

The title "Revised Revised North West ESF Framework, 2011-13" is centered on the page. The text is in a black, sans-serif font. The background of the page is a collage of images: a modern building with large windows, a person's head in profile, a street scene with a "nurtba" sign, and a person sitting on a bench.

Revised Revised North West  
ESF Framework, 2011-13

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Final Framework

Government Office for the  
North West

**Revised North West ESF  
Framework, 2011-13**

December 2009

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# 1. Introduction and Overview

## Status of the Revised framework

1.1 A North West European Social Fund (ESF) Framework was originally developed in 2007 to inform co-financing Plans for the period 2007-10. The Framework is now being revised to inform co-financing Plans for 2011-13. This final revised North West ESF Framework 2011-13 has been prepared for circulation to the North West ESF Committee for formal sign-off by written procedure, following endorsement by the Framework Revision Steering Group at its meeting on Tuesday 1<sup>st</sup> December 2009. The revised Framework has been informed by the following workstreams:

- **One-to-one consultations with strategic and delivery partners across the North West<sup>1</sup>:** to provide a qualitative narrative which can help explain the quantitative achievements and programme strategic & management issues.
- **Analysis of data and research on the region's economy and labour market:** to allow progress made to be set against underlying trends and changing needs, and to consider the changing context provided by regional and national priorities.
- **Review of evaluation evidence:** which helps to understand the impacts and achievements of past and current ESF and other employability/skills interventions.
- **Meetings with the Steering Group** to discuss Framework drafts, to agree on recommended allocation of ESF within the Framework Priorities and to shape thinking on other key Framework issues to inform consultation.
- **A three-week email consultation** with partners from the Steering Group overseeing the Framework revision, the North West ESF Committee, the North West Skills & Employment Board and other key partners from across the region.

1.2 Guidance from the Department for Work and Pensions (DWP) states that revisions should be completed by 31<sup>st</sup> December 2009, so Co-Financing Organisations (CFOs) can start to develop plans for 2011-13 in early 2010.

*It should be noted that all content in this draft Framework is provisional, pending further cross-departmental ESF guidance from DWP, UK labour market policy announcements (e.g. White Papers etc) and subject to approval by relevant government departments.*

## Contribution to Employment and Skills Objectives

### Regional Framework

1.3 The Regional Framework is a high-level document that provides a clear framework within which Co-Financing Organisations<sup>2</sup> should develop and implement ESF plans that meet regional priorities within the context of a national programme. It sets out:

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<sup>1</sup> This included representatives from the Regional ESF Committee, the Regional Skills & Employment Board and City Strategy Pathfinders (Greater Manchester, Liverpool and Pennine Lancashire) and NWDA officers responsible for overseeing delivery of other European Structural Fund programmes in the region.

<sup>2</sup> The Learning & Skills Council (LSC), Jobcentre Plus (JC+) and the National Offender Management Service (NOMS).

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- Regional economic context and strategic priorities (groups, sectors, location)
- An indicative list of eligible interventions under each Priority
- Principles underpinning the use of ESF alongside other European Structural Funding streams and domestic programmes
- Regional funding allocations (at the level of the Framework Priorities<sup>4</sup> and two geographies)
- Regional output indicators

1.4 The Framework supports Lisbon Agenda goals of generating stronger, sustainable economic growth and creating more and better jobs, in line with the Priorities contained in the ESF Operational Plan for England. The Framework is aligned with the skills priorities for the North West (which are set out in the North West Statement of Skills Priorities 2007-10<sup>5</sup>) and City Employment and Skills Strategy Pathfinders in the North West's three city-regions.

### Co-Financing Delivery Plans

1.5 Once the Regional Framework has been signed off, negotiations between regional CFOs will commence to determine the work plan and allocation of CFO funding. Co-Financing Plans will be developed during 2010. These will set out how/where ESF funding will be spent, procured, delivered and managed in order to achieve Framework priorities and objectives in each of the North West's five sub-regions (Cheshire & Warrington, Cumbria, Greater Manchester, Lancashire and Merseyside). They will provide greater detail on the types of activities to be delivered and the target beneficiaries and locations. They will be used to invite tenders from organisations interested in delivering co-financed ESF provision.

1.6 CFO Delivery Plan guidance is currently being developed by DWP, but core content is expected to include:

- How the plan will contribute to the implementation of the Operational Programme and the regional ESF Framework (including targeting by group, location etc and contribution to Framework targets)
- Level of funding and added value to (and complementarity with) mainstream support
- Project selection and tendering arrangements
- Project monitoring requirements
- Embedding of cross-cutting themes

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<sup>4</sup> Priority 1: Extending Employment Opportunities; Priority 2: Developing a Skilled and Adaptable Workforce and Priority 3: Technical Assistance. The two geographies are the Phasing-in area of Merseyside (as a former Objective One area, Merseyside has a ring-fenced ESF and ERDF budget for the 2007-13 Structural Fund Programme period) and the rest of the North West.

