fact that in 2010-11, more than 94,000 people completed hair and beauty courses. Yet only 18,000 new jobs were created in the sector – and of those who qualified, more than 60% were aged 16 to 18.

This is no isolated case study. For instance, that same year there were more than double the number of people trained to work in hospitality, sport and leisure than jobs advertised in the sector.

On the one hand, yes, we need people to have qualifications valued by employers. However, it is equally, if not more important, that colleges and training providers are informed by labour market need when deciding what courses to offer.

To deliver on this agenda, what training providers require is a greater degree of certainty that training of any type (and the government funds used to pay for it) will not go to waste. In this sense, the road to inclusive growth is at least partially paved with better and more tailored provision of training.

All too frequently, people attend training and then don’t turn up for interviews or otherwise fail during the selection process.

More often than not, it’s because their training is not connected enough to a specific job opportunity, so they lose interest and/or fail to build confidence.

The system simply isn’t working if training hasn’t left people feeling confident there’s a job out there for them that they have a chance of getting.



Not only is this not a win-win, it’s a lose-lose. Training that brings people no closer to employment, or to underemployment at best, often gives training a bad name amongst those who need it most and discourages their future participation.

And it leaves employers in many parts of the UK with jobs they can’t fill – a reality which deserves our immediate attention as it may be exacerbated by any post-Brexit tightening of the labour market. In this case, more strategic training – i.e. that which is heavily informed by labour market demand - will be even more important to avoid a widening of skills gaps.

There is simply no point targeting industries for growth without collaborating with training providers to ensure skills taught align with jobs available.

Fortunately, there are some signs that this supply-driven mode of thinking is starting to change. Take the example of transfer of control over the Adult Education Budget (AEB) to six Mayoral Combined Authorities (MCAs) and the Greater London Authority (GLA) from this (2019-20) academic year.

Hereby, the devolved authorities will be responsible for commissioning and funding AEB provision for learners who are resident in their areas.

Whilst the policy has raised some issues around funding for statutory requirements and the potential for postcode lotteries, devolution of the AEB will ensure that the areas concerned are able to shape adult education provision in a way that best suits the needs of their residents and the local economy.

With devolution of the AEB in the capital, the GLA has also acknowledged the importance of measuring outcomes – be they economic or social – to build into future commissioning.

Another example is the [Cambridgeshire and Peterborough Combined Authority’s ‘Blueprint for Employment and Skills](#)’<sup>17</sup>. This includes a vision for both an employer-led approach matching skills to meet business needs and future-proofing the local employer base to ensure that skills keep up with innovation.

With more innovation of this nature, it is increasingly likely that we will be able to unleash the full potential of many more people across the country, including those that have been ‘left behind’. The fact that so many people are entrenched in the margins of society is not just morally unjust, but also economically wasteful, and in the next chapter we explore the challenges preventing us from unlocking this rich bounty of social and economic capital for the nation.



**The system simply isn’t working if training hasn’t left people feeling confident there’s a job out there for them that they have a chance of getting”.**

<sup>14</sup> Department for Education and Skills. 2003. ‘Education and Skills: The Economic Benefit’

<sup>15</sup> Chartered Institute for Personnel and Development. 2016. ‘Over-skilled and underused: Investigating the untapped potential of UK skills’

<sup>16</sup> Local Government Association. ‘Economy and transport - Hidden talents: reconnecting skills provision with local labour markets.’

<sup>17</sup> Cambridgeshire and Peterborough Combined Authority. ‘A Blueprint for Employment and Skills’

## CHAPTER 4.

# WHY A LACK OF INCLUSIVE GROWTH LEAVES THE 'LEFT BEHIND' LEFT BEHIND

“**This begs a fundamental question of why certain segments of society are unable to participate more in periods of economic progress, despite the best intent of policymakers”.**

As mentioned in the first chapter, despite the focus on austerity, the UK economy was 11% larger in 2018 than before the 2008-09 recession according to the ONS. Yet there remains a yawning gap between those benefiting from prosperity – and those who are not.

