



CAMBRIDGESHIRE & PETERBOROUGH
COMBINED AUTHORITY

Contribution of skills development to increasing economic value

Michael Soper, Cambridgeshire County Council



Background

- **Cambridgeshire & Peterborough Devolution Deal**

“Delivering substantial economic growth – economic output will increase by nearly 100% over the next 25 years. Underpinned by a strong economic and productivity plan GVA will increase from £22bn to over £40bn”

- The £22bn refers to the figure of £22,010 published by ONS for 2014 (the baseline year of the deal).
- Gross value added (GVA) is a measure of the increase in the value of the economy due to the production of goods and services.

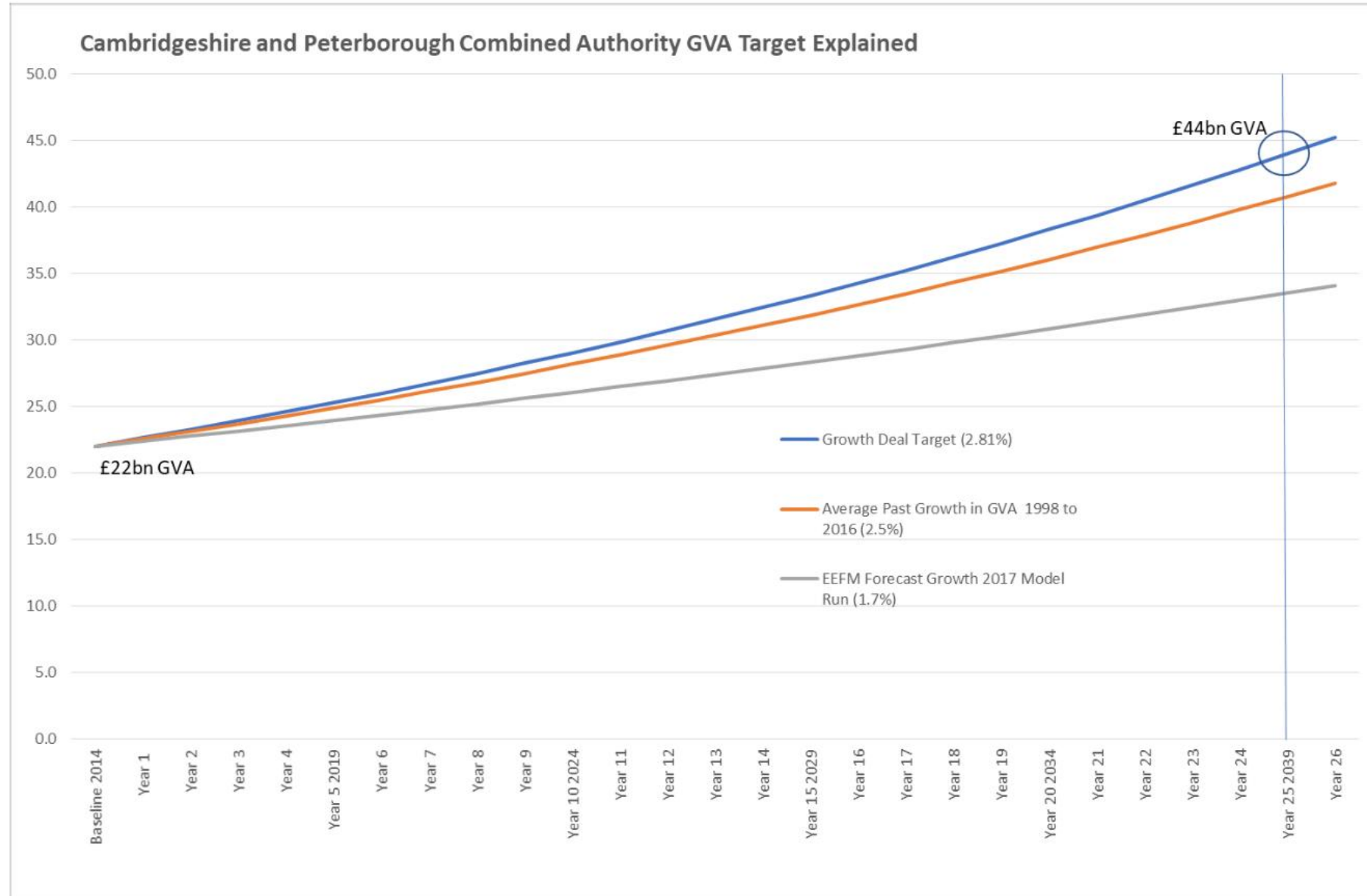


