



Scrutiny Panel

Item

14 November 2023

Report of	Matthew Sterling, Economic Growth Manager	Author	Karen Turnbull ☎ 282915
Title	Assessment of Colchester's Ability to Develop the Skills the Economy Needs for the Future		
Wards affected	All Wards		

1. Executive Summary

- 1.1 This report provides a response information for the Scrutiny Panel in response to their question posed at their meeting on 15 March 2023: 'How able is Colchester to develop the skills needed for the future?'
- 1.2 The report considers what is meant by 'skills', why they are important, assesses the current strategic situation in the UK labour market in terms of recent policy changes, new legislation and social change. It looks at local evidence of need and skills priorities and outlines Colchester's 'skills landscape'. This includes providers of training, projects currently taking place to address skills development and partnership work to address shortages directly.

2. Action Required

- 2.1 Scrutiny Panel is asked to consider the report and to take a view as to whether further action is required.

3. Reason for Scrutiny

- 3.1 Colchester City Council approved a new Economic Strategy in February 2023. This stimulated reports to Policy Panel around Business Support and the subject of the importance of skills provision arose from this.

4. Background Information

4.1 What do we mean by 'skills'?

Skills are a collection of attributes which make us fit for life. In economic terms skills make us effective contributors to the labour force, they help individuals to expand their fields of knowledge which can help develop career paths, possibly with higher pay and ultimately, through the work they do and their contribution to businesses, help the economy to grow.

Skills acquisition starts in early childhood, formalises in education and continues throughout working life. These skills complement personal growth and can contribute to achieving personal potential both personally and professionally.

The average person is now anticipated to need to prepare to change career five times during a 50-year working life (assuming that on average many people will start some form of work at 16 and retire at age 67). People therefore need to have easy access to the skills they need to navigate this uncertainty, to realise their personal potential and to contribute to the local economy through improving commercial and social productivity.

4.2 Why Skills are Important

A country's ability to increase productivity is one of the key targets of economic policy as this enables countries to compete in a global economy and afford good quality public services.

Productivity refers to how efficiently production inputs like labour or capital are transformed into output.

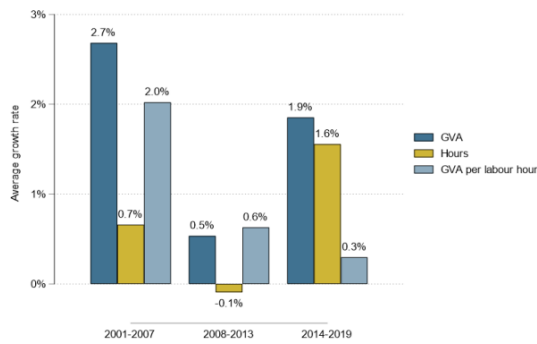
In June 2023, the [Institute for Public Policy Research analysis](#) reported that the UK risked falling further behind comparable wealthy nations as business investment is lower in the UK than in any other country in the G7, and 27th out of 30 OECD countries, ahead of only Poland, Luxembourg and Greece.

Highlighting a severe shortfall in public and private investment stretching back over several decades, the IPPR's research showed that Britain had ranked below the G7 average since 2005 for spending on infrastructure, research and development, skills and training.

Historical trends also show that the growth in UK labour productivity has been lower in recent years compared with the growth rates observed at the beginning of the early 2000s. This is referred to as the productivity puzzle, and it is not unique to the UK. It is therefore critical to understand the reasons for this decline.

Analysis published earlier this year on [Skills and UK Productivity](#) shows that the growth in UK labour productivity has slowed over the last twenty years. GVA per hour worked (presented by the light blue bar in Figure 1 below) grew by 2% per annum between 2001 and 2007, but only 0.6% per annum between 2008 and 2013, and further declined to 0.3% per annum between 2014 and 2019.

Figure 1: Growth in GVA, hours worked and labour productivity



Sources: LFS and London Economics' calculations

¹ The analysis uses data from the Quarterly LFS between 2000 and 2019. Variables are expressed as growth rates between two consecutive years, so the analysis relates to the years 2001 to 2019.