The aftermath of the recession was widely seen as a moment to reset the inequality balance, and a range of policy measures have indeed been attempted to promote inclusive growth across the country. But not enough has changed as of a decade later, despite the best efforts of policy makers.

In the post-war period to the late 1970s, the UK had become a significantly more equal nation. As the Equality Trust has shown, the share of income going to the top 10% of the population fell from 34.6% to 21% in the four decades to 1979, while the percentage going to the bottom 10% rose slightly during the same period.

However, the 1980s saw a sharp reversal in income equality which rose considerably over that decade, peaking in 1990 and stagnating since.

This begs a fundamental question of why certain segments of society are unable to participate more in periods of economic progress, despite the best intent of policymakers.

Numerous reports such as the Leitch Review have highlighted that the skills agenda lies at the heart of the matter. This is not least because the benefits of education and training persist over entire working lifetimes with older people without qualifications significantly less likely to be employed than their contemporaries.

In this context, it is worrying that skills and productivity gaps have deepened,

particularly around entry level and lower paid roles. Indeed, a report by the Department for Education and Skills, a predecessor of the Department for Education, called 'Education and Skills: The Economic Benefit'<sup>18</sup>, found that one in three employees have never been offered training by their current employer whatsoever.

This important point was also taken up by the *Adult Skills Gap Report*<sup>19</sup>. It warned that there are vast numbers of workers at the bottom of the labour hierarchy with little opportunity to build skills and escape low pay.

So the lack of training for low-paid workers is charting a course for millions to a lifetime of poorly paid work. And with skills shortages potentially on the horizon if immigration is significantly curtailed post the UK's departure from the EU, it is even more important to change this picture and improve the UK's productivity.

Many existing government-funded programmes aim to support those without the means to pay for their own training and benefit a significant number of lower-skilled workers. However, the *Social Mobility Commission*<sup>20</sup> has asserted that employers and the government should place even greater emphasis on people with low or no skills given the economic benefits this could yield.

The Commission also argued that too many businesses are wasting the potential of their employees by not offering training or progression routes to move up from low and mid-skilled jobs. The argument here is that building skills at all levels and roles is essential to improving productivity and performance, for engagement and retention of employees, and to support progression opportunities.

There is also an acute need to address

fundamental, generic skill gaps that help improve employability. For instance, the NOCN and the Learning and Work Institute highlighted in their *Skills to Drive a Productive Society report*<sup>21</sup> that 'literacy, numeracy, digital and cognitive skills' are essential for new entrants coming through the education system pursuing apprenticeships or entry-level jobs.

For those already in work, the study argued that up-skilling is best focused on management for productivity, employability skills and technical knowledge. There are also degree apprenticeships which enable staff to upskill and reskill on the job. These help employers address critical skills gaps and prepare their workforces for the jobs of the future.

Whilst acknowledging the potentially more obvious link between high skills and productivity, the NOCN and the Learning and Work Institute report also affirmed that investing in basic skills also enhances productivity growth and even benefits those on low incomes or furthest from the labour market.

For example, the research showed that productivity benefits of improvements in skills can be seen in the wage returns to different qualifications – i.e. the extra wages employers pay those with qualifications, all else equal. Level 3 (A Level equivalent) returns varied between 10% and 20% and Level 2 (GCSE equivalent) between 1% and 14%.

A key conclusion therefore was that basic skills such as literacy, numeracy, team working, and digital know-how are key enablers to access most jobs. Yet with recent changes in apprenticeship standards, policy makers are signalling there may be less money attributed to functional skills training – which would risk increasing the frequency of skills mismatch.