<sup>5</sup> These Priorities will be reviewed and may be revised during development of the new Single Regional Strategy.

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- Implementation, including milestones
  - Financial arrangements and Delivery Plan targets
- 1.7 The Guidance is not expected to cover CFO Delivery Plan development. However, during consultation on the Framework, partners in the region have raised a number of issues on which they would welcome further discussion as part of the Delivery Plan development process. These include the degree of spatial disaggregation at which ESF monitoring data is published and the potential role of local and other partners in monitoring/scrutinising ESF delivery as part of their own performance monitoring (e.g. against Local or Multi Are Agreement targets). The ESF Committee may (following publication of updated CFO Delivery Plan guidance) wish to consider whether further specific guidance is required to CFOs in the North West on both CFO Delivery Plan consultation and content.
- 1.8 For ESF NEET-related interventions, a service Level Agreement will be put in place between the Skills Funding Agency (SFA), the Young People's Learning Agency (YPLA) and local authorities to ensure that ESF interventions are co-ordinated with local 14-19 year priorities and plans through the mechanism of the Regional Planning Group.

### Distinctions between the 2007-10 and 2011-13 Framework Periods

- 1.9 Guidance from DWP sets out the parameters within which Regional ESF Frameworks should operate to determine how ESF resources can be best targeted to meet regional skills and employment priorities. These include the range and levels of ESF activity that can be supported at regional level. The parameters have been adjusted for 2011-2013 to take account of economic, labour market and policy developments. The major differences between the 2007-10 and 2011-13 Framework periods are:
- 1) **Position of Merseyside.** As part of the arrangements for the phasing in of former Objective One areas, the North West European Regional Development Fund (ERDF) Operational Programme and ESF Framework both contain a ring-fenced allocation for Merseyside (approximately 40% of total ERDF and ESF resources). During the phasing-in period (2007-10), partners in Merseyside had additional flexibilities in how structural funds can be used to address sub-regional priorities, including the establishment of a Complementary Strand of ESF outside the co-financing regime up to 2010. The core North West Framework parameters and co-financing arrangements will now apply to Merseyside during 2011-13. No additional flexibilities will apply during the remainder of ESF funding.
  - 2) **Allocation of ESF resources within Priority 2.** There is now a greater emphasis on intermediate and higher-level skills. During the 2011-13 period up to 40% of Priority 2 resource can be used to train people to NVQ Level 3 equivalent and above, compared to 28% during 2007-10 (and the 5% ceiling on Level 4 skills has been removed). At least 30% of Priority 2 ESF must be spent on tackling basic skills deficits and 30% targeted at Level 2 training (compared to a minimum of 35% each during 2007-10). In the North West, partners have agreed the following split of funding: 35% on foundation and basic level skills; 30% on level 2 skills support; and 35% at level 3 and above.

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- 3) **Reallocation of Technical Assistance.** 4% of ESF was allocated as Technical Assistance (TA) during the 2007-10 period. During 2011-13, TA should account for just 1% of total ESF resource, although partners are to seeking agreement from DWP to retain 2% of ESF as Technical Assistance in Merseyside. The 'released' TA is to be reallocated across Priorities 1 and 2 as follows: in Merseyside, equally between Priorities 1 and 2 (i.e. an additional 1% of ring-fenced Merseyside ESF to each Priority); and in the rest of the region, one-third (i.e. an additional 1% of ESF) to Priority 1 and two-thirds (i.e. an additional 2% of ESF) to Priority 2.
- 4) **Support for UK Low Carbon Transition Plan.** For 2011-2013, there is an explicit focus on training for the new jobs that will be created as the economy recovers, especially 'green jobs' in a low carbon economy. The North West ESF framework includes a commitment to this activity, and sets out specific sectors and skills needs that will be targeted with ESF funding in support of national low-carbon objectives.
- 5) **Health as a new cross-cutting theme.** In the North West in 2011-13, health is to be included as a third ESF Cross-Cutting Theme (in addition to Sustainable Development and Gender Equality & Equal Opportunities). ESF money cannot be used directly to fund health and social services. Rather, it must be used to tackle health-related activity that directly supports entry to or progression within the labour market.
- 6) **Co-Financing Organisations.** For the 2011-13 period there will be three CFOs: the LSC (SFA from April 2010), DWP/Jobcentre Plus and NOMS<sup>6</sup>, whereas in the 2007-10 period other bodies such as local authorities and RDAs were able to bid for CFO status.