Background

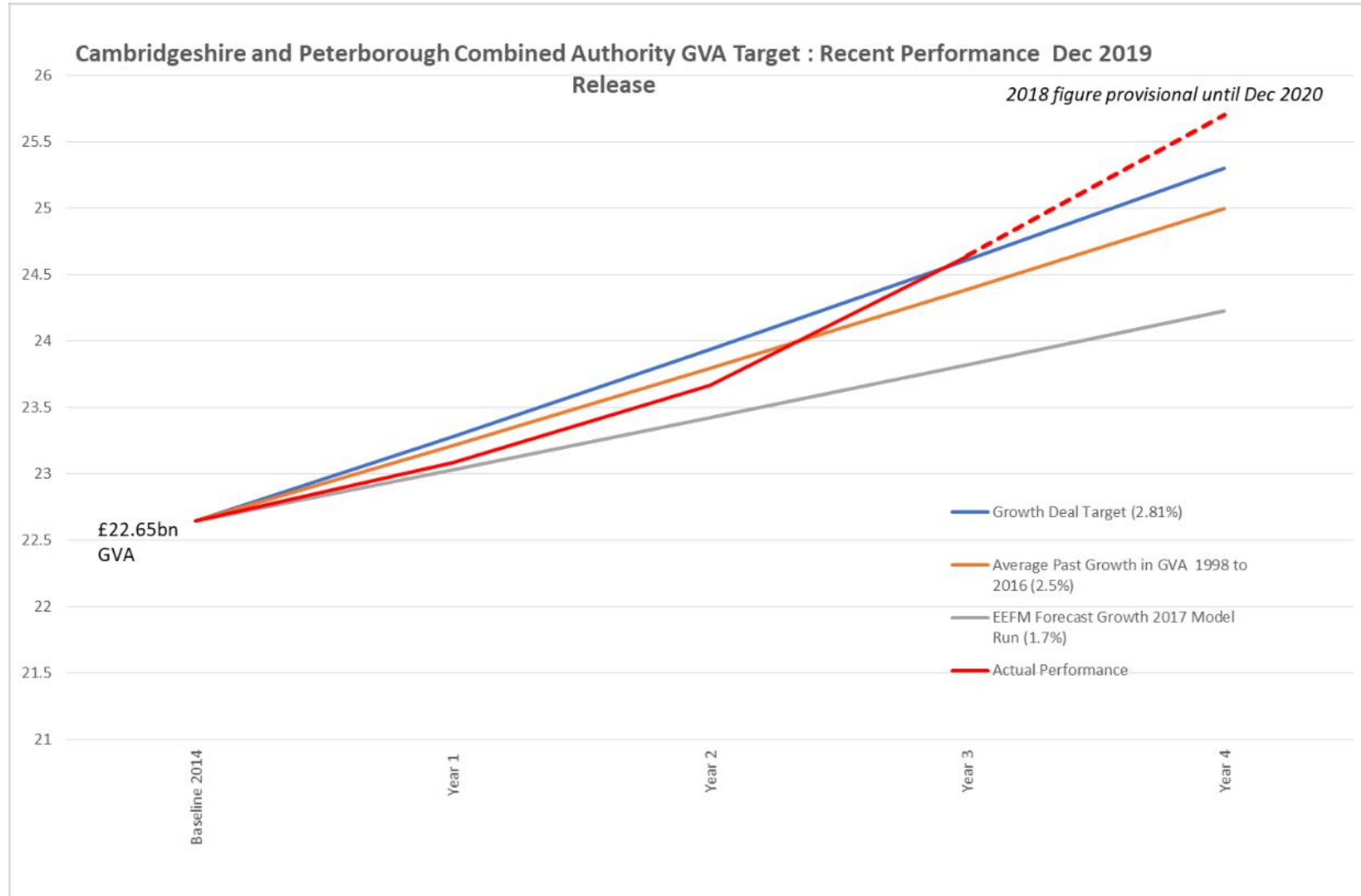
- Within the CPIER, the commentary on the deal was *“To double an economy over twenty-five years requires an average annual growth rate of 2.81%. Historically, since 1998, the local economy has grown at around 2.5%. Viewed in this light, it is a “stretch target” – it requires the area going beyond what it has before”*
- Whilst 2.5% is quoted in the CPIER as a base line there is also additional commentary on past trends being difficult to reproduce on into the future. An alternate baseline of 1.7% from the East of England Economic Forecasting model can be used to illustrate these ‘future challenges’
- The resulting trajectories for performance is shown overleaf.