## WHY YOUNG PEOPLE ARE AT THE 'SHARP END' OF THE SKILLS DEBATE

“**Another reason for intensified policy focus on young people is the increased recognition that long-term youth unemployment can place a permanent scar on subsequent careers”.**

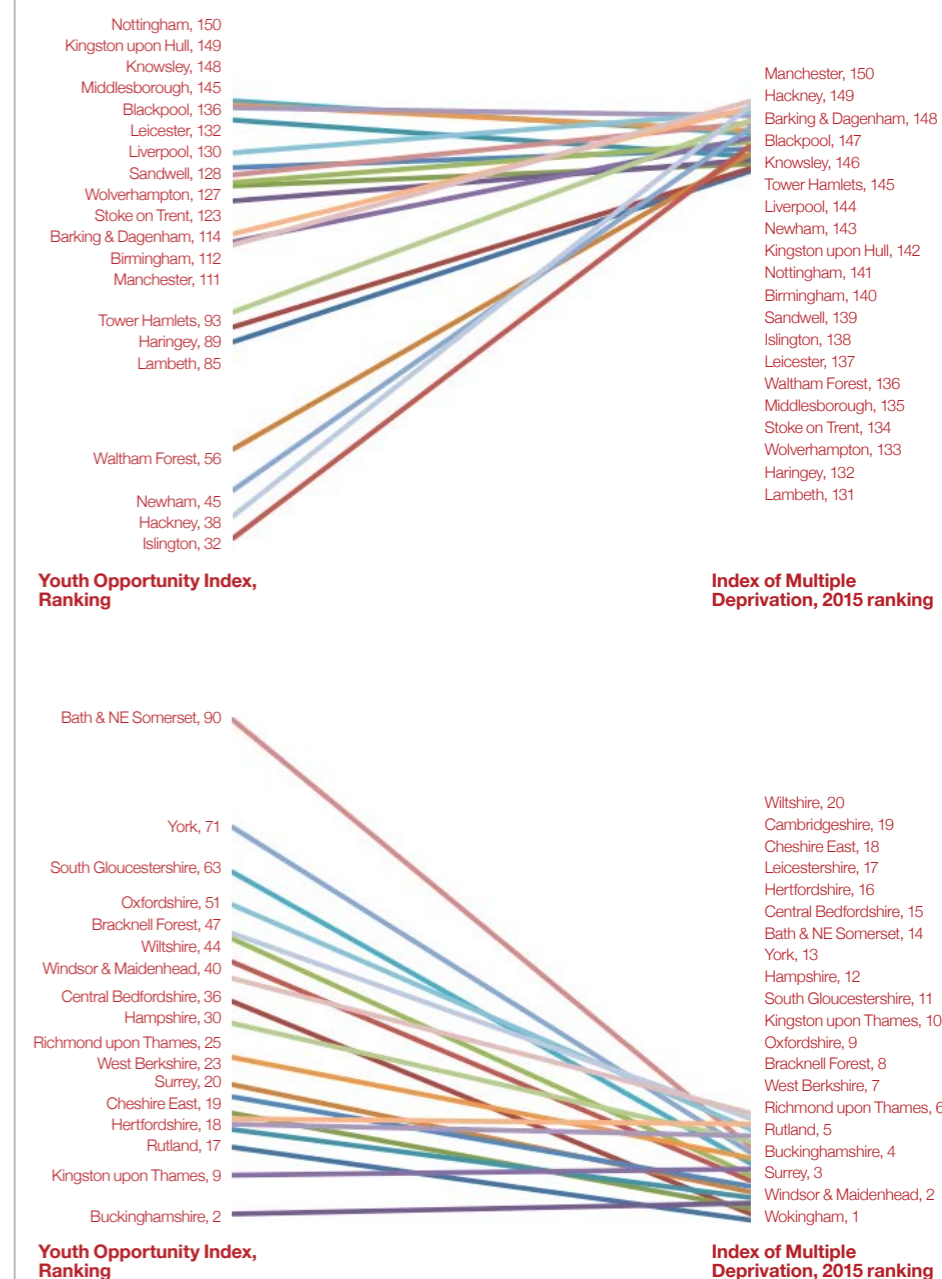
At the centre of the debate on the skills agenda are the estimated 764,000 young people (aged 16 to 24) in the UK not in education, employment or training (NEET), a figure included in *ONS statistics*<sup>22</sup> from January to March 2019. While such young persons have long been a policy challenge for government to address, it is only in the past two decades - following a Cabinet Office report in 1999 - that the NEET acronym became popularised in policy jargon.