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<sup>6</sup> NOMS gained ESF Priority 1 co-financing status after completion of the original ESF Framework 2007-13. NOMS focus is to help support offenders to access mainstream employment and skills services. Further guidance is expected from DWP about the level of ESF resource that NOMS will be allocated. Expenditure on offender learning and skills (Priority 2 funding) is likely to remain within the remit of the LSC/SFA.

## 2. Regional Context and ESF Programme Priorities

### Strategic and Policy Context

#### Lisbon Agenda and European Community Strategic Guidelines

- 2.1 The Lisbon Agenda presents the overarching policy framework upon which the ESF Operational Plan for England, and in turn the North West ESF Plan, draws. It seeks to transform the European Union's labour, capital and product markets, with two broad, overarching aims:
- **Generating stronger, sustainable economic growth:** achieving this goal requires a significant increase in emphasis on competitiveness, innovation and knowledge-intensive activities<sup>7</sup>;
  - **Creating more and better jobs:** a stronger economy will drive higher quality job creation in the EU and policies that promote social inclusion will facilitate faster economic growth by increasing the effective labour pool.
- 2.2 It is likely that there will be many jobs created in high skills occupations. Future job creation will require higher qualification levels as well as more generic skills such as problem solving and analytical skills, self management and communication skills, teamworking, linguistic skills and digital competences. The European Commission will also facilitate the upgrading and matching of skills by regions and Member States via existing Community policies and funds, especially the European Social Fund.
- 2.3 The European Community (EC) Strategic Guidelines (CSG) set out how the EU's regional policy will be delivered via the EU Structural and Cohesion funds over the period 2007-13 (i.e. how Structural Funds will help deliver Lisbon objectives). The CSG suggests ways in which regions can build competitiveness on three broad fronts:
- First, by enhancing the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
  - Second, by encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new ICT; and
  - Third, through creating more and better jobs by attracting more people into employment or enterprise, improving adaptability of workers and enterprises and increasing investment in human capital.

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<sup>7</sup> In line with the European strategic New Skills for New Jobs initiative.

### England Policy on Employment and Skills<sup>8</sup>

2.4 In recent years, a variety of strategies, policies and programmes have been developed for England and this is now feeding through into strategy and implementation at a regional and local level. The revised Framework is supportive of these changes and in particular:

- The Leitch Review of Skills, which gives employers a stronger voice on the content and delivery of skills and employment programmes, as well as encouraging them to take greater responsibility for the planning and funding of their training activity. Key features of the Leitch implementation plan include increased funding for Train to Gain and greater flexibilities in the use of Train to Gain during the recession, although funding constraints are currently placing limits on the number of new learners that can be supported.
- The Freud report, an independent review of welfare to work, which recommended that resources should be targeted on those individuals who generally face multiple, complex problems, so that spending can be directed towards these people in a more individualised way.
- The Government White Paper December 2008, which made a number of important policy initiatives, including:
  - People currently claiming Income Support will move to either the Employment and Support Allowance or Jobseeker's Allowance
  - Encouraging lone parents and those with younger children (seven and younger) to engage with the support that is available
  - Testing a Work for Your Benefit scheme.
- The Flexible New Deal<sup>9</sup>, which comes into operation in October 2009, which proposes:
  - A stronger framework to move benefit customers from being passive recipients to active jobseekers
  - A personalised and responsive approach to individual customer needs
  - A partnership approach with public, private and third sector organisations
  - Attempts to help clients find jobs that pay and offer opportunities for progression, with an emphasis on progression within work.

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<sup>8</sup> See Appendix B for more detail.

<sup>9</sup> Full Flexible New Deal support is available for people who have been on JSA for 12 months, and there is some flexibility to provide people that have been claiming for six months with more support than they were previously entitled to.

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- The Future Jobs Fund, which aims to create 150,000 additional jobs, primarily aimed at 18-24 year olds who have been out of work for nearly a year<sup>10</sup>.
- The Government's UK Low Carbon Transition Plan, which sets out a target of some 1.2m "green" jobs in the UK by 2020.
- The new Skills Funding Agency (SFA), which from April 2010, will be the single funding provider for adult skills in England outside of higher education. The SFA's main function will be to direct funding to further education colleges and other skills providers.
- The New Young People's Learning Agency (YPLA), which will hold the overall budget and approve all LA commissioning plans for 14-19 provision.
- Proposals (August 2009) to make Regional Development Agencies (RDAs) the bodies responsible for producing the regional skills strategy and championing and advocating skills at a regional level.

