

- collaboration between further education, higher education and training providers
- flexible and responsive training provision
- high levels of long-term investment
- sector focused economic development strategies (e.g. in high tech or digital clusters)
- infrastructure investment – with education and skills closely integrated and playing a supportive role
- ongoing communication across the ecosystem
- integration across policy domains (e.g. skills policy is linked to economic development in order to address weak demand)

The good news is that incremental improvements on any of these features can be positive for the overall functioning of skills ecosystems.

Coordination of federal, state and local investment to address skills needs

in Chicago, USA

The workforce system in the United States is multi-layered and is designed to be implemented at the local level. Federal funding is authorised through the Workforce Innovation and Opportunities Act, administered by the U.S. Department of Labor's Employment and Training Administration (ETA). The most recent federal appropriation of \$2.879 billion flows directly to states largely passed through local workforce agencies for adult employment and training activities, youth activities, and dislocated worker employment and training activities. The uses of these funds are subject to local and state plans negotiated annually with regional administrators of ETA. These plans specify performance expectations on such measures as wage gains of workers who are trained and placed through the workforce system. In addition, there are some 2,400 American Job Centers operated by the states that facilitate the labor exchange market in communities across the U.S.

The greater Chicago metropolitan area is served by seven local workforce agencies. The Chicago/Cook Workforce Partnership covers the City of Chicago and Cook County of which Chicago is the county seat. The Partnership itself is organised as an independent not-for-profit corporation and is designated as the administrator of federal funds allocated to the Chicago/Cook jurisdiction. The Board of Directors is appointed by the Mayor of Chicago and the President of the Cook County Board, and the Partnership is physically headquartered at County facilities. Since it is a not-for-profit corporation, the Partnership obtains funds from foundations, corporations, and other entities for 26 initiatives that go beyond the scope of federal funding. Services are delivered through a network of approximately more than 90 community-based organizations, American Job Centers, satellite sites, and sector-driven centers.

Layered over the federally-funded system are networks of community colleges offering 2-year associate degrees, high school equivalency degrees (GED), and training programs leading to occupational or stackable skills-based credentials. Students pay reduced tuition or, in some cases, no fees. They are eligible to also receive direct assistance through federal and state financial assistance programs. Businesses often contract directly with community colleges to provide direct training services for their workers. The State of Illinois' community college system is organised by districts and are funded largely through local property taxes. The Boards, except in Chicago, are elected locally; Chicago's City Colleges Board overseeing seven campuses is appointed by the Mayor. Community colleges also receive direct state-funding support as well as education funds from the federal government.

Apprenticeships are either industry- or individual business-driven experiential learning programs that are governed by either federal or state regulators. Approximately half of the states make their own determinations regarding the authorisation of apprenticeships. The federal government covers the other half of the country. Illinois' apprenticeship programs are under the federal system. While some programs may receive public subsidies, the advantage to employers is that they are able to pay reduced learning-related wages while an apprentice is being trained. Traditionally, apprenticeships have been concentrated in construction and in union-friendly states such as Illinois are operated by the trade unions. Apprenticeships are expanding dramatically in manufacturing, services – including financial services, healthcare, technology, and in among businesses that can

formalize an experiential learning program for new entrants that has the right combination of classroom and on-the-job, mentored training. Local and state workforce agencies are actively fostering the growth of apprenticeships.

This illustrates how local actors – universities, colleges, employers, local agencies and third sector organisations – can align investment from different levels of government, harnessing the investment power of national and regional government to address local needs.

Summary of findings and recommendations

We have identified in this briefing the importance of skills for driving productivity, economic growth and improvements to spatial equality, which sit at the heart of the challenge of ‘levelling up’. Also, our insights, based on research and practice, highlight that local areas are best served by policies that seek to nurture skills ecosystems, which stimulate dialogue and collaboration between further and higher education institutions, and build demand among employers across businesses and public services. There are good examples of this across all parts of the UK, which we have highlighted in this briefing, but they have too often been hampered in England by fragmentation between different sectors, centralisation and lack of responsiveness to local needs, and short-term changes to policies, funding and institutions.

Best practice can be found where local and national regulatory and funding approaches have been aligned to support sustained partnership, so many of our recommendations below are focused on this. Notwithstanding this, participants in the seminar we held in October 2022 were clear that universities, colleges and local government should not rely on national government to nurture successful skills eco-systems across the country. In particular:

- i. Universities, further education colleges, local agencies and employer representatives do not need to wait for national government to map the strengths, needs and provision in their local areas, and broker coherent and collaborative responses that shape demand for skills as well as their supply.
- ii. Universities have the autonomy and capability to integrate more closely with communities, businesses and public services, so they are diagnosing as well as responding to skills and innovation imperatives, embedding this across their education and research missions, and aligning their investment with local opportunities.
- iii. University researchers and practitioners can themselves develop a shared body of evidence on the innovative and impactful ways in which they are integrating with the communities and institutions around them, building demand and capability for skills and knowledge in their local areas.

The government in England could, though, help with this by:

- i. Ensuring that the next round of Trailblazer devolution deals equip MCAs to align skills training and apprenticeships with the specific priorities of their local areas, including through shared investment between different employers. This requires further devolution of funding and regulatory powers, as well as the enhancement of the capability of local institutions to manage investment of this kind and be accountable for it.
- ii. Empowering MCAs to broker a joined-up approach to the regulation of further education, apprenticeships and higher education in their local areas, drawing on the lessons from tertiary education systems elsewhere in UK and around the world. This could be initiated through ‘regulatory sandbox’ pilots in the Trailblazer areas, with an initial focus on innovative models such as micro-credentials and personal finance entitlements, from which learning could be gathered to create a roadmap towards more systemic change.

- iii. Earmarking an element of the funding provided to further and higher education for collaborative projects between the two sectors. This could include joint capital investment for universities to develop their presence alongside colleges and employers in places with low levels of educational progression and skills, and the integration of universities within LSIPs through partnership investment with the UK research funding bodies.

Conclusion

Skills are central to the productivity, growth and equity challenges for levelling up. Based on international evidence, we believe that the UK should tackle this by nurturing 'skills ecosystems'. Universities, colleges, local agencies and employer representative bodies should not wait for national government to advance this. They can themselves form the partnerships to map the strengths, needs and provision in their local areas, and broker coherent and collaborative responses to them. There are, though, important steps that the UK and national governments can take to support this. They include further devolution of powers and funding for skills, and improvements to the incentives for collaborative working across further and higher education. Also, crucially, the creation and sustenance of a regulatory and funding environment that lasts beyond the short-term is important, so it gives local actors the confidence to invest in deeper partnership.

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