Initial GVA Performance Trajectory



Performance against target (first five years)



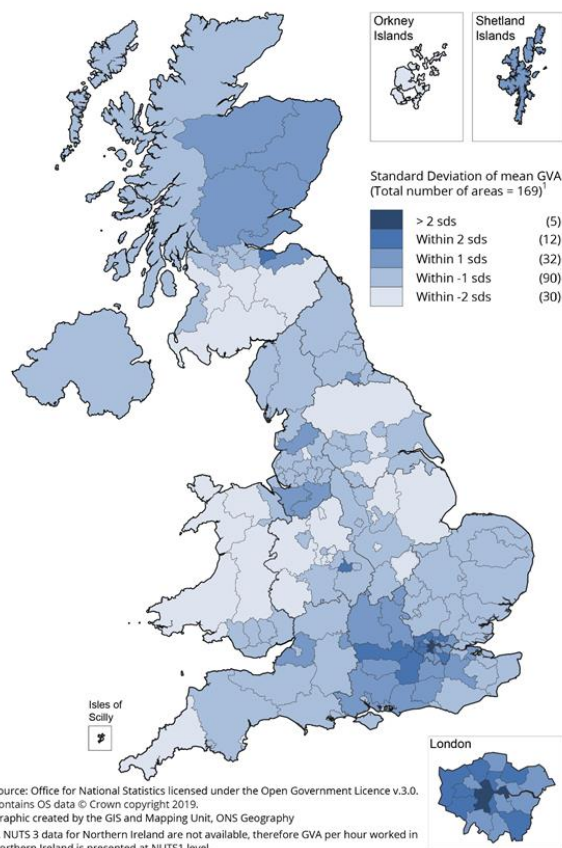
How do we understand the skill's strategy contribution?



Positive link between skills and productivity

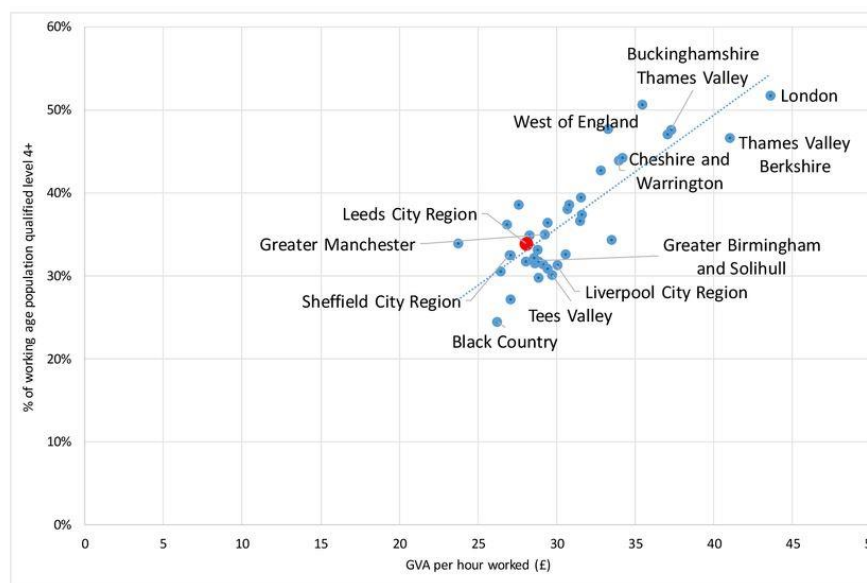
- In economic terms, productivity is simply the level of output per unit of input. Labour productivity, therefore, is defined as the quantity of goods and services produced per unit of labour input, for example, per hour worked or per filled job.