### North West ESF Framework and Regional Skills Priorities

2.5 Whilst all activities in the Regional ESF Framework must be framed under the Priorities contained in the national ESF Plan, it is also important that they support the six broad North West skills priorities contained in the Regional Skills & Employment Board (RSEB) *Statement of Skills Priorities 2007-10* (and which are in effect a description of how key RES themes and actions relating to skills, employment and learning will be taken forward within the region):

- Tackle worklessness by linking people, jobs and training;
- Increase participation of 16-19 year olds in education and/or work based learning, and progressing into higher education;
- Increase the proportion of adults with the skills and qualifications needed for employment, with a focus on Level 2 attainment;
- Support adults to progress beyond Level 2 and to attain skills and qualifications at Level 3 and above, with a focus on key sectors;
- Stimulate employers to invest more in management, leadership, intermediate and higher level technical and professional skills; and
- Stimulate demand for, and investment in entrepreneurial, intermediate and higher level skills from individuals.

2.6 In addition, a recent Regional Skills and Employment Board (RSEB) review of the North West Skills and Employment challenges<sup>11</sup> highlighted a number of short-term challenges facing the region, which the ESF Framework should help to address, and will remain relevant even when the economy returns to growth:

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<sup>10</sup> The Future Jobs Fund is a part of the Young Person's Guarantee. From early 2010, everyone in between the ages of 18 and 24 who has been looking for work for a year will get an offer of a job, work experience, or training lasting at least 6 months. The fund is specifically targeting 50,000 jobs in unemployment hotspots and expects around 10,000 of the 150,000 jobs created to be "green" jobs. (Source: DWP).

<sup>11</sup> RSEB North West Skills and Employment Challenges (2008).

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- Providing the support that the workless need to gain sustainable and rewarding employment, especially those from the groups and communities most adversely affected by unemployment, a lack of work or underemployment
- Responding to the challenges of economic recession by tackling the economic and social effects of redundancies and lower levels of recruitment
- Fostering a commitment amongst adults to the skills and qualifications they need for employment, with a focus on Skills for Life and Level 2 attainment, as well as attainment of Level 3 and higher level skills
- Raising aspirations and attainment amongst young people, especially amongst 16-19 year olds, and stimulating an interest in (and progression towards) higher level skills
- Responding to the challenges of economic recession by helping employers to plan and provide for their current and future skills needs
- Stimulating employers to invest more in workforce development at all levels, including innovation, leadership and management, and entrepreneurial skills

2.7 The North West's subsequent Joint Response to the Labour Market Downturn<sup>12</sup> reinforced these issues, highlighting:

- A need to support individuals in companies where redundancies have been notified as well as those most vulnerable in a downturn such as those with low skills and others with higher skills needing to retrain.
- Those made redundant who require early and urgent support to enable re-entry to the labour market as soon as possible. Provision should meet the needs of higher qualified JCP clients as well as those with employability skills needs.
- As the economic downturn bites, those further from the labour market such as the long term unemployed/inactive are in danger of becoming more isolated as better qualified and those with employability skills are prepared to take lower level jobs. Partners recognise the need to continue with the strategy to support the long term unemployed back into training and work.
- Previous recessions have had a disproportionately negative impact on vulnerable groups and young people. Groups that are more vulnerable to the impact of the recession include women, BAME groups, older workers, workless families, offenders, ex-offenders and care leavers.
- The importance of supporting employers in terms of meeting skill gaps and shortages which may act as a break on company growth/expansion (especially at Level 3 and 4) when economic growth returns.

**2.8 The overall message, however, is that the underlying long term labour market challenges facing the region remain broadly the same in spite of the recession, although this does provide the region with some additional short-term challenges.**

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<sup>12</sup> RSEB, January 2009.

### Multi-Area Agreements (MAAs) and City-Employment Strategies

#### MAAs

- 2.9 In November 2007 the Department for Communities and Local Government announced the 13 sub-regions that are working towards **Multi-Area Agreements (MAAs)**. The Government Office for the North West is currently working with its local authority and other partners to refresh the latest round of LAAs across the region, as well as agreeing the new MAAs across the region. The Greater Manchester MAA was signed in 2008, Merseyside and Pennine Lancashire were signed in January 2009 and this was followed by the Fylde Coast in Spring 2009.

