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DEVOLUTION AND DISADVANTAGE IN THE SHEFFIELD CITY REGION: An assessment of employment, skills, and welfare policies

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Executive Summary

In late 2014, the Cameron-led UK Government announced its flagship Northern Powerhouse initiative, whereby city regions were to be given more 'powers' to develop initiatives in their local areas, in order to regenerate city economies, which for many years lagged behind in terms of growth and prosperity. The Northern Powerhouse in effect expands on and consolidates previous devolution initiatives allowing the Local Enterprise Partnerships (LEPs) and local authority leaders from Manchester, Leeds, Liverpool, Newcastle and Sheffield to collaborate 'strategically' on key issues. This included increased powers over transport and economic planning; electing their own Mayors; some powers to manage health; new employment and skills power via apprenticeships; and in 2017, the co-commissioning of welfare to work policies.

Much of the devolution debate has been focused on economic 'growth', but pressing questions remain as to what kind of local and regional development is optimal, and for whom? Within this context, this report analyses the implications of national and devolved policies for economic and social disadvantage in the Sheffield City Region (SCR) and ultimately argues for a more inclusive and sustainable growth strategy. We found that:

- Devolution growth objectives face significant challenges: the combined impact of austerity cuts and welfare reforms result in over £1.1 billion in lost income to the SCR, far exceeding committed monies from Devolution Deals. Current budget settlements for local authorities involve further cuts of around £131m for just 2016-2017, with disadvantaged groups and areas particularly affected.
- Economic and social disadvantage, combined with difficult labour market conditions including the low paid and poor quality sustainable employment, presents major challenges for employment and skills policies.
- There is a lack of perspective in terms of how disadvantaged groups can be included in, and importantly benefit from, SCR policies to stimulate growth.

THE DEVOLUTION REVOLUTION

The UK Government has adopted a 'localist' approach to economic development as the primary policy tool for rebalancing of the economy and tackling spatial inequalities. This has seen the development of initiatives such as the Northern Powerhouse, Local Enterprise Partnerships (LEP), Local Growth Deals, City Deals, and latterly Devolution Deals, but questions remain as to whether these policy levers have been the most effective in terms of creating the right conditions for sustainable growth and shared prosperity. In order to assess these new mechanisms, this research uses the SCR Devolution Agreements to provide a useful window for examining their policy effectiveness, particularly in relation to addressing the needs of disadvantaged groups.

The SCR comprises nine local authorities: Sheffield, Barnsley, Rotherham, Doncaster, Chesterfield, North East Derbyshire, Bassetlaw, Bolsover and Derbyshire Dales. Signed in October 2015 and with a vision to create a 'second industrial revolution' by 2045 focused on skills and employment, this devolution settlement promises to shift power from Whitehall to the SCR. This is underpinned by a £900 million agreement (£30m of funding per annum for 30 years 'immune from any spending review'), giving greater control to local leaders over skills, transport, housing and business support, and builds on earlier initiatives as part of the Regional Growth Fund, which included the establishment of the Skills Made Easy Programme (2012-2015) and the Skills Bank (in 2015). Key components of this Devolution Agreement include:

- The Government will enable local commissioning of outcomes to be achieved from the 19+adult skills budget starting from year 2016/17; and will fully devolve budgets to the SCR Combined Authority from academic year 2018/19.
- An Area Based Review, to involve the design and implementation of post-16 Further Education within the City Region (started in 2016 to be completed in March 2017).
- From April 2017, the SCR will work with DWP to co-design future employment support for harder-to-help claimants; many of whom are currently referred to the Work Programme and Work Choice.
- SCR will have new responsibilities over apprenticeship brokerage activities targeted at SMEs including the 'Skills Made Easy' programme, Skills Bank, and Ambition Sheffield City Region—a partnership led by Sheffield City Council on behalf of the LEP and the city region's local authorities.