Labour productivity (GVA per hour worked) distribution in the UK:
standard deviation of the UK average GVA per hour worked for NUTS 3 subregions, 2017



There is a strong correlation between skills and productivity performance at LEP level

Figure: High level qualifications and productivity by LEP area



Source: Annual Population Survey; ONS LEP level estimates of productivity

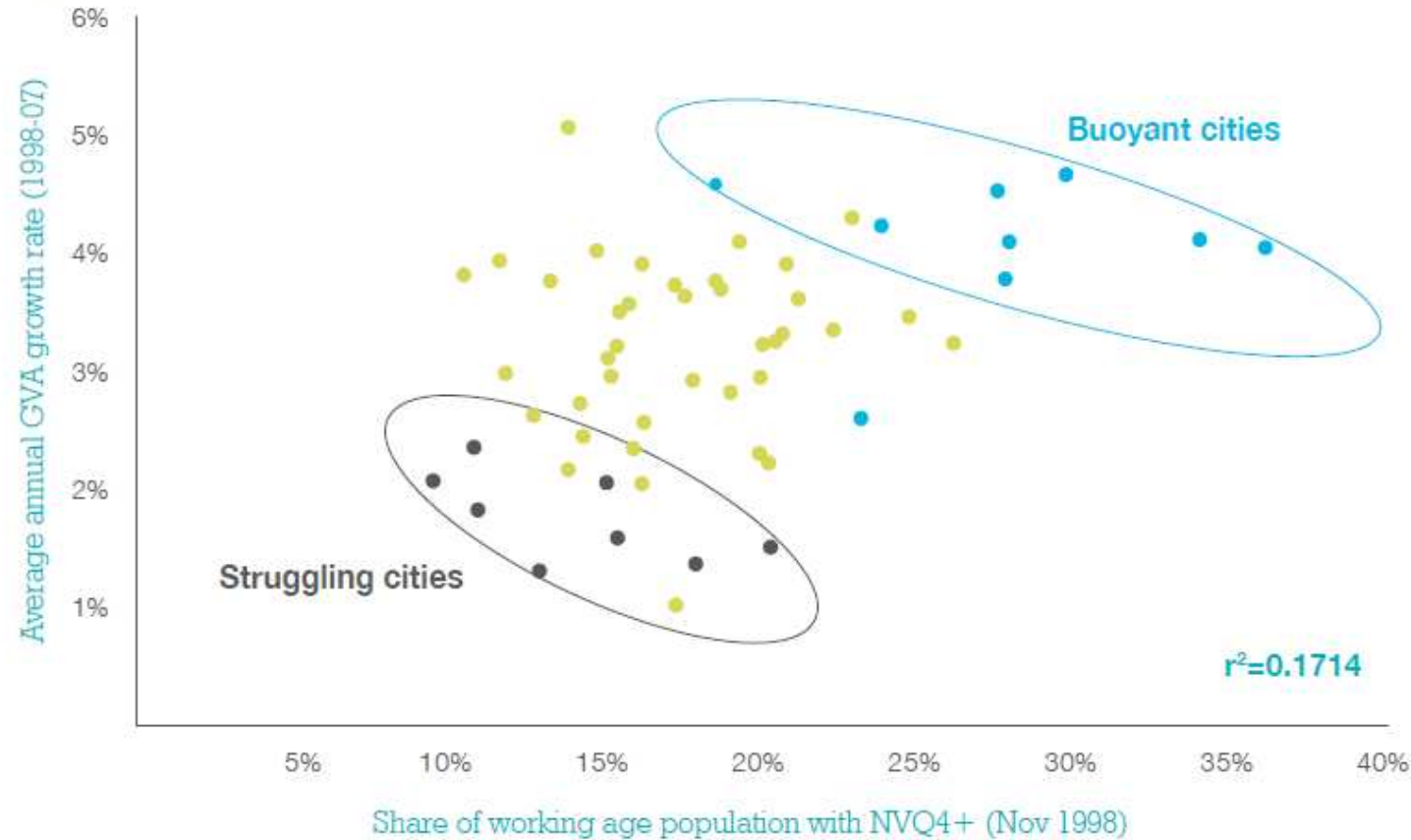
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<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/understandingspatiallabourproductivityintheuk/2019-05-03>



Positive link between skills and growth

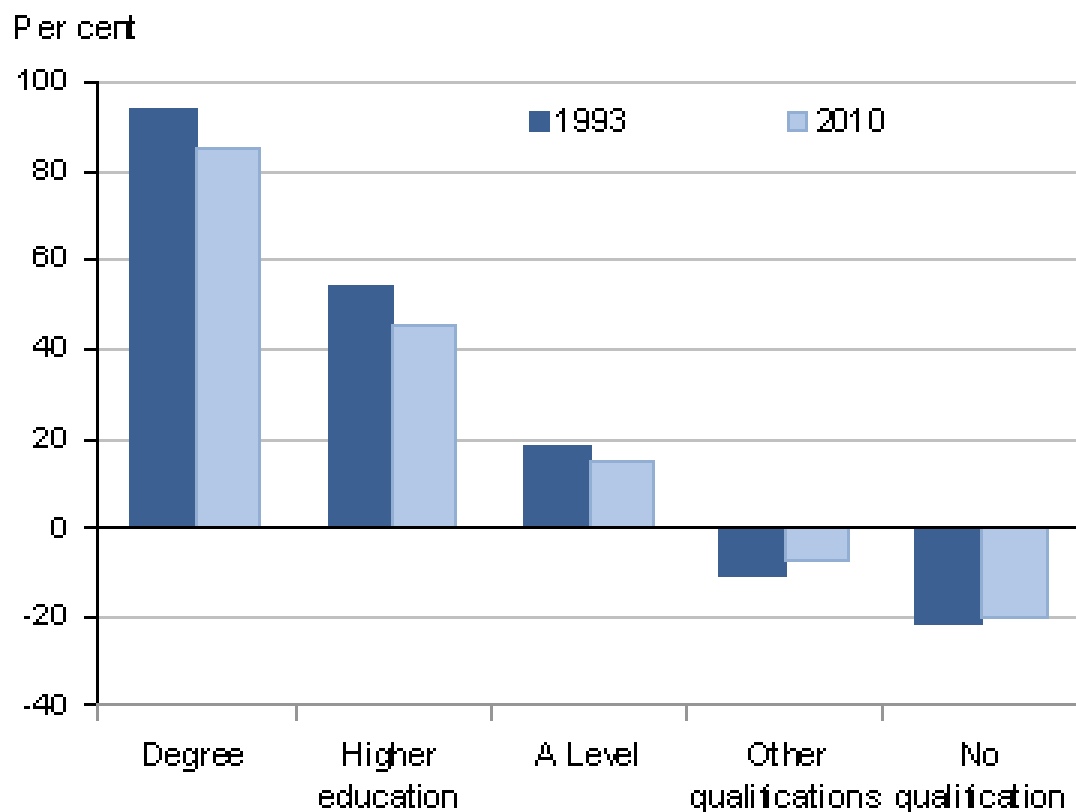
Figure 1: The positive link between UK city skill levels and economic growth



Source: Swinney, Larkin and Webber 2010. Firm Intentions: Cities, private sector jobs and the coalition. London: Centre for Cities



Value of learning new skills – personal level

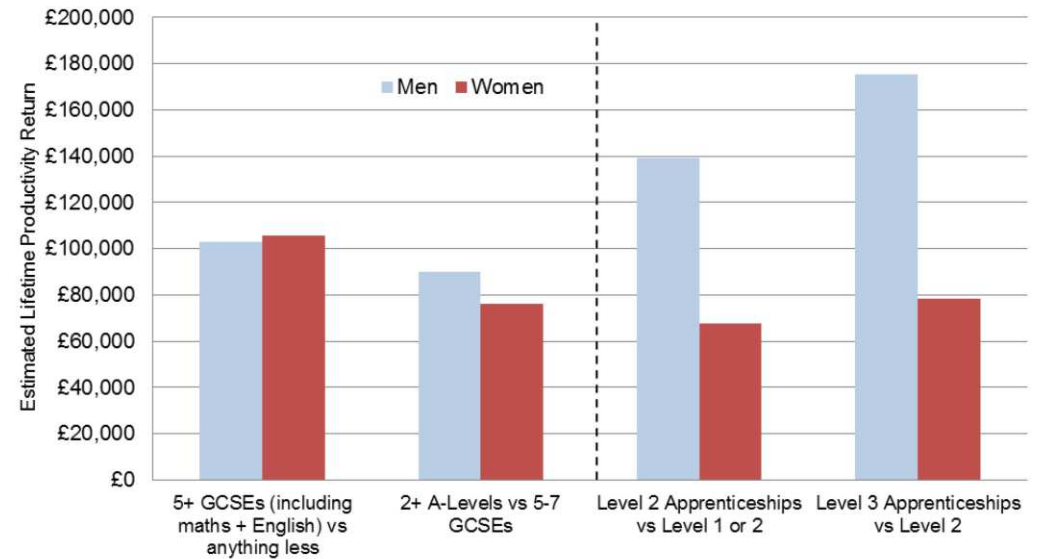
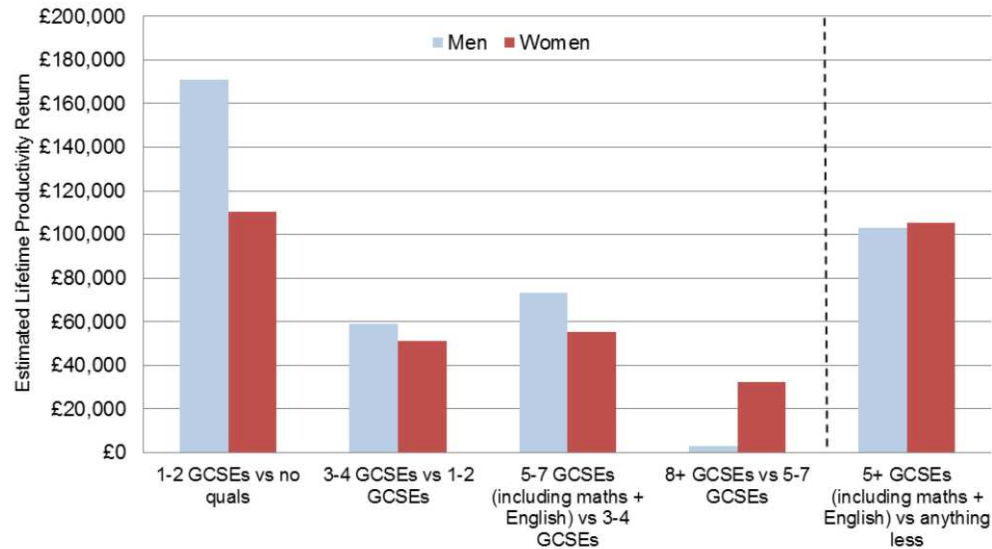


- Labour Force Survey 2019, ONS



Value of learning new skills – personal level

The economic value of key intermediate qualifications: estimating the returns and lifetime productivity gains to GCSEs, A levels and apprenticeships, 2014



[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/387160/R398A - Economic Value of Key Qualifications.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/387160/R398A_-_Economic_Value_of_Key_Qualifications.pdf)



A Word about Scheme Efficiency

- *What Works Centre for Local Economic Growth*
https://whatworksgrowth.org/public/files/Policy_Reviews/16-06-15_Employment_Training_Update.pdf
- We define 'employment training' programmes as:
 - including training targeted at the over 18;
 - including day-release and short courses, and retraining;
- 1,000+ studies of which 71 met the 'minimum' definition for acceptable evidence.



Table 2: Employment

Result	No of studies	Study reference numbers
Positive	29	84, 87, 94, 109, 110, 111, 116, 132, 140, 145, 151, 218, 219, 220, 222, 225, 227, 232, 233, 234, 240, 242, 244, 246, 247, 249, 251, 254, 256.
Zero	12	115, 123, 130, 147, 150, 152, 223, 226, 231, 237, 238, 245.
Negative	3	120, 128, 228.
Mixed	19	79, 85, 88, 90, 99, 117, 126, 127, 146, 149, 221, 229, 230, 235, 236, 239, 243, 250, 252.

Table 3: Wages

Result	No of studies	Study reference numbers
Positive	11	80, 89, 125, 137, 138, 149, 209, 249, 250, 251, 256
Zero	5	120, 152, 223, 237, 245
Negative	3	99, 134, 238
Mixed	2	96, 128

Evaluation of Effectiveness

Not every policy is successful!