#### City Strategies

- 2.10 The City [Employment and Skills] Strategy aims to tackle worklessness in our most disadvantaged communities across the UK – many of which are in major cities and other urban areas. It has initially focused on 15 pathfinder areas that are currently furthest from the Government's aim of 80 per cent employment (including Liverpool, Greater Manchester and Pennine Lancashire in the North West). The 15 City Strategy pathfinders were due to finish in March 2009, and Ministers have agreed to extend DWP's support for all pathfinders for a further two years.
- 2.11 The strategy is based on the idea that local partners can deliver more if they combine and align their efforts behind shared priorities, and are given more freedom to try out new ideas and to tailor services in response to local need. It aims to:
- Ensure provision is attuned to the needs of local employers so individuals gain the skills and attributes they need to access jobs that employers need to fill
  - Play a significant role in increasing local employment rates, ensuring those most disadvantaged in the labour market can receive the help and guidance they need
- 2.12 ESF should be used to add value to efforts to reduce worklessness and increase skills among priority groups and in key locations identified in MAAs and City Employment Strategies.
- 2.13 The City Strategy approach enables alignment of ESF behind shared priorities, giving greater opportunity for impact. However, many cities and towns outside the City Strategy areas face considerable challenges, and prioritisation, and ESF resources should be allocated according to need and opportunity across the region.

### Framework Strategic Approach

- 2.14 All activities in the Regional ESF Framework must be framed under the two Priorities contained in the English ESF Operational Plan. These national priorities are set out below.

### Priority 1 - Extending employment opportunities

- Improving employability and skills of the unemployed and economically inactive people;
- Tackling barriers to work faced by disadvantaged groups;
- Reducing the number of young people who are not in education, employment or training (NEET);

### Priority 2 - Developing a skilled and adaptable workforce

- Reducing the numbers of people without basic skills and Level 2 qualifications;
- Training to Level 3 to address intermediate skills shortages and some limited scope to provide higher level skills training.

2.15 The revised framework will also be used to add value to measures to:

- **Respond to the economic downturn** by providing additional support to disadvantaged jobseekers, people who have recently been made redundant, and people facing redundancy; and
- **Support economic recovery** by addressing weaknesses in low and intermediate skills, and to up-skill people to meet future skills needs. This includes a commitment to the creation of 'green jobs' as part of a shift towards a low carbon economy, identifying specific sectors and skills needs that will be targeted with ESF funding.

2.16 It is not intended that Priority 1 should focus exclusively on employment activity and Priority 2 on the skills strategy. Priority 1 will need to include support for skills activities to achieve its employment goals, and to react to the demand side for labour. Activities under this priority will help to prepare young people for working life and reduce the number of young people not in education, employment, or training. Priority 2 will help to sustain employment by strengthening workforce skills. Priorities 1 and 2 combined will support labour market progression.

2.17 ESF can play an important role by adding significant value and financial support to established funding initiatives and to those areas in greatest need at which these initiatives are targeted and within the common themes identified. ESF should be used to enhance, expand or provide clear additional support over and above that provided by mainstream programmes. There is also a need for a clear exit strategy beyond 2013 for any funded activity and to highlight opportunities to drive forward more efficient and effective delivery.

## Priority 1: Extending Employment Opportunities

### Key Objectives and Funding Allocations

2.18 The core aim of Priority 1 is to enhance access to employment and promote sustainable inclusion in the labour market for unemployed and inactive people, both in general and amongst specific communities and groups. The specific focus is upon:

- Improving employability and skills of the unemployed and economically inactive people (including supporting them, where appropriate, to become self-employed) to enable them to gain, retain and progress in work.

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- Tackling barriers to work faced by disadvantaged groups: people with disabilities; those with health conditions; lone parents; older workers; BAME communities; people with low skills; and those living in deprived communities; including where appropriate helping with caring responsibilities and working with the health sector; and supporting community projects to mobilise disadvantaged and excluded people and facilitate their integration into the labour market.

***At least 70% of Priority 1 ESF funding will be used to improve the employability and skills of unemployed and inactive people.***

- Reducing the number of young people who are not in education, employment or training (NEET), or are at risk of becoming NEET, in order to improve their employability and skills and to enable them to successfully make the progression into work. For example by increasing participation and attainment in learning, and reforming vocational routes for 14-19 year olds.

***At least 23% of ESF funding under Priority 1 must support NEET<sup>13</sup> activity.***

- There is limited scope for ESF funding to be distributed as small grants to community groups (ESF Community Grants), with a possible focus on the development of social capital and capacity building around the ability of third sector organisations to bid for contracts emanating from the Framework CFO arrangements.

