



**Open Report on behalf of Andy Gutherson, Executive Director - Place**

Report to:	<b>Environment and Economy Scrutiny Committee</b>
Date:	<b>28 February 2023</b>
Subject:	<b>Lincolnshire County Council's response to Labour Market Trends</b>

**Summary:**

This paper outlines the current labour market challenges posed to Lincolnshire and details the response provided by Lincolnshire County Council to these challenges.

Lincolnshire County Council has a strong track record on delivering and supporting post-16 employment and skills activity with minimal resources. Examples include targeted use of the Adult Education Budget and strong working partnerships with the Department for Work and Pensions.

However, the context is changing. The covid-19 pandemic has had a profound impact on labour markets across the UK and in Lincolnshire has presented an unprecedented challenge. The pandemic has highlighted areas where labour markets have traditionally been weak, such as nursing and care; and areas with traditionally strong labour markets have been weakened, such as hospitality and leisure. Lincolnshire has been particularly exposed to these impacts, given its industrial structure.

Covid-19 also accelerated the changes of an already shifting job market. The shape of roles is changing as technology becomes an increasing factor in more occupations, with businesses seeking to increase their productivity to remain competitive. Approaches to the way we work have changed, with workers increasingly seeking flexibility and emphasis on work-life balance.

As a result of this changing landscape, we recognise that aspects of the Council's employment and skills activity are increasingly important, whilst others could be grown or adapted to meet the demands and meet the risks of a changing labour market.

There are presently four major challenges within the Lincolnshire labour market, as outlined in this paper, which are all inter linked.

**Actions Required:**

Members of the Committee are invited to:

- 1) Comment on the work taking place to deliver and support post-16 employment and skills activity across the county; does it tackle the recruitment and skills challenges councillors are hearing from local businesses
- 2) Comment on the Council's approach to supporting Lincolnshire training providers in the context of reducing gaps in provision at a local level

**1. Background**

This paper outlines the current labour market challenges posed to Lincolnshire and details the response provided by Lincolnshire County Council to these challenges. In particular it highlights challenges that have been exacerbated in the last 2 years due to a number of factors, including the covid pandemic; and a number of new challenges that are presenting themselves.

A functioning labour market typically will have high levels of employment, with workers equipped with the right skills that employers require. Conversely, a weak labour market will have more people out of work, either unemployed or economically inactive, with employers struggling to find the right people and skills to operate at their potential.

The covid-19 pandemic and associated economic policies to shut down parts of the economy have presented an unusual set of circumstances for individuals and employers and have also highlighted areas where labour markets are struggling.

Officers across the council, working on different projects, are doing a good job on employment and skills to positively impact on the lives of residents of Lincolnshire whilst helping employers to be more productive because they fill their job vacancies in an effective way. This is in line with the aspiration within the Corporate Plan which states “more people have the skills and attributes for work, enabling them to make a positive contribution to their economy.”

However, the context of the council’s employment and skills activity is changing as a result of four major challenges within the Lincolnshire labour market:

1. Economic inactivity levels have significantly increased in Lincolnshire, leading to reduced economic output and increases in benefit claims.
2. Employers have had more challenges filling jobs due to a lack of appropriately skilled applicants.
3. Lincolnshire has above average levels of young people not in education, employment or training.
4. The training provider system is fragile in Lincolnshire, leading to gaps in provision at a local level

In response to these challenges, Lincolnshire County Council continues to deliver those projects that are effective, as outlined below, whilst recognising that with additional

resource these could be grown. We are working with providers to understand their concerns and to develop a shared approach strategy to government for capital support. We plan to use the Learning and Skills Improvement Plan (LSIP) being developed by the Federation of Small Businesses to guide our longer term work.

## **2. Challenges within the Lincolnshire labour market**

### **2.1: Economic inactivity levels are high in Lincolnshire, leading to reduced economic output and increases in benefit claims.**

Economic inactivity is defined as those who are of working age but not actively seeking work. It is important to make the distinction between economic inactivity and unemployment. To be classified as unemployed, a person must be seeking work and therefore is classified as being economically active. In Lincolnshire, the unemployment rate is currently 2.8% which is very low when compared to the national average. In many respects this is positive, however it is only truly positive if it is accompanied with low rates of economic inactivity.

The economic inactivity rate has been rising in Lincolnshire since the start of 2020. The latest data from the Office for National Statistics shows that 23.3% of all working age people in Lincolnshire are not in work; with just under 10,000 more economically inactive people in the county now than in the same period in 2019.

Of those economically inactive, the highest percentage in Lincolnshire is working aged adults on long term sick (ie continuous absence lasting more than four weeks). Over 31% of those who are economically inactive in Lincolnshire give this as a reason, compared to 25.5% nationally. Since 2019, the number of people in Lincolnshire who are giving long term sickness as the main reason for economic inactivity has increased by 10,500.

