

## Getting LSIPs right

### ReWAGE Policy Brief

LSIPs (Local Skills Improvement Plans) are a new and important part of the vocational skills infrastructure in England. A sum of £20.9 million has been made available to the 38 LSIPs to develop three-year skills implementation plans for each region. It is important that this investment is effective. This policy brief argues that the current LSIP remit is unlikely to address the UK's skills problems and suggests ways in which this could be improved.

#### Policy recommendations

- (i) Co-production. LSIP plans see employers as customers, involved in specifying skills plans and drawing up 'wish lists'. A far better model has employers as co-producers, fully involved in skills delivery and implementation, with appropriate checks (training hours, number of apprenticeships) on activity and quality.
- (ii) Extending skills training, reskilling and upskilling to established workers already in the labour market. New entrants are a small fraction of the labour market as a whole, limiting activity to new entrants means that existing skills shortages are not addressed.
- (iii) Introduce good career guidance to everyone in work.

#### Introduction

LSIPs were initially suggested in the FE White Paper and formally introduced in the *Skills for Jobs* White Paper before being set up in 2022. There are now 38, covering all areas of England and each LSIP is charged with working with employers, local training providers, councils, mayoral authorities and other stakeholders to produce a skills plan that is relevant to local needs. In May 2023 the DfE launched a £165 million Skills Improvement Fund and invited colleges and local providers to bid for funding which could meet the specific priorities identified in their own LSIP.

Action is necessary. At national and organisational levels, the UK's longstanding skills problem damages our productivity and ability to compete; at an individual level, low-paid jobs mean that 53% of working people are reliant on state benefits.<sup>1</sup> Improvements in skills could change this, though these would need to be supported by improvements in a range of other areas including job design, organisational strategy and investments. It is not clear that the system of LSIPs will be equipped to tackle the existing problems.

#### Representing and consulting employers

The design of LSIPs assumes that consulting employers and identifying their skills needs is a straightforward, technical activity. It is not.

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<sup>1</sup> Clark, D. (2023). 'Percentage of households receiving benefits in the UK 2022, by region'. in *Statistica: Statistica and Department of Work and Pensions*.

The main actor in LSIPs is the Employer Representative Body (ERB) which is charged with consulting employers and assembling their views and needs into a coherent plan. The difficulty here is the lack of well-established and resourced intermediary bodies in the UK. In Germany, Chambers of Commerce and Industry (*Handelskammern*) are public corporations which companies are legally required to join. This means that they represent every company in their geographical region and are powerful forces for networking, representation, lobbying, arbitration and the delivery of vocational training. There is no equivalent in the UK. Various governments have tried to set up employer representative bodies over the years, primarily as consultative and trailblazer bodies for vocational qualifications, but these tend to have been narrow and short lived.

In order to draw up LSIPs, groups were encouraged to apply to be ERBs. Most of those appointed were, understandably, local Chambers of Commerce (32 of the 38 LSIPs have Chambers of Commerce as their ERB). Chambers of Commerce are one of the main collective voices of UK employers. However, unlike their German counterparts, they are voluntary membership organisations. Local chambers are accredited by the national Chamber Network and provide help and support to their members. Nationally, 70,000 businesses employing over six million people are members (<https://www.britishchambers.org.uk/page/whats-a-chamber-of-commerce>). This is a significant number, but it still covers less than 1.5% of all businesses in the UK and about 20% of all employees<sup>2 3</sup>. Three of the remaining 6 ERBs are run by the Federation of Small Businesses (FSB) and the others are organised by the North-East Automotive Alliance (NIEAA) Ltd, Business LDN and Buckinghamshire Business First.

Many ERBs have made concerted attempts to gauge regional requirements through extensive consultations with employers, local and mayoral authorities, colleges and other stakeholders. In Greater Manchester an employer survey produced 2.8k responses. Some were and are better equipped than others. One region reported that their ERB was simply 'not a skills specialist' while in another an expert was seconded from the Local Authority to assist.