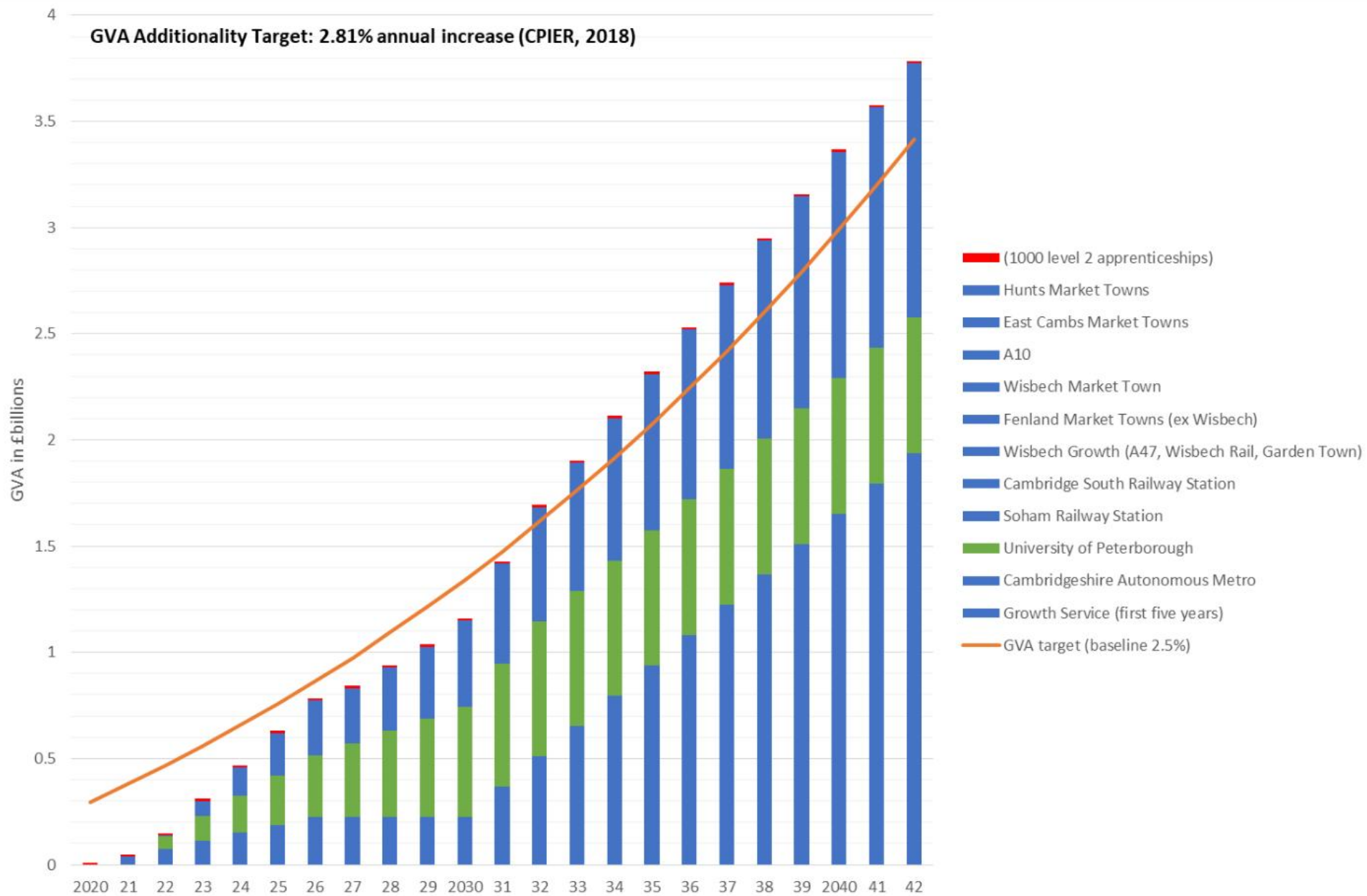


Skills Escalator – Level of Success?