Overall, the evidence presented in this report, together with the findings from recent literature showing the positive effect of educational attainment on labour market outcomes shows that skills have a positive effect on wages and labour productivity.

The report also highlighted how investment by businesses is another key factor when considering productivity. Investment in new capital and innovative processes drives the need for new skills acquisition and can improve productivity.

Business confidence is key when borrowing to invest as those debts need to be serviced, ideally with increased productivity. Recent quarter's figures from the [Office of National Statistics](#) show a positive trend as the primary driver of growth in Quarter 1 2023 was ICT equipment and other machinery and equipment. However, this does coincide with the end of the temporary tax relief on qualifying capital asset investment.

In early 2022, the UK workforce comprised around 32.6 million people. Workers require a range of skills to be productive. The skills system is complex, involving government, employers, training providers, local bodies and individuals.

Office of National Statistics figures show that in Colchester there are 121,600 people aged 16-64 – the 'working age population'. Of these 98,100 are in employment and a further 8,900 are self-employed (81% and 7% of the working age population respectively).

Employers play a crucial role in developing workforce skills and stimulating the skills system and contributing to economic growth in this way. They can encourage and support their staff to take up government-funded training opportunities. They also invest in their own training activities, create higher-skilled jobs, and offer career progression and other opportunities for those with the appropriate skills.

In terms of the specific skills that are needed, it is important to note that a recent Green Skills Summit hosted by ECC argued that along with literacy, numeracy, digital literacy and 'soft skills' around customer care, sustainability is the fifth essential skill for everyone. There was a strong consensus that every job is a 'green job' as every industry plays a crucial role in minimising environmental impacts as we collectively work towards the goal of Net Zero.

4.3 Current Situation in the UK Labour Market

1. A Challenging National Picture

According to this year's [Business Barometer 2023](#) report published by The Open University and the British Chambers of Commerce:

- three-quarters (73%) of UK organisations are currently experiencing skills shortages, which remain one of the top challenges facing employers
- more than half (54%) of **organisations don't have specific skills initiatives** in place for specific talent pools, including those from underrepresented groups
- organisations also reported **an impact on reduced activity or output (productivity)** (42%) and reduced long-term growth plans (40%)
- therefore the additional pressure of skills shortages **are impacting the future of organisations and their local economies**, which could lead to further challenges for the economy as well as meeting Net Zero and equality, diversity and inclusion goals.
- Businesses, especially **Small/Medium sized Enterprises (SMEs) lack the necessary expertise and resources** to strategically address the skills gaps effectively and as a result many firms are trapped in a cycle of continual recruitment and retention challenges.

A [National Audit Office report](#) in 2022 - examined whether government has an effective approach to enhancing workforce skills. Given its responsibilities for leading Governments' approach to skills, much of the NAO's examination focused on Department for Education's (DfE) activities, as well as other departments which play a role in supporting skills development.

The report concluded that:

'Having a sufficiently skilled workforce is critical to the UK's economic success and to achieving wider government aims such as greater equality of opportunity. Government, led by DfE, has strengthened its approach in recent years. It has taken sensible steps to deepen its understanding, improve its oversight and work more coherently to address this priority.

At the same time, the skills challenge that government is facing has grown significantly, with key indicators going in the wrong direction.

- Employers' investment in workforce training has declined
- as has participation in government-funded skills programmes
- and these programmes impact on productivity.
- In addition, wider changes in the labour market (see below) are intensifying the challenge.

There is still an opportunity therefore for the Government at all levels to work in partnership with business to help to provide the skills the country needs.

The Department for Education is working on a more employer-led system but, from the evidence, it is unclear whether the conditions are in place for this to be implemented successfully, in particular whether employers are ready to engage to the extent that will be needed to achieve a step-change in performance. Employers may well ask why they invest in training people when those people might move on quickly in, what is currently, an employees' recruitment market.

As a result, there is a risk that, despite government's greater activity and good intent, its approach may be no more successful than previous interventions in supporting workforce skills development'.