Despite these efforts, in many areas only limited employer responses were received. This may be attributable to the difficulties contacting employers, but it could also be explained by the fact that very few UK employers undertake workforce planning. The NHS, the public sector and large organisations can and do actively engage in setting out their future staff needs, but few SMEs have the resources or the skills to attempt this, and many lack even the capacity to undertake the most basic of HR tasks.<sup>4</sup> Those that do successfully identify their skill needs are unlikely to be satisfied with a single applicant for each skills gap (the aim of these planning exercises). Employers, understandably, seek a choice of candidates. Since employers do not pay for the training they identify through LSIPs they have a clear incentive to adjust their skills requirements to ensure they get this choice.<sup>5</sup>

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<sup>2</sup> Hutton, G. (2022). 'Business Statistics Research Briefing'. edited by H.o.C. Library. London: UK Parliament.

<sup>3</sup> ONS. (2023). 'Employment and Employee Types'. Office for National Statistics.

<sup>4</sup> Atkinson, C., Lupton, B., Kynigho, A., Antcliff, V. and Carter, J. (2017) People skills. Building ambition and HR capability in small UK firms. London: Chartered Institute of Personnel and Development.

<sup>5</sup> Keep, E. (2023) (forthcoming). 'Skills alignment and 'matching' - easy to specify, hard to deliver?', SKOPE Policy Brief, Oxford: Oxford University, SKOPE.

In the LSIPs system employers feature largely in the front end, as customers, setting out their requirements. The guidance does suggest (in passing) that systems work better when employers are co-producers but is largely occupied with the ways in which employer needs can be 'articulated'.<sup>6</sup> But this model is impoverished. For skills and skills development, a much more active model of co-design and co-production is required, involving employers throughout the process. Activities could further be strengthened, following the German system, by including worker representatives, trade unions and local authorities as co-producers.

Employers should be central to training activities.<sup>7</sup> Recent years have seen a dramatic retreat from training by employers with training hours declining by as much as 60% between 1997 and 2017.<sup>8 9</sup> This despite extensive official exhortation and subsidy.<sup>10</sup> Such a level of withdrawal is not encouraging.

With no widespread data to draw on, activities that target only a small proportion of the labour force, time lags between employers specifying a skill need and the ability of colleges to recruit and train a larger or new cohort of students, and active incentives for employers to overstate their needs there is clearly a problem.<sup>11</sup>

## Links to colleges

LSIPs aim to link local education and training suppliers more closely to employers. In theory, their remit encompasses all aspects of both vocational education and education, in practice most of this activity is linked to FE colleges.

But often this push is challenged by some of the constraints FE colleges operate within. One recent report described the many positive links to employers FE colleges have, but also noted that there was no dedicated time or resources allocated to these relationships and that declining funding was complicated by shifting 'pots' of money with different and often bureaucratic procedures for accessing it.<sup>12</sup> In tight labour markets this relationship was strained by the fact that employers competed for staff with colleges, often recruiting tutors into practice at better rates of pay. Secondments were not seen as attractive because 'their' tutors might be engaged in training their competitors' trainees.<sup>13</sup> LSIPs will provide colleges with resources, but this could simply be another temporary 'pot' of funds.

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<sup>6</sup> DfE. (2022). 'Local Skills Improvement Plans: Statutory Guidance for the Development of a Local Skills Improvement Plan'. edited by D.f. Education. London: Department for Education.

<sup>7</sup> Wright, J. and Corney, M. (eds.) (2023). *Driving-up Employer Investment in Training - pressing the right buttons*, London: Campaign for Learning.

<sup>8</sup> Green, F. and G. Henseke. (2019). 'Training Trends in Britain'. in Research Paper. London: University College London, Institute of Education and Unionlearn, TUC.

<sup>9</sup> ReWAGE. (2022). 'Upskilling and Reskilling Adult Workers - the Problem of Employer Demand'. University of Warwick and University of Leeds: Renewing Work Advisory Group of Experts.

<sup>10</sup> Keep, E. (2020). 'Employers, the ghost at the feast'. *Journal of Education and Work* 33(7 - 8):500 - 506.

<sup>11</sup> Keep, E. (2023) (forthcoming). 'Skills alignment and 'matching' - easy to specify, hard to deliver?', SKOPE Policy Brief, Oxford: Oxford University, SKOPE.

<sup>12</sup> Nelles, J., B. Verinder, K. Walsh, and T. Vorley. (2023). 'Skills Innovation and Productivity: The Role of Further Education Colleges in Local and Regional Ecosystems'. The Productivity Institute and the Innovation Caucus.

<sup>13</sup> Nelles, J., B. Verinder, K. Walsh, and T. Vorley. (2023). 'Skills Innovation and Productivity: The Role of Further Education Colleges in Local and Regional Ecosystems'. The Productivity Institute and the Innovation Caucus.

*Who is being trained versus who is at work?* Each year the number of graduates, school and college leavers entering the workforce account for about 2% - 2.5% of the workforce.<sup>14</sup> Training efforts focused on this group will be helpful, and much needed since they have been comparatively neglected in the apprenticeship levy, but they do not make major inroads into overall levels of *workforce skills*. For that we need to look to employers to provide training for people already in work and, as previously noted, the volume of such training has been falling for more than two decades. The skills of both new entrants and established workers are important for our future competitiveness.

## **Is this the right solution?**

The final area of complexity is the UK labour market itself. In Germany, there is a strong concept of occupation, coupled with 'licences to practice' in many areas, qualifications which workers are required to hold to engage in their chosen field. This is coupled with sectoral collective bargaining, which limits the gains workers can make by moving employers. The UK labour market is far more fluid. Few occupations require any kind of 'licence to practice' so school, college and university leavers often apply to general, rather than specialist vacancies.<sup>15</sup> Less than half of specialist engineering graduates enter their particular sub-discipline and only 20 or 30% of graduates in law or legal studies enter the legal sector.<sup>16 17 18</sup> Once in work, it is common for young people to experiment with various occupations and sectors, resulting in high levels of attrition.<sup>19</sup> According to the Wolf Review, 62% of the 1991 birth cohort who were in work, changed sectors in the year between ages 17/18 and 18/19.<sup>20</sup> A study of workers in their 20s and early 30s between 1998 and 2008 found the average individual changing jobs 3.5 times, occupations 2.5 times and sector 1.8 times. It seems that, given the fluid nature of the UK labour market, targeting training primarily at young people in the hope that they will stay in the area in which they have been trained is a far from perfect solution to skills shortages.

In some sectors, such as social care it is unattractive pay, terms and conditions which discourages workers and results in high turnover. As Keep observes, expecting training and recruitment to solve this problem is a little like pouring more water in to a

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<sup>14</sup> Keep, E. (2023) (forthcoming). 'Skills alignment and 'matching' - easy to specify, hard to deliver?', SKOPE Policy Brief, Oxford: Oxford University, SKOPE.

<sup>15</sup> Keep, E. (2023) (forthcoming). 'Skills alignment and 'matching' - easy to specify, hard to deliver?', SKOPE Policy Brief, Oxford: Oxford University, SKOPE.

<sup>16</sup> Dixon, M. (2015). 'The Scale of 'Leakage' of Engineering Graduates from Starting Work in Engineering and its Implications for Public Policy and UK Manufacturing Sectors'. in SKOPE Research Paper. Oxford: University of Oxford.

<sup>17</sup> Dixon, M. (2017). 'Engineering Graduates for UK Manufacturing: Further Confirmation of the Evident Minimal Impact of Possible Workforce Planning Policy Responses to Sectoral Skill Shortage'. in SKOPE Research Paper. Oxford: University of Oxford, Department of Education.

<sup>18</sup> Grey, M. (2018). 'Has Employability Become a Toxic Brand?' in WONKHE Blog.

<sup>19</sup> Keep, E. (2023) (forthcoming). 'Skills alignment and 'matching' - easy to specify, hard to deliver?', SKOPE Policy Brief, Oxford: Oxford University, SKOPE.

<sup>20</sup> Wolf, A. (2011). 'Review of Vocational Education - the Wolf Report'. London: Department for Education.

leaky bucket.<sup>21</sup> It could result (at least temporarily) in more water in the bucket, but it would be far more effective to fix the leak.

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## About the author

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This paper represents the views of the authors based on the available research. It is not intended to represent the views of all ReWAGE members.

## About ReWAGE

ReWAGE is an independent expert advisory group modelled on SAGE that is co-chaired by the Universities of Warwick and Leeds. It analyses the latest work and employment research to advise the government on addressing the challenges facing the UK's productivity and prosperity, such as Covid-19, the cost-of-living crisis and labour shortages.

For more information visit: <https://warwick.ac.uk/fac/soc/ier/rewage/>

ReWAGE is primarily funded by the Economic and Social Research Council.

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<sup>21</sup> Keep, E. (2023) (forthcoming). 'Skills alignment and 'matching' - easy to specify, hard to deliver?', SKOPE Policy Brief, Oxford: Oxford University, SKOPE.