Whilst devolution opens up significant opportunities for the SRC, there remain some pressing questions as to whether such governance models are sufficiently addressing the needs of disadvantaged groups or simply reinforcing inequalities. Set against a background austerity and public expenditure cuts, the potential for the devolution agenda to be undermined remains a real challenge. The SCR has a legacy of deindustrialisation, shattered communities, and broken promises from central government, so the barriers to creating genuine economic and social prosperity are significant.

THE SHEFFIELD SITUATION

Within the SCR, there are a number of challenges facing the labour market which warrant closer inspection, including:

- A relative lower level of economic performance and productivity, with the city region ranking in 15th place out of 39 LEPs in England.
- A lack of employment demand and 'poor jobs' growth. The recession has hit the SCR hard, impacting on an already weak labour market, with an estimated additional 70,000 jobs required to "narrow the gap" with other parts of the country (and GDP growth of almost 5%).
- A Resolution Foundation study has found that SCR has the highest proportion of people in low paid work and below the recommended living wage (24%).
- A large unskilled workforce. In the SCR, nearly 127,000 people of working age possess no formal qualifications and a further 150,000 have qualifications below Level 2. Under-employment is a prevalent feature of labour market inequality in SCR as many new jobs created are self-employed, temporary, part-time and comprise zero hours contracts.
- There are significant barriers for disabled people and those claiming long-term sickness benefits to access both employment and vocational training. In the SCR there are 85,640 people claiming Employment Support Allowance/Incapacity Benefits (7.4%) and 16,090 receiving disability benefits (1.4%)—above the national average (6.3% and 1.1% respectively).
- Women are particularly disadvantaged in the labour market in terms of employment opportunities and pay. The majority of part time employment is taken by women, with a higher proportion of women earning below the living wage compared with men.
- Young people are experiencing high unemployment—approximately 35,700 16-24 year olds in the SCR are unemployed; this is 22.3% of the total. The number of 16-18 year olds not in education, employment or training (NEET) is over 3,700.

UNDERMINING THE DEVOLUTION DREAM

This landscape is further complicated by a number of national and local-based employment and skills programmes being implemented in the SCR, which are often beyond the influence of the SCR LEP and Combined Authority. We found that these policies and initiatives were poorly coordinated. For example, the Work Programme has not been sufficiently aligned with the employment and skills initiatives of local partnerships. There is little transparency on how initiatives perform and their effectiveness. Furthermore, the skills system is extremely complex and this raises questions in relation to how the devolution arrangements will lead to a more integrated and effective employment and skills system. Devolution is highly selective: what is being devolved is the supervision and delivery of a relatively narrow sub-set of Employment and Skills activity (post-19 adult skills) rather than any locality influence over the whole design, nature, and direction of travel of policy and practice.

The research highlights a number of areas where access to the employment and skills system for disadvantaged groups is not being widened and where social and geographical inequalities are increasing in the SCR. Ten areas are flagged, which need to be addressed by policy-makers and politicians as a matter of urgency if city regions are to become more economically inclusive and prosperous:

DEVOLUTION AND DISADVANTAGE IN THE SHEFFIELD CITY REGION:

1) AUSTERITY DRIVEN CUTS CHALLENGE CITY REGION GROWTH

- The total expenditure reduction for the nine SCR local authorities between 2010-2014 amounted to around £442.4m; with the loss of income as a result of welfare changes among resident population in 2015 alone amounting to approximately £577m. This collectively is a £1.19b loss of income from the SCR, which needs to be compared to the Sheffield devolution promise of £900m over 30 years.
- In addition, the estimated cumulative cuts (savings) for the 2016/17-year for the nine local authorities amount to a further £131million.

2) A HARSHER WELFARE REGIME COMPOUNDS THE CHALLENGE

- There is evidence that the welfare changes negatively impact on benefit claimants in terms of increasing levels of impoverishment and this can create barriers to accessing the employment skills system.
- Between 2012 and 2015, approximately 70,000 Job Seekers Allowance sanctions have been implemented within the SCR and there is evidence that this has led to poverty (increase in food poverty and personal debt is creating an increasing use of Food Banks) and people being deterred from accessing the employment and skills system.

3) CUTS TO ADULT SKILLS BUDGETS ADVERSELY IMPACT ON DISADVANTAGED GROUPS

- There has been overall a significant reduction in central government spending on local economic growth in the SCR as part of the Government's deficit reduction programme.
- The European Union Social Fund (ESF) has co-funded with the Skills Funding Agency (SFA) a significant number of programmes (between 2012-2015) targeted at disadvantaged groups in the labour market. These programmes have now ended and this is the equivalent of a loss of nearly £40 million. Given the recent BREXIT decision and the skills funding cuts, it is unlikely that these will be continued or replaced under the new devolution arrangements.
- The adult Skills budget cuts have been ongoing for a number of years reducing access to skills for disadvantaged groups.

4) UNIVERSAL CREDIT AND 'MAKING WORK PAY' ARE UNDERMINED BY LOW PAY AND POOR WORK QUALITY

- The anticipated roll out of Universal Credit with its design to 'make work pay' faces significant challenges to its effective implementation given the prevalence of low pay and poor work in the SCR.
- The challenge for disadvantaged groups is not only accessing work but also meeting the in-work progression requirements of Universal Credit.

5) WORK PROGRAMME FAILING DISADVANTAGED GROUPS

- Limited opportunities exist for 'making work pay' including progression in employment given the nature of pay, work organization, job design, casualization and increasing use of zero hours contracts.
- The Work Programme has significant resource challenges in the SCR.
- Difficult labour market conditions prevail, particularly where there is a lack of sustainable jobs, which presents challenges for signposting disadvantaged groups into work and training.

6) LACK OF ACCESS TO AFFORDABLE CHILDCARE RESTRICTS EMPLOYMENT OPPORTUNITIES

- Families with younger children often cut back on work or are less likely to take on higher paid work when children are young.
- This is compounded by increased costs such as paying for childcare given that many lone parents and families are reliant on low paid work. Larger families have increased costs and lone parents are often unable to work as many hours as couple families.

7) DISADVANTAGED GROUPS FACE BARRIERS TO ACCESSING APPRENTICESHIPS

- SCR is at the forefront of an apprenticeship revolution and the University of Sheffield's Advanced Manufacturing Research District high-tech collaboration between research and industry, focused on aerospace, automotive, medical tech and nuclear energy, is to be applauded. Joined-up strategies though are needed to fully realise this vision for all and empower disadvantaged groups.
- There is insufficient qualitative and quantitative analysis of how apprenticeships are working within the SCR—disadvantaged groups do not access programmes due to both funding and lack of employer engagement.
- Employers are reluctant to employ disadvantaged people, particularly young people.
- Uneven quality of Information Advice and Guidance (IAG) exists for apprenticeship options, which is leading to individuals not being aware of and exploring options.
- Low-level quality apprenticeships are prevalent; with unattractive and unsustainable pay rates, that compounds the above.

8) POOR COORDINATION EXISTS BETWEEN EMPLOYMENT AND SKILLS POLICIES

- The Work Programme seems to have been 'parachuted' into the regions with relatively little consideration in terms of how provision is coordinated with local services. Some links have been made but overall the WP has not featured as an integral part of SCR employment and skills policies.
- The SCR faces spatial challenges due to overlapping geographical administrative boundaries.

9) DEVOLUTION: MISSING AN INCLUSION FRAMEWORK?

- The SCR faces pressing questions on the extent to which disadvantaged groups will access jobs created via economic development strategies.
- There is a lack of transparency regarding the nature and impact of employment and skills programmes in the SCR.
- There are weak links between welfare-to-work programmes and SCR initiatives and partnerships.
- There is little provision in the devolution agreements for organisations representing disadvantaged groups to be involved in decision-making.

10) EMPLOYERS AND PROBLEMS WITH RECRUITING DISADVANTAGED GROUPS

- Much of the debate tends to focus around unemployed and disadvantaged groups becoming 'employable' and obtaining the 'right skills' to obtain employment.
- Employers tend not to recruit disadvantaged groups and people from deprived communities are often trapped in 'poor' work with low-pay, poor working conditions, long hours and job insecurity.
- Discrimination is frequently cited as a reason why disabled people cannot access employment.

FIXING THE SYSTEM: RECOMMENDATIONS

The report highlights that current and planned devolution, welfare, employment and skills policies tends to reinforce economic and social disadvantage. The opportunities to access sustainable employment opportunities are limited for disadvantaged groups. Three key issues are identified, which need to be addressed by policy-makers and politicians as a matter of urgency.

First, the devolution settlement lacks an inclusive governance structure and process that can be accessed by disadvantaged groups. This can be **addressed through greater consultation and representation both on the Local Enterprise Partnership and Combined Authority.**

Second, the SCR economic strategy is largely fostered on supply-side economics and its 'trickle down' approach. **There also needs to be a focus on demand-side approaches, which can be targeted at disadvantaged groups and an overall greater integration of the employment and skills system.** Apprenticeships will play a key role in up-skilling in the SCR with the introduction of the Levy, but the quality and local brokerage of apprenticeships is crucially important and also complementary skills programmes, which assist disadvantaged groups, need to be in place.

Third, disadvantaged groups are disproportionately affected by both austerity measures and welfare policies. The benefit conditionality system is seen as increasingly tougher for vulnerable groups to negotiate. Whilst it is important to assess the adverse impact of cuts on growth and social disadvantage, **there is a case for promoting the cost benefits of investing in employment and skills.** In order to address the problems of a tougher benefit regime, **there is a need to build into any devolved welfare to work system, including Universal Credit, a more user-friendly system for claimants and one that takes account of their voice and aspirations.**

The report offers five specific recommendations for both national and city region policy makers:

1) PROMOTE INCLUSIVE GOVERNANCE AT THE CITY REGION LEVEL

- Ensure that disadvantaged groups and organisations that represent them (such as the voluntary sector) are involved in decision-making processes.
- Trade unions have important roles to play and should be represented alongside local authorities and business leaders.
- Establish joint spatial working relationships between the LEP, DWP, Work Programme providers, and Local Authorities, to tackle governance boundary problems and also facilitate the integration of employment and skills policies.

2) DESIGN GROWTH STRATEGIES TO ADDRESS POVERTY REDUCTION

- Highlight the financial case for inclusion by undertaking a cost benefit analysis of anti-poverty initiatives and the public expenditure savings that can be accrued.

3) REDESIGN WELFARE TO WORK PROGRAMMES FOR TARGET GROUPS

- Redesign the claimant agreement so as to reduce the incidence of benefit sanctions such as incorporating a role for advice services to support the customer journey through the welfare to work system.
- Ensure that welfare to work programmes are appropriately resourced so that interventions can be sustained.

4) INCREASE EMPHASIS ON IN-WORK SUPPORT AND PROGRESSION

- Increase access to apprenticeships for disadvantaged groups—learn from best practice (e.g. LGA review).
- Promote high-quality apprenticeships in the context of expanding numbers and supporting the research of the relevant trade unions and Ofsted.
- Promote the employee voice in the city region through the Unionlearn model, which involves greater union engagement in promoting learning and skills development in the work place to disadvantaged groups.
- Pilot a Job Rotation model within the SCR.

5) PROMOTE EMPLOYMENT RIGHTS AND EMPLOYEE VOICES WITHIN THE CITY REGION

- This should include adopting initiatives developed by Sheffield's Fairness Commission around all employers within Sheffield paying the living Wage.
- Ensure that unions are actively involved with training in city regions, building on the Unionlearn proven track record of achieving this.

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About the research:

This is the Executive Summary of a longer report. Download it here: bit.ly/devolutiondisadvantage

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- **FURTHER READING:** Etherington D and Jones M (2016) **"The city-region chimera: the political economy of metagovernance failure in Britain"** Cambridge Journal of Regions, Economy and Society 9, 371-389
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