This means that there is a smaller labour pool for employers to recruit from than pre-pandemic and has resulted in businesses either being short-staffed, or seeking alternative routes to fill roles.

### **2.2: Employers are struggling to fill jobs due to skills shortages**

In the DfE employer skills survey, conducted in 2019, 36% of employers in Lincolnshire stated they had hard to fill vacancies, with 22% indicating they had skills shortage vacancies.

Since 2020 it has been observed that employers are increasingly struggling to fill vacancies locally. The most recent Lincolnshire Chamber of Commerce employer survey, conducted in December 2022 indicated that 85% of businesses who had attempted to recruit had struggled to recruit staff.

In the 2022 Local Skills Report, produced by Greater Lincolnshire Local Enterprise Partnership, jobs such as caring occupations, maintenance engineers and production operatives were the amongst the toughest roles to fill. However, other roles in sectors

such as hospitality are reporting a lowering of quality candidates with the basic communication and numeracy skills they require.

**2.3: Above average levels of young people not in education, employment or training (NEET)**

The latest data on 16- and 17-year-olds who are not in Education Employment or Training (NEET) shows that 2.9% of all young adults in that age band are classified as being NEET. When ‘activity unknown’ is factored, this rises to 5.4%. Both rates are above the England and East Midlands average. It should be noted that it is not a statutory requirement to collect NEET data on young people after the age of 17.

Lincolnshire also has marginally lower levels of 16-17 year olds participating in education and training, with 92.7% of the age cohort not participating, compared to 92.9% in England and 93.9% in the East Midlands.

**2.4: A strong and flexible training ecosystem that delivers the training requirements of Lincolnshire employers**

A strong and flexible training ecosystem is key to providing a suitably skilled workforce and to increase economic output. The training provider system is a complex one, due to a complicated funding landscape, increased competition, alternative learning delivery methods and increased costs, compounded by the challenges of a rural county. The FE sector has experienced a prolonged period of reduced funding. Spending on adult education in real terms is about 50% lower than in 2009-10 (source: The Institute for Fiscal Studies, 2021; [Annual report on education spending in England](#)).

Often local, smaller training providers who are able to provide locally relevant provision are unable to compete with larger national scale providers. A shortage of suitably qualified staff, in addition to increased costs, has seen a reduction in provision being offered in community settings in more rural locations exacerbating skills gaps.

**3.0: Lincolnshire County Councils’ response to Labour Market Trends**

Officers across the council, working on different projects, are doing a good job on employment and skills to positively impact on the lives of residents of Lincolnshire. A summary of the activity that is being undertaken is outlined in the table and described below. Some of the activity overlaps across more than one of the challenges:

<b>Challenges within the Lincolnshire Labour Market</b>	<b>Lincolnshire County Council’s response</b>
Economic inactivity levels are high in Lincolnshire, leading to reduced	Strong working partnerships with Department for Work and Pensions

economic output and increases in benefit claims.	Targeted use of the Adult Education Budget
	Collaborative working with Greater Lincolnshire Local Enterprise Partnership on targeted programmes
Employers are struggling to fill jobs due to skills shortages	Maximising the apprenticeship levy
	Launched the Lincolnshire Apprenticeship Awards in collaboration with the Greater Lincolnshire LEP and Lincolnshire Public Sector Compact Group
	Graduate retention schemes
	Delivery of the Multiply numeracy programme
	Making the wider 'business case' for skills and careers investment to local employers by raising awareness of opportunities through its various funding streams and work programmes
	Through its Employment and Volunteering Project Group, works with partners and the wider business community to improve the number of adults with a disability in meaningful employment or volunteering.
Above average levels of young people not in education, employment or training (NEET)	Offering alternative education to young people through the Young People's Learning Provision (YPLP)
	Supporting careers advice through the Careers Hub programme
	Supporting those with special educational needs and disability (SEND) with bespoke programmes
	Maximising national initiatives, including National Apprenticeship Week, to raise awareness of and promote the many benefits of Apprenticeship programmes
A strong and flexible training ecosystem that delivers the training requirements of Lincolnshire employers	Working with local training providers to understand their concerns and to develop a shared approach strategy to government for capital support.
	Building a pipeline of projects with local training providers to maximise available funding

**3.1** To enable those who have left the labour market to return to fulfilling jobs and make a positive contribution to their community the County Council has developed strong partnership working arrangements with the Department for Work and Pensions (DWP).

This working relationship ensures local information is available to align County Council funded programmes (ie Adult Skills & Family Learning) with local labour market needs. For example, DWP Partnership Manager is a member of the Council's Learning Board and Employment & Volunteering Steering Group. This valuable relationship also allows for useful signposting of the council's various Adult Education programmes to target the economically inactive, as well as allowing for the effective monitoring and optimising the reach of, and local resident access to, national employment, unemployment and skills programmes across the length and breadth of rural Lincolnshire.

Using its Adult Education Budget (AEB) funding from the Education and Skills Funding Agency (ESFA), officers work with training providers across Lincolnshire to target the unemployed, support retraining and deliver provision in areas of greatest skills deprivation. This approach ensures that funding is targeted at those residents in greatest need, helping to fill gaps in FE provision and avoid duplication.

The relationship between LCC and the LEP is strong, based on shared priorities and a philosophy of avoiding duplication. Working in collaboration with the LEP maximises the impact of national initiatives across Greater Lincolnshire, including ESF programmes, Skills Bootcamps and Apprenticeships. The collaborative working arrangements also enables maximising of the investment of available skills funding to meet locally identified need; for example the £1.7 million LEP Labour Market Support Fund, launched in March 2022 to address immediate labour market challenges and the LEP Skills Capital Investment Programme aligns skills investment with our growth sectors and their skills gaps and shortages.

**3.2** To support adults to develop the skills employers in Lincolnshire need, the council, as outlined above, uses its AEB funding well to deliver a targeted skills programme including progression opportunities to a strong vocational qualification programme meeting the needs of employers at a local level.

To develop skills and improve productivity within LCC, as well as helping some small and medium sized companies in Lincolnshire to support staff development, officers maximise the council's Apprenticeship Levy funding.

To raise awareness of the very positive impact of Apprenticeship programmes on the individuals involved and their employers, working in collaboration with the Lincolnshire Public Sector Compact Group and the LEP, officers launched the now annual Lincolnshire Apprenticeship Awards in 2022.

A Graduate Retention Plan is in place aimed at increasing the number of residents in Lincolnshire with qualifications at a Level 4 or above to help fill skills gaps across Lincolnshire. Working in collaboration with the University of Lincoln (UoL), Bishop Grosseteste University and the LEP, the council helps promote the graduate portal developed in partnership by UoL and BGU to raise awareness of the great opportunities in Lincolnshire for people with higher levels skills: (<https://gradlincs.co.uk/>)

Multiply funding awarded to the council, 2022-25, is helping to transform the lives of participating adults across Lincolnshire. It has been recognised that people who improve their numeracy skills are more likely to be in employment, have higher wages, and better wellbeing, and will be able to progress to higher levels of free training to secure a skilled job in our economy. Businesses who develop their employees' numeracy skills can boost productivity, increase profits, and improve employee retention.

Work programmes are in place across the council, from the SEND Employer Forum to Business Lincolnshire Growth Hub, making the wider 'business case' for skills and careers investment to local employers by raising awareness of opportunities.

Working with the wider business community, and supported by its partners, the council's Employment and Volunteering Project Group improves the number of adults with a disability in meaningful employment or volunteering.

**3.3** To help reduce the levels of young people not in education, employment or training (NEET), the council uses its ESFA 16-19 funding to deliver alternative education that supports vulnerable, NEET and SEND (special educational needs and disabilities) young people, providing the opportunity to move closer to and progress into the world of work and greater independence.

Working in partnership with North Lincolnshire Council, North-East Lincolnshire Council, the Careers and Enterprise Company and the LEP, preventative work is carried out through the Enterprise Advisor Network to support the work of school career teachers to help young people to enhance their capabilities in ways that contribute to enhanced jobs, skills, and growth.

Apprenticeship programmes are a great way of providing a pathway for our young people to develop the skills and knowledge required for a rewarding career as well as helping businesses to develop a talented workforce that is equipped with skills for the future. Working collaboratively to reach young people across Lincolnshire, officers maximise national initiatives, including National Apprenticeship Week, to raise awareness of and promote the many benefits of Apprenticeship programmes.

**3.4.** To develop a strong and flexible training ecosystem that delivers the training requirements of Lincolnshire employers, officers work with local training providers to understand their concerns and to develop a shared approach strategy to government for capital support. The training provider system is a complex one, due to a complicated funding landscape, increased competition, alternative learning delivery methods and increased costs, compounded by the challenges of a rural county and a shortage of suitably qualified staff.

Working with local training providers, we have been able to establish a future pipeline for employment and skills projects and initiatives to maximise funding opportunities which often arise at short notice. This also helps the council to better understand training providers' concerns as well as identify any pinch points for additional support.

#### **4. Conclusion**

Members of the Committee are invited to note the progress made in delivering and supporting post-16 employment and skills activity in a changing labour market.

We continue to work with training providers to understand their concerns and to develop a shared approach strategy to government for capital support for the benefit of residents of Lincolnshire.

We plan to use the Learning and Skills Improvement Plan (LSIP) being developed by the Federation of Small Businesses to guide our longer term work.

#### **5. Consultation**

##### **a) Risks and Impact Analysis**

N/A

#### **6. Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report

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