***DWP has identified up to 2.5% of Priority 1 ESF resources for this activity during 2011-13.***

***In the North West, 72% of Priority 1 activity will be allocated to supporting activities among workless adults, 25.5% will be allocated to NEET activity and 2.5% will be made available for Community Grants.***

## Socio-Economic and Labour Market Context

### Worklessness and Inactivity

- 2.19 The UK recession has presented partners with a range of challenges in the skills and employment arena. One of the key consequences has been a much higher rate of redundancy, including large scale redundancies. Job losses have been seen across various sectors, including financial services, construction and real estate, professional services (especially those linked to financial services and construction), retail, hospitality and leisure (as total disposable income declines) and manufacturing (as export markets have contracted).
- 2.20 Whilst these job losses have occurred across the region, there has been a strong concentration in Liverpool and Manchester, as well as some of the region's larger manufacturing areas (parts of Merseyside and Lancashire).

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<sup>13</sup> Under government policy, nationally, all young people in England will be required to continue in education or training to 17 starting in 2013. In 2015 they will continue in education or training to 18. Design and delivery of any ESF funded interventions between 2013 and 2015 must be cognisant of this policy development.

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- 2.21 Whilst the overall scale of recruitment has declined, providing fewer job opportunities, data from Jobcentre Plus show that off-flows from Job Seekers' Allowance (JSA) remain high and have increased during 2009 (nationally, some 300,000 people a month are coming off JSA). However, on-flows are much greater and the number of people claiming JSA for 6 months and more is also increasing.
- 2.22 Getting people from deprived communities and hard-to-reach groups into work is now even more of a challenge as there is greater competition for low value jobs, including from those who are higher qualified that have lost jobs during the recession and in future from public sector workers that lose their jobs as part of anticipated cutbacks in public spending. In addition, there are also certain groups – often relatively small in numbers - who suffer extreme disadvantage because of a particular characteristics (for instance people who are ex-offenders, drug or alcohol misusers, refugees or homeless people). These groups often have multiple needs and at the same time have a disproportionate impact on their communities as a result of their inability to cope with the economic instability linked to worklessness.
- 2.23 It is vital that partners in the region collectively plan for and manage the impact of redundancies and changes in recruitment patterns on employees, employers and communities across the region. If done effectively, it will mitigate the negative consequences and ensure the region can respond to the economic upturn in due course.

***The key challenge is to respond to the recession by tackling the economic effects of redundancies, lower levels of recruitment and the additional barriers facing people from hard-to-reach groups and deprived communities from accessing employment opportunities.***

- 2.24 Whilst the employment rate in the region rose for more than a decade (from 70.5% in 1997 to 72.3% in 2007) and brought many more people into employment (160,000), the decline in the claimants of out of work benefits in this period has been modest in comparison. The major challenge that the region faces in tackling workless in general has intensified over the past year. Evidence suggests that worklessness has become even more concentrated in particular urban locations (e.g. Salford, Manchester, Liverpool and Knowsley), communities distant from jobs growth (e.g. Barrow and Furness in Cumbria) and amongst particular groups (certain ethnic groups, older people and those with no qualifications).
- 2.25 In addition, a recent national report compiled by the Commission for Rural Communities highlighted that the number of unemployed benefit claimants in England's predominantly rural districts (R80 & R50) more than doubled between April 2008 and April 2009.
- 2.26 The high levels of worklessness imposes a range of costs on the region, including constraining demand and output, and also imposing a range of social and health costs. In responding to this challenge, there is the need to ensure that the support provided to these groups reflects the changing nature of the economy and the available jobs, as well as focusing on the sustainability of employment which people may be assisted into.

***The key challenge is to provide the support that the workless need to gain sustainable and rewarding employment, especially those from the groups and communities most adversely affected by unemployment, a lack of work or underemployment.***

### Young People

- 2.27 As a consequence of many of the economic and social challenges the North West has faced over the past two decades, the educational underachievement of its young people and preparation for work are major issues for the region and continue to be constraints upon its economic performance. For the best part of a decade, the region made good progress in terms of the educational achievement of young people at 16 and their subsequent academic and vocational achievement at 17 and 18. However, the proportion of young people aged 16 and 17 years who are classified as NEET was rising even before the UK entered recession, and has risen further since. There also remains important challenges around Level 2 attainment amongst 16-19 year olds.
- 2.28 These issues are greatest in the region's urban heartlands of Greater Manchester and Merseyside, but also parts of Lancashire. A related issue is the need to stimulate a greater interest amongst young people in progressing to higher education and hence achievement of a Level 4 qualification. The region is also faced with a demographic challenge with fewer young people entering the labour market at 16-19 (exacerbated by increased entrants to higher education & further education).

***The critical challenge is to raise aspirations and attainment amongst young people, especially amongst 16-19 year olds, and stimulate progression towards higher skills. Resources must be targeted on those most in need of support.***

### Structure of Priority 1

- 2.29 The proposed outline structure of Priority 1, with two distinct Action Areas, is illustrated in Table 2-1 below.