Since then, there has been significant new focus on this area of policy, fuelled by the aftermath of the Great Recession which impacted younger people more than most. Although down from a 2012 peak of more than 20%, unemployment for those aged 16-24 is still in double digits (11.6%) and nearly three times the rate for the entire UK population (3.8%), according to June 2019 Jobcentre Plus data. Furthermore, 15.5% of all unemployed 16-24 year olds have been out of work for more than 12 months.

Another reason for the intensified policy focus on young people is the increased recognition that long-term youth unemployment can place a permanent scar on subsequent careers. It increases the likelihood of unemployment in later life, lowers earnings and contributes to poorer health and wellbeing as reports such as 'Employment opportunities for young people'<sup>23</sup> by the House of Commons Work and Pensions Committee have found.

Yet, despite the increasingly acknowledged importance of this topic, it is not always crystal clear whose job is it to engage these young people or where the funds will come from to do it. Local authorities play a crucial role, but the approximately decade long squeeze on their funding is unlikely to be reversed any time soon.

**Fig 6: Learning and Work Institute's Youth Opportunity Index**



Source: Learning & Work Institute, 2018

<sup>18</sup> Department of Education. 2003: 'Education and Skills: The Economic Benefit'

<sup>19</sup> Social Mobility Commission. 2019: 'The adult skills gap: is falling investment in UK adults stalling social mobility?'

<sup>20</sup> Social Mobility Commission. 2019: 'The adult skills gap: is falling investment in UK adults stalling social mobility?'

<sup>21</sup> NOCN Group, Learning & Work Institute. 2018: 'Skills to Drive a Productive Society'

<sup>22</sup> Office for National Statistics. 2019: 'Young people not in education, employment or training (NEET)'

<sup>23</sup> House of Commons Work and Pensions Select Committee. 2017: 'Employment opportunities for young people'



**Given the persistence of these challenges, bolder, more creative solutions are now called for to help break down barriers”.**

Indeed, the LGA said in July<sup>24</sup> that deteriorating council finances mean that one in five councils in England may be forced to impose even more drastic spending controls to stave off bankruptcy over the next few months. And the House of Commons Housing, Communities and Local Government Select Committee<sup>25</sup> has warned that English councils ‘must prepare for the worst’ by making further service cuts and redundancies.

Far from there being a uniform national picture on life chances for young people, significant regional variances play out, quite often in counter-intuitive ways. Take the example of the Learning and Work Institute’s Youth Opportunity Index, reproduced in Figure 6, which shows how young people have significantly contrasting chances of success depending on where they live based on different measures of employment, learning and education outcomes by local authority.

The Index shows no clear north-south or urban-rural divide in young people’s opportunities. Instead, the differences within regions are at least as large as those between them.

To be sure, deprivation is frequently correlated with poorer performance on the Index. However, the examples of several key local authorities show this is by no means inevitable.

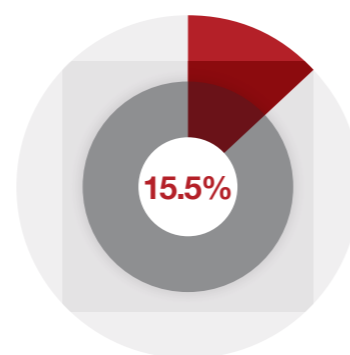
For instance, a number of the 20 most deprived local authorities score relatively highly – a slice of London’s boroughs being the obvious example. Moreover, Birmingham and Manchester also score higher than their levels of deprivation might suggest if there were a simple correlation in play.

So the picture is one of significant differentiation, rather than uniform trends, across the national landscape. And with challenges and therefore priorities varying, sometimes significantly by locality to locality, one-size-fits-all policy solutions are sub-optimal.