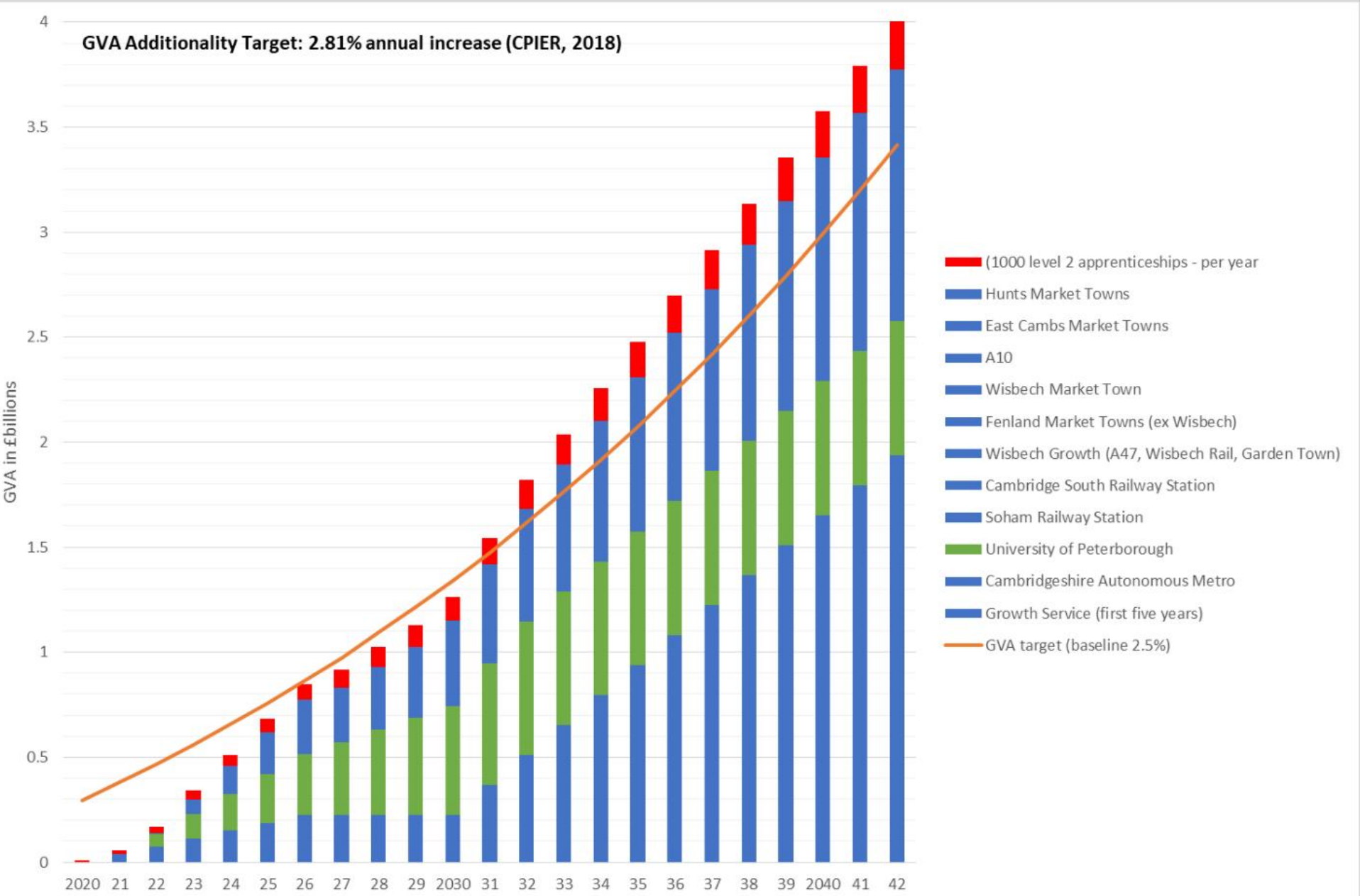
- *Skills Escalator* pilot – which aimed to support working people on low household incomes in West London to gain better-paid and more stable employment through a programme of personalized advice and skills acquisition.
 - 361 people
 - three quarters women aged 30 – 50. (12% no qualifications)
 - otherwise a fairly typical cohort
- 1/5 outcome rate for increased earnings (six / seven months on the programme)
- ‘Formal Training’ increased chance of pay progression from 1/10 to 1/3
- Progression more common for those who started with higher qualifications
- Most valuable progression was ‘moving employers’.
- Key finding – match group (the control) suffered higher rate of job losses / instability.
- Every £1 spent generated £3.41 of public good.



Single Year Impact



Per Year Impact



Conclusions

- Long term, cumulative impact is important (compared to shorter term initiatives).
- Generational scale investment will impact GVA
- Information to be disseminated
 - Earnings benefits from learning and qualifications
 - Effectiveness v attrition within scheme design