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Table 2-1: North West ESF Framework Priority 1				
Action Area	Key Aims	RSEB Priorities Supported	Indicative Activities	ESF Resource
<b>AA1-1: Improving Employability and Removing Barriers to Work</b>	<i>Improving employability and skills of the unemployed and economically inactive people (including supporting them, where appropriate, to become self-employed) to enable them to gain, retain and progress in work. This includes re-engaging disadvantaged groups in the labour market and tackling barriers to work</i>	Priority 1: Tackling worklessness by linking people, jobs and training	<p><b>Provision of Support Prior to Labour Market Engagement</b></p> <ul style="list-style-type: none"> <li>• Measures to ensure early identification of needs, including individual action plans and personalised services</li> <li>• Motivational, pre-employment and confidence training to include raising the aspirations of individuals</li> <li>• Activities to provide pathways to employment such as pre-vocational and access training, community-based activities, volunteering, environmental activities, practical soft skills and workplace skills</li> <li>• Community projects and volunteer activities to mobilise unemployed and inactive people and facilitate integration into the labour market<sup>1</sup></li> <li>• Specific support for those longer-term Incapacity Benefit claimants who, after medical reassessment through the migration process to ESA, are moved on to Jobseekers' Allowance</li> <li>• Specific support for Lone Parent Income Support claimants moved on to Jobseekers' Allowance when their youngest child reaches 5 years of age.</li> </ul> <p><b>Provision of Support for People to Obtain and Retain Employment</b></p> <p>Activities to support individuals to enter and sustain employment opportunities including job search and employability skills and post employment mentoring and support.</p> <ul style="list-style-type: none"> <li>• Work search and work preparation, including labour market orientation and work experience placements</li> <li>• Advice and support for self-employment, business creation and social enterprise</li> <li>• Skills for Life training (literacy, numeracy, ICT, ESOL for migrant workers, financial literacy)</li> <li>• Specific support to address literacy/numeracy issues alongside tackling</li> </ul>	At least 70% of Priority 1 ESF funding (up to 2.5% of ESF funding can be distributed as ESF Community Grants to community organisations. This funding should be used to help unemployed people gain work and to aid the integration of economically inactive people into the labour market).

## Revised North West ESF Framework, 2011-13

Table 2-1: North West ESF Framework Priority 1				
Action Area	Key Aims	RSEB Priorities Supported	Indicative Activities	ESF Resource
			<p>health issues.</p> <ul style="list-style-type: none"> <li>• Activities to tackle mental health issues affecting residents over 50 years of age</li> <li>• Vocational training and qualifications (including Level 2) supporting access to and progression in work</li> <li>• Retraining for people at risk of redundancy</li> <li>• Activities to prolong working lives by re-engaging inactive older workers or retaining older workers currently in employment, including workers who become disabled or develop health conditions</li> <li>• Activities to help disadvantaged people who persistently return to JSA, addressing barriers to their retention in sustainable employment, including activities to upskill individuals in the period immediately following their employment</li> <li>• Activities to help unemployed and inactive people from the following groups enter and remain in work through provision of appropriate aftercare support; lone parents and other disadvantaged parents (to contribute to alleviating child poverty); BAME communities (including provision of ESOL where appropriate); older workers; and people with disabilities and health conditions</li> <li>• Intermediate Labour Market activity</li> <li>• Specific help for people with physical and mental health issues to enter and remain in work</li> </ul> <p><b>Activity to Support the Removal of Labour Market Barriers</b></p> <ul style="list-style-type: none"> <li>• Activities to enhance job brokerage to enable a better match between supply and demand</li> <li>• Access to childcare for dependents, where caring responsibilities are a barrier to labour market participation, as part of an integrated approach to tackling worklessness.</li> <li>• City and other area-based strategies and initiatives to tackle</li> </ul>	