In this context, several studies have highlighted the advantages of a devolved approach to skills development. For instance, The Institute for Public Policy Research’s report, ‘Skills for the North<sup>26</sup>’, makes the case for a more strategic and integrated approach to skill development, with responsive planning based on local intelligence and priorities.

As these debates continue over how much priority should be placed on diversity of provision to address need variations across the UK, what is indisputable is that social immobility is alive and well for UK jobseekers of all ages as this decade ends. And this is despite the best part of 10 years of economic expansion and the fact that businesses across the country are crying out for good employees with relevant skills.

Given the persistence of these challenges, bolder, more creative solutions are now called for to help break down barriers. As politicians from all parties argue, it is imperative that we unlock the enormous potential harboured within the ambition of our youth and adult workforce.



**15.5% of all unemployed 16-24 year olds have been out of work for more than 12 months.**



**Unemployment for those aged 16-24 is still in double digits (11.6%) and nearly three times the rate for the entire UK population (3.8%), according to June 2019 Jobcentre Plus data.**

## CHAPTER 5. ‘SOCIAL RECRUITMENT’ NEEDS A MORE INTELLIGENT APPROACH



**We’ve seen the results of training and recruitment companies working in silos. Training tends to be either too ‘vanilla’ (i.e. one-size-fits-all) or too specific”.**

At the intersection of key government documents such as the civil society and industrial strategies, a remarkable opportunity may be emerging for which the future potential is vast - for enhanced levels of collaboration and competitiveness delivered by the private and third sectors working hand-in-hand with government to achieve collective inclusive growth ambitions.

Take the recent August 2019 announcement of the Business Roundtable, a group of almost 200 CEOs of the largest US firms, which sought to fundamentally redefine corporate purpose. Moving away from the shareholder value and profit paradigm that ‘the business of business is business’, to quote economist Milton Friedman, the roundtable adopted a statement that corporate purpose is to ‘benefit all stakeholders – customers, employees, suppliers, communities and shareholders’ indicating a new social contract with society.

Though not explicitly stated, it’s implicit in this that companies should invest not only in current but also in prospective employees. And, to take it a step further, those who are disadvantaged and furthest from the labour market.

This harks back to Michael Porter and Mark Kramer who wrote in 2011 in Harvard Business Review that ‘shared value is not social responsibility, philanthropy, or sustainability, but a new way for companies to achieve economic success’. It was far from certain at the time that this idea would catch on. Yet, it has had a significant impact in the last decade in redefining the role of business in society.

The Business Roundtable is just one recent example – another is the blossoming practice of ‘impact sourcing’ where companies prioritise suppliers that intentionally hire and provide career development opportunities to people who otherwise have limited prospects for formal employment.

The Global Impact Sourcing Coalition (GISCO)<sup>27</sup> says such impact sourcing provides many business and social benefits. For instance, service providers access new sources of talent, achieve higher levels of employee engagement and lower attrition rates. Meanwhile, employees take their first step onto a career ladder that leads to economic self-sufficiency through income growth, skills development, and professional advancement.

According to the GISCO, one of the most sustainable means to inclusive economic growth and poverty reduction is to ensure that disadvantaged populations have access to formal employment and decent work. This allows them to improve their conditions, acquire a career, and thus lift themselves, their families, and their communities out of poverty.

Strategies such as these can bring corporate responsibility to life without vast sums of investment. In fact, by changing the paradigm from responsibility running in parallel with commercial and production processes to directly integrating social and human value into their core business, companies can generate economic value in a way that also produces value for society, or what Porter and Kramer called shared value.



<sup>24</sup> The Guardian. 2019: ‘One in five councils face drastic spending cuts within months’

<sup>25</sup> House of Commons Housing, Communities and Local Government Select Committee. 2019: ‘Local government finance and the 2019 spending review’

<sup>26</sup> Institute for Public Policy Research. 2018: ‘Skills for the North: Devolving Technical Education to Cities’

<sup>27</sup> The Global Impact Sourcing Coalition: ‘What is the Global Impact Sourcing Coalition’



“**Inclusive growth requires a rising tide that lifts everyone, everywhere – not just those in certain places and/or with certain skills and backgrounds”.**”

The challenge remains to ensure that government funding for training is put to best use with the right people ending up in the right jobs. This is more likely to happen when training providers work together to provide training based on intelligent forecasting about future jobs as well as training people for currently available ones.



We've seen the results of training and recruitment companies working in silos. Training tends to be either too 'vanilla' (i.e. one-size-fits-all) or too specific.

An example of the latter is the one cited in chapter three of people learning hairdressing when and where there is already a glut of hairdressers locally, and the people being trained have neither the ability nor desire to re-locate. Either way, people end up attending government-funded training only to fail to qualify for jobs available in their area.

One has to wonder who this frustrates most – the jobseeker, prospective employers or the taxpayer. It is certainly a major challenge for recruiters and training providers because they have better access to public funds when there is a more direct connection between training and employment.

Those who can, sometimes take their vanilla or trade-specific skills where there is demand for them – often to a major urban area or internationally, resulting in an exodus from local communities. But others are left behind – becoming, in some places, part of a second, third or even older generation of unemployment.

Take the example of Scunthorpe where British Steel recently announced that it is to go into official receivership. This proud North Lincolnshire town's economy relies heavily on the giant steel works, with an estimated 20,000 jobs linked to the site. Despite government support for the area, there is now a huge challenge to get workers re-skilled for different employment.

We illustrated in chapter three how more direct links between labour market supply and demand can enable training providers to run courses with greater intelligence and job focus. And also equip more candidates with the skills to meet employer requirements, supporting greater numbers of them into employment.



But where is the injection of 'greater intelligence' into the system (the contemporary equivalent of Wilson's 1960's 'white heat') to enable this?

Inclusive growth requires a rising tide that lifts everyone, everywhere – not just those in certain places and/or with certain skills and backgrounds. And in the next chapter, we therefore introduce a new tool, the Intelligent Routeway Framework (IRF), that is already delivering on this agenda, and has the potential to revolutionise recruitment.

As we explain, the IRF's value lies in providing an interface between employers/recruiters and training providers to ensure the latter have visibility of emerging opportunities and the skills needed so they can tailor courses appropriately. This is a key potential driver of shared value in the coming years, and one PeoplePlus is determined to help enable.

## CHAPTER 6. INCLUSIVE GROWTH AND THE INTELLIGENT ROUTEWAY FRAMEWORK

“**This is why we've built a system which tracks employer need and matches it to training requirements”.**”

As the 2020s dawn, the prize of inclusive growth may finally be on the horizon. However, as outlined in the previous chapter, this longstanding ambition to unlock massive shared value can only become reality through a more intelligent approach that matches labour market demand with appropriately trained supply.

This is a challenge that PeoplePlus, which aims to make a direct difference to the lives of at least a million people by 2022, is tackling by deploying its Intelligent Routeway Framework (IRF) in collaboration with sister company Staffline and an emerging coalition of other recruiters, training providers and employers across multiple sectors including Amazon, Tesco, BUPA and Tulip as well as not for profit organisations such as Movement to Work.

With the UK facing both a large-scale employment need and a fragmented training base, the IRF features a unique interface between employers and training providers that provides the long-missing intelligence needed for better, more tailored training.

As a sector leader, PeoplePlus not only works with people at all layers of the labour market, from those entering the jobs market to those seeking advancement in higher levels of management, but also with a huge number of employers. So we know that firms are increasingly resistant to taking on entry level workers who don't have the necessary preparatory training.

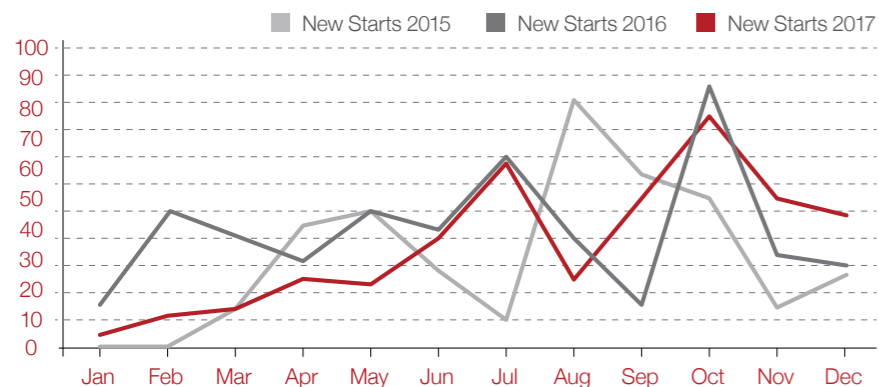
Similarly, prospective employees are frustrated with training that isn't likely to land them a job. Indeed, they are far less motivated to attend training if not convinced it will significantly increase their chances of employment. Therefore, if the training and the job are better connected from the start, the net result is good for both worker and employer – and there is greater likelihood of longevity and progression for the former and higher productivity for the latter.

This is why we've built a system which tracks employer need and matches it to training requirements. Sharing employer data with training providers, as exemplified in Figure 7, enables them to take people into training at the right time for actual jobs – helping ensure that expenditures of public training funds align with regional ambitions. This is the 'I' in Intelligent Routeway Framework.

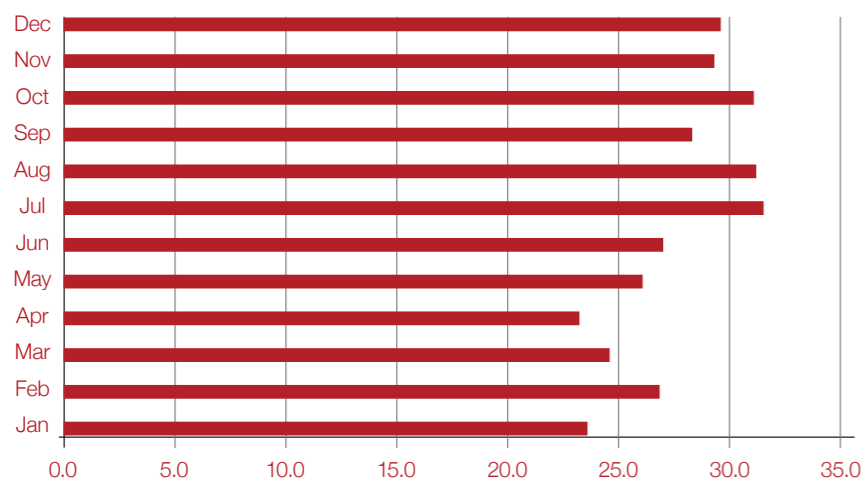
Fig 7: Internal IRF Table

			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Site	Division	New Starts 2016	1	0	14	42	47	27	10	83	59	51	14	25	373
		New Starts 2017	15	46	38	30	47	40	64	36	15	87	31	28	477
		New Starts 2018	5	11	13	23	22	38	62	23	50	78	51	45	421
Location	Region	Average New Starts (2016, 17, & 18)	7	19	22	32	39	35	45	47	41	72	32	33	424
Postcode	North West	Average Hours per time sheet (2018)	23.5	26.7	24.6	23.2	26.1	27.0	31.5	31.2	28.2	31.1	29.4	29.5	27.7
		2019 Recruitment Forecast	2	4	4	8	7	13	21	8	17	26	17	15	140

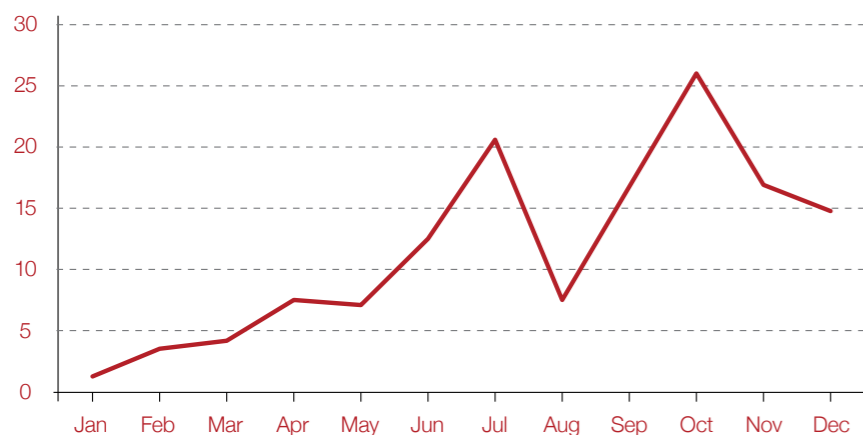
**Fig 8: New Starts History**



**Fig 9: Average Hours Per Time Sheet (2018)**



**Fig 10: Recruitment Forecast (2019)**



Moreover, this all happens in ‘real time’. This is important as current recruitment tools often operate with a time lag at the point from which roles are created and a recruitment chain can materialise.

The IRF cuts through this by helping identify not just recruitment needs today but also future trends so that courses and individuals going through those classes are continually aligned to need. It does this by using past trends to predict future demand, with forward-looking data shared on a quarterly basis with partners. This enables training providers to ensure courses are appropriate for those jobs by acting upon intelligence to create relevant, ‘future-proofed’ materials and content.

By providing a way to access vacancy recruitment and forecasting information, the IRF therefore enables training providers to run courses not just with greater intelligence and job focus. It also equips candidates with the skills to meet employer requirements, supporting them into post.

One of the biggest beneficiaries of this approach could well be those people in society furthest from the labour market. The IRF has the potential to better connect people with employment – sometimes for the first time – which can be life-changing, not only for the individuals but also for their families and wider communities.

Moreover, sustained employment (or better, more inclusive sustained employment) enables people to become more independent and play a fuller, more active role in society. And this boosts productivity and wider wellbeing of the nation by building healthier, safer and more cohesive communities.

“**The result of closing the supply/demand gap that has long bedevilled the labour market is a ‘whole is greater than the sum of its parts’ outcome given that it has a cumulative, positive impact beginning at the local level and building outwards”.**

**This is literally a win-win-win-win-win situation:**

- **Win 1.** To get paid by the government, skills and training providers need to position someone successfully in work.
- **Wins 2 and 3.** Positioning someone successfully in work is also the goal for both employee and employer.
- **Win 4.** The right people in the right jobs strengthens key industry sectors critical to regional inclusive growth strategies.
- **Win 5.** Successful, sustained inclusive growth regionally adds up to success nationally.

The result of closing the supply/demand gap that has long bedevilled the labour market is a ‘whole is greater than the sum of its parts’ outcome given that it has a cumulative, positive impact beginning at the local level and building outwards. This helps enable PeoplePlus to fulfil its social vision by helping the maximum number of people to the maximum degree.

The IRF’s potential is multi-sector. For example, in construction and infrastructure – industries in which the country is investing billions but in which we are facing skills shortages – it has the ability to articulate what roles are needed and to build a pipeline for training in a sustainable way and at scale.

The IRF can also provide another significant public policy service should, post-Brexit, there be a shock to labour market supply and demand with significantly fewer European workers in the UK. This would put the focus squarely on the working age population within our borders – with an even greater need for skills training to quickly and efficiently bring more people into the workforce.

The ultimate success of the IRF will be the degree to which it becomes an integral part of driving economic growth and productivity in local areas. It is a model that can work across any sector or group of employers to make the dynamics of job market supply and demand more efficient and effective. Indeed, it is working already – and will perform even better as more regional public sectors begin using it explicitly as part of their growth agendas.

To be sure, the challenges ahead to realising this ambitious agenda are real, but if we can surmount them in coming years, the prize of genuinely inclusive, sustainable growth across the nation is real. Now is the time to seize the opportunity, rather than risk letting it slip through our hands for yet another generation.



“**The IRF can also provide another significant public policy service should, post-Brexit, there be a shock to labour market supply and demand with significantly fewer European workers in the UK”.**



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