New Legislation - 2022 saw new legislation come into effect when the [Skills and Post-16 Education Act](#) was passed. This is intended to help transform the skills and training landscape and level up opportunities across the country.

The Act underpins the government's transformation of post-16 education and skills as set out in the [Skills for Jobs White Paper](#) and is intended to help level up and drive growth across the whole country.

Skills to support the growing green economy are prioritised to create a workforce for jobs now and in the future, and schools are to be required to make sure all children get to meet providers of technical education routes such as apprenticeships, T Levels or traineeships – opening them to a wide range of careers.

The legislation may help economic recovery and growth by making it easier for people to get the skills they need to secure well-paid jobs in industries with skills gaps, such as health and social care, engineering, digital, clean energy and manufacturing. It may also give more people the opportunity to get jobs in their local areas, by requiring employers and colleges to work together to identify the skills needed within communities.

Key measures introduced by the Act include:

- Developing [Local Skills Improvement Plans](#) (LSIPs) Locally this is being led by the [Essex Chambers of Commerce](#) which is currently gathering data and insight on business needs through a variety of sector-based workshops. There is an update on the Essex LSIP below.
- embedding employers in the heart of the skills system by placing a legal requirement on colleges and other providers to work with employers to develop skills plans, so that the training on offer meets the needs of local areas, and people no longer have to leave their hometowns to find great jobs
- making sure all pupils meet providers of technical education so that they understand the wide range of career routes and training available to them, such as apprenticeships, T Levels or traineeships, not just the traditional academic options
- prioritising green skills so the training on offer across the country meets the needs of the growing green economy and helps gets more people into jobs
- supporting changes to the current student loans system so from 2025 learners can access a flexible loan for higher-level education and training at university or college, useable at any point in their lives
- introducing new powers to intervene when colleges are failing to deliver good outcomes for the communities they serve
- making it a criminal offence to provide, arrange or advertise essay mill services for financial gain to students taking a post-16 qualification at institutions in England including colleges, universities and sixth forms, and
- creating a unified skills system that builds from quality gains achieved with apprenticeships and T Levels by ensuring all technical qualifications match up to employers' high standards.

2. The UK Labour Market: a changed picture

Skills gaps have long been an issue in the national economy. Historically this was resolved by encouraging immigration and temporary seasonal work. Industries which were highly dependent on importing skills were and remain: health and care, agriculture, construction and tourism, leisure and hospitality, all of which are key to Colchester's economy.

Skills Gaps Compounded - The UK's departure from the European Union, Pandemic relocations of overseas nationals to be with family and a more stringent immigration policy have compounded the skills gaps now being seen across most sectors of the economy. The issue is therefore a structural one and one which cannot be resolved by UK businesses or education and training institutions.

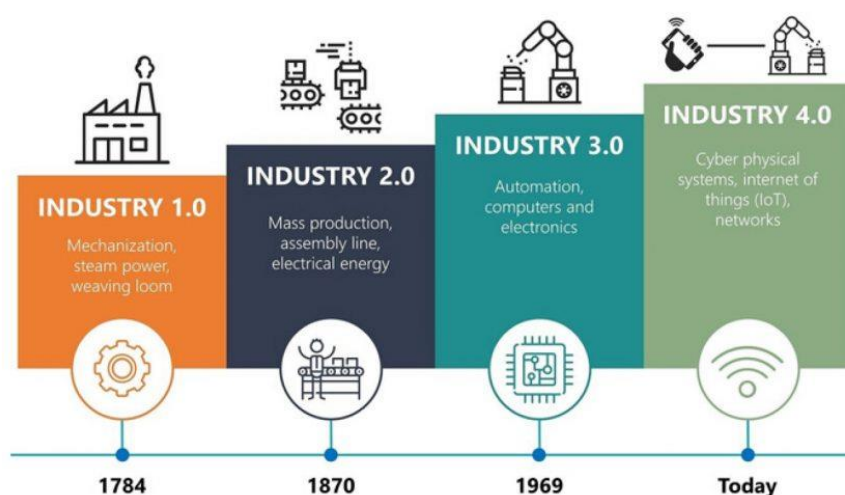
Business support is needed - Organisations, in particular Small / Medium sized Enterprises (SMEs), need support to invest and develop their Human Resource and people management capability to enable them to invest in their workforce's skills and make best use of existing capabilities.

Labour Market Churn - The Pandemic also saw many people re-evaluate their careers and change sectors. Hospitality is a case in point where some Chefs left to become delivery drivers for instance, citing better working conditions.

This churn has seen skills and experience lost in many sectors which again is compounding the issue locally, regionally and nationally. Conversely there is an issue around the ability of some sectors to attract people with transferable skills from other sectors.

Technological change - Increasing automation combined with the forces of Globalisation mean that working life is increasingly impermanent and unpredictable and will intensify over time. For some people this is liberating whilst for others it is daunting. *The Financial Times* predicts that people will change career (not job) around five times in future. However, restarting careers at entry level or going back into education will undoubtedly affect incomes and people's ability to sustain a life/lifestyle that their parents had as standard.

It is also worth noting that we are currently in the 4th Industrial Revolution as evidenced by this diagram. This is also demanding a new level of skills acquisition and development in order to remain competitive internationally.



Economic inactivity - Since the release of lockdown restrictions there have been significant changes in the labour market which are further contributing to skills shortages across the board.

Significant numbers of [Young people are leaving the labour market](#) because they are:

- Entering education and training
- Too unwell to work – especially young men
- However, more young women are entering the labour market as there are more flexible working opportunities since the Pandemic which mean that family responsibilities can be combined with working.

A significant number of [older people have left the labour market](#) taking their experience and skills from the economy. Recent findings, including by the ONS, show that [rising inactivity among 50-to-64-year-olds accounted for 68.5% of the total rise in economic inactivity](#) among 16-to-64-year-olds since the start of the pandemic.

There are two main explanations for the rise in economic inactivity among older workers: they chose to retire early or they are unable to work for health reasons. The [Health Foundation](#) and the [Institute for Employment Studies](#) have argued that the main reason for the rise in economic inactivity has been worsening health, exacerbated by difficulties accessing care and delays in treatment.

Demographic change - [‘Generation Z’ and ‘Y/Millennials’](#) have a vastly different expectation of the world of work compared to ‘Boomers’. Indeed, Gen-Z stands out as a group that is wholeheartedly embracing continuous learning at work. Their experience of life and their values will affect career choices and the skills they acquire to match.

4.4 Evidence of Need

Like any other activity, investment in skills takes place when there is evidence of need. February this year saw the approval of [Colchester City Council's Economic Strategy 2022-25](#), of which ‘people’ and skills is one of four key themes.

Sophisticated sector analysis was carried out by Essex County Council and was published last year in its [ECC Sector Development Strategy](#). This was adopted into Colchester’s Economic Strategy as both businesses and employees see no Local Authority boundaries in their operations. This is complemented by the [Essex Skills Plan 2022-23](#) which is an employer-led partnership approach to local skills delivery. This plan is deliberately light touch due to emerging skills policy nationally including a Local Skills Improvement Plan (LSIP) for Essex, Southend and Thurrock.

Over the Spring of 2023, the Essex Chambers of Commerce undertook an intensive engagement programme to produce the [Local Skills Improvement Plan \(LSIP\)](#). It concluded these priorities, actions for the following sectors. The Government approved funding for the LSIP for Essex in July and the plan will commence implementation in September.

Skills Priorities

- Soft skills and behaviours

- Basic English, Maths and ESOL (English for Speakers of Other Languages)
- Digital skills and 'Digitech'
- Green skills
- Leadership and Management skills system priorities
- System access and flexibility

Skills System Priorities

- Information, Careers Advice and Guidance
- Tutor shortages and capacity of providers to respond
- Inclusive employment
- Barriers to engagement
- Skills planning system for Essex Sectors and Technical Skills

Essex Sectors and Technical Skills

- AgriTech and Food Tech
- Community and Voluntary
- Construction and the Built Environment
- Creative and Cultural
- DigiTech
- Education
- Health, Social Care and Med Tech
- Professional Services Transport and Logistics.

The Government approved funding for the LSIP for Essex in July and the plan will commence implementation in September.

There are also sector specific reports such as the [Green Skills Infrastructure Review 2022](#) by Mace commissioned by ECC and the [Leisure Recovery Strategy 2022](#) commissioned by the Our Colchester BID both of which are in the delivery phase now.

4.5 The Colchester Skills Landscape

- *Education:* Primary and Secondary Schools, Further and Higher Education: Colchester Institute and the University of Essex, Adult Education courses and sector specific, eg: The Edge Hotel School at Wivenhoe House Hotel.
- *Training:* workplace training offered by employers and specialist sector training companies ([Skills Bootcamps training providers - GOV.UK \(www.gov.uk\)](#)), continuing professional development, internships, work experience, apprenticeships. Sector specific provision, eg: the Think BDW Academy, peer to peer support.
- *Professional membership organisations:* Chartered Institute of Customer Service, Marketing, Accountancy, Personnel, Procurement offer training, CPD and professional qualifications.
- *Business Support:* The Colchester Business Enterprise Agency offers a range of business support and training across the business skill set. The Colchester Institute offers a comprehensive range of courses, training, consultancy, apprenticeships and work experience placements.

- *Funding:* The UK Shared Prosperity Fund for Colchester is £3.1m over three years from 2023; the Rural England Prosperity Fund is £532,000 over 2023/25 and is restricted to capital projects only. A significant amount of money has been allocated into skills development including these specific local projects and partnerships:
 - Projects
 - *Digital Infrastructure* – Colchester City Council has a £50m programme to install digital infrastructure (Ultrafast gigabit fibre Broadband and 5G). This enables personal development/skills acquisition at home in our communities as well as enabling businesses to change business models to enter new markets and develop new products and services.
 - *Digital Creative Hub* in Queen Street – This will be a collaborative space for digital artists, entrepreneurs and tech creatives working with new and emerging technologies such as 5G. Due to open 2024/5.
 - *Wilson Marriage Digital Skills Hub* in Magdalen Street – upgrade and refurbishment work completed October 2023. The facility is supporting training, development, providing digital access and community activities. Adult Community learning will also expand digital skills development at other targeted locations throughout the town. The project provides adults across Colchester with substantial opportunities to re-skill and re-train (notably with enhanced digital skills), given the significant and rapid changes to several key local economic sectors.
 - *The Town House, Stanway and High Woods Youth Centres* – all refurbishment projects to improve youth facilities in which hard and soft skills activities can take place. Due for completion 2023.
 - *Skills Events* – Skills Festivals, sector specific Skills Networking Events for example:
 - [Skills Fest 2022 | University of Essex](#)
 - [Skills Hub - ACL Essex](#)
 - [Spring into Business Expo 8th June 10.30am-15.30pm Tickets, Thu 8 Jun 2023 at 10:30 | Eventbrite](#)
 - [Essex Green Skills Summit 2023 \(essexopportunities.co.uk\)](#)
 - **BID Employers' Breakfast** 4th October 2023, with Colchester Institute and Open Road. Inviting local employers to meet to learn more about apprenticeships and employment support programmes to open up more employment opportunities for local people and hospitality businesses alike.
 - **BID roll out of Night Time Economy training into the Day-time economy** – for retail, leisure and hospitality staff



- The Council's Museum service has recently been awarded £28,288 from the Phase 4 Low Carbon Skills Fund to develop a comprehensive heating design for the Natural History Museum and will identify the most efficient way of heating the museum while reducing CO2 emissions. The design will then be used to inform an application for a full funding grant in Phase 4 of the Public Sector Decarbonisation Scheme which is due to open to applications towards the end of 2023.

- Partnerships
 - Construction sector support through Shared Prosperity Funding in partnership with Colchester Institute.
 - Employability Support from the Shared Prosperity Fund for people from a range of vulnerable and disadvantaged groups in partnership with Abberton Rural Training.
 - Tourism, Leisure and Hospitality Sector support from the Covid Additional Restrictions Grant to help the Our Colchester BID to deliver training and support in partnership with The Edge Hotel School and Colchester Institute.
 - Digital Access Support for people who need basic digital skills upon which they can build in partnership with the Department of Work & Pensions
 - Sector Based Work Academy (SWAPs) are a Department of Work & Pensions scheme which are open to people who are in receipt of a Working Age Benefit. There is a SWAP at Colchester Northern Gateway in partnership with Colchester Institute which is offering an Employability Skills course over 2 weeks.
 - The Colchester Business Enterprise Agency (Colbea) offers free business support to help local companies to address their workforce and skills shortages
 - BEST Growth Hub (a business support service formerly offered by the South East Local Enterprise Partnership) is now contracted out to Colbea and offers core services of initial triaging, 1 hour diagnostic and 1 hour follow-up. This then enables a bespoke training / support programme to be developed in partnership with the business.
 - Freeport East, a designated area 45km around Harwich and Felixstowe Ports, which includes much of Colchester, recently launched an £800,000 programme of support for small businesses and to help get young people into green energy jobs.

5.0 Conclusion

- 5.1 The supply of skilled labour and the availability of skills education and training continues to be a major structural issue for the UK economy.
- 5.2 The aim at more local level is to ensure that there is effective access to providers of skills, training and education at all levels and to promote this availability to employers and residents alike.
- 5.3 There is also a need therefore to support the existing strong local offer for free and comprehensive business support to help local businesses plan to develop their existing workforce, recruit effectively, retain those skills within the business, increase productivity and develop 'legacy' plans for their ageing staff where necessary.
- 5.4 The ultimate aim is to retain and develop skills in businesses in and around Colchester. This in turn helps to retain businesses here and attracts more businesses and families to invest their future here as the city grows. This will sustain and improve productivity and contribute to local economic growth.
- 5.5 Given Colchester's rich supply of education and training opportunities and the investment in key infrastructure such as digital/Broadband, Colchester is relatively strongly provisioned in a range of education and training opportunities.
- 5.6 Digital infrastructure supports businesses to better weather economic shocks like the Pandemic by enabling business models to change to meet new and different market needs and opportunities as demanded by the 4th Industrial Revolution which is all about technological innovation.
- 5.7 The local skills landscape is rich and diverse and so, to answer the question posed by Scrutiny Panel, Colchester is in a strong position to develop the skills needed for the future because it is relatively well provisioned, and businesses are well supported, but with an important caveat at the national level.
- 5.8 Serious challenges remain. There are skills gaps in key sectors, such as health and care, hospitality and construction, which need strategic government interventions and policy change.
- 5.9 This has direct implications for Colchester's ageing population and growing population in terms of consistent access to high quality health care and the ability to deliver on major projects such as housebuilding.
- 5.10 Importantly, it may also curtail the ability for local businesses to take advantage of market opportunity, such as retrofitting to reduce carbon emissions, as they may choose to pursue more straightforward contracts which may pay equally as well if not more.
- 5.11 This report demonstrates that Colchester, its businesses, training and education providers, business support organisations, professional and industry organisations as well as its Council, are seeking every opportunity to help businesses and local people alike, to trade efficiently and effectively, raise productivity, and to have the skills to do so.

5 Equality, Diversity and Human Rights implications

5.4 This report considers the national, regional and local situation on skills and identifies the business potential to be realised offered by people in underrepresented groups.

5.5 The Council's Economic Strategy 2023-25 considers equality, diversity and human rights implications through its [Equality Impact Statement](#).

6 Standard References

6.4 There are no particular references to consultation or publicity considerations or financial; community safety; health and safety, environmental and sustainability or risk management implications.

7 Strategic Plan References

7.1 The programme of skills development and business support is driven by the Council's [Strategic Plan 2020-23](#) objectives:

- Growing our economy so that everyone benefits
- Respond to the climate emergency
- Delivering modern services for a modern city
- Improving health, well-being and happiness