## Revised North West ESF Framework, 2011-13

Table 2-1: North West ESF Framework Priority 1				
Action Area	Key Aims	RSEB Priorities Supported	Indicative Activities	ESF Resource
			<p>worklessness in urban areas</p> <ul style="list-style-type: none"> <li>• Activities to tackle barriers to work faced by unemployed and inactive people in rural areas</li> <li>• Specific activities targeted at people with mental health problems</li> <li>• Specific actions to help men and women to access occupations or sectors where they are under-represented.</li> <li>• Activities to develop the employability and skills of offenders and ex-offenders to facilitate labour market entry and thus contribute to reduced re-offending. This could include a case management approach for offender employment, preparation for engagement with jobcentre plus services / education provision, brokerage into mainstream services, and employer engagement (advocacy on offender specific issues)</li> <li>• Addressing specific barriers faced by workless people who are homeless, refugees or are substance abusers</li> </ul>	
<b>AA1-2: Increasing Participation of Young People</b>	<i>Reducing the number of young people who are not in education, employment or training (NEET), or are at risk of becoming NEET, in order to improve their employability and skills and to enable them to successfully progress into work.</i>	Priority 2: Increasing the participation of 16-19 year olds in education and/or work based learning, and progressing into higher education	<ul style="list-style-type: none"> <li>• Initiatives to reform vocational routes for, and develop vocational skills among, 14-19 year olds;</li> <li>• Actions at the point of transition to prevent young people becoming NEET by supporting programmes with a vocational dimension which increase the likelihood of young people making an effective transition at 16;</li> <li>• Initiatives to help raise awareness of the world of work, enterprise and entrepreneurship among young people (including work placements);</li> <li>• Activities to engage 14-19 NEETs, tackling barriers to learning and helping them to access mainstream provision;</li> <li>• Activities to reduce youth unemployment by developing the employability and skills of young people</li> <li>• Support for employers offering employment with training to members of the NEET group or identified potential NEET young people</li> <li>• Activities to provide learning and training to young people serving a</li> </ul>	At least 23% of Priority 1 ESF funding

## Revised North West ESF Framework, 2011-13

Table 2-1: North West ESF Framework Priority 1				
Action Area	Key Aims	RSEB Priorities Supported	Indicative Activities	ESF Resource
			custodial sentence in preparation for re-entry into the labour market <ul style="list-style-type: none"> <li>• Transitional support for those NEETs at risk of becoming workless adults</li> <li>• Activities to support Young People leaving care</li> </ul>	

### Outputs and Result Indicators

- 2.30 There will be a small number of targets, which will be quantified by outputs and results indicators. Performance indicators are listed in Chapter 6. These are the indicators used in the National ESF Programme which will apply in the region.

### Targeting of Resources

#### Stakeholder Prioritisation

- 2.31 There are a range of groups that are under-represented in the labour market and within which a higher proportion of people are economically inactive, as reflected in the current guidance from DWP. There will therefore be a particular focus on:
- Disadvantaged groups such as disabled people, lone parents, older residents over 50, ethnic minorities and people with low or no qualifications;
  - Offenders and ex-offenders<sup>14</sup>
  - Newly redundant and unemployed people from disadvantaged groups to prevent them becoming long-term unemployed, as well as existing unemployed and inactive people;
  - People with multiple barriers to work and multiple disadvantages (in line with the Freud report);
  - People with physical and mental health issues;
  - Other socially excluded adults (Public Service Agreement 16) not referenced above.

#### Spatial and Sectoral Prioritisation

- 2.32 Many of the key groups referenced above are often concentrated in deprived areas. While the designation of interventions by local authority, ward, or postcode is too restrictive, there is a spatial concentration of worklessness in many urban areas in the North West.
- 2.33 Priority One interventions will therefore support the Regional Worklessness Strategy which recommends focussing employability interventions on the most deprived communities. In the North West, this means a priority on the areas covered by City Employment and Skills Strategies (i.e. Merseyside, Greater Manchester and Pennine Lancashire) areas remote from growth (e.g. Barrow and West Cumbria), Urban Regeneration Company (URC) areas and Housing Market Renewal areas<sup>15</sup>.
- 2.34 However, this criteria will be used as a tool to prioritise activities, rather than exclude other areas. ESF will also support interventions in other pockets of high deprivation. Any additional

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<sup>14</sup> Around 100,000 people come out of prison and go onto benefit each year, with only 20-30% finding work. Clearly, the social and economic benefits of moving such people into work span much wider than those solely for the Department for Work and Pensions. Supporting such groups may well require consolidated programmes with other arms of government, particularly the Home Office and the Department for Communities and Local Government.”

<sup>15</sup> In line with the spatial areas prioritised for assistance under the ERDF Programme Priority 4:

areas identified in CFO Delivery Plans which fall outside these spatial priorities, would have to meet an alternative threshold criterion (as is the cases under ERDF Priority 4, Action Area 4-3). The suggested criterion is the degree of concentration of worklessness as measured by the proportion of working age population claiming key out of work benefits<sup>16</sup>. Interventions specifically targeted on people with health issues will be focused on those local authorities with the highest rates of Incapacity Benefit claimants.

- 2.35 There is no specific sectoral targeting in Priority 1. However, access to employment actions must be linked to the jobs being created (in the wider economy and by other publicly-funded economic development interventions), both in terms of sectors/occupations.

### Delivery

- 2.36 Given the focus of Priority 1 on tackling worklessness, DWP is the principal Priority 1 co-financing organisation (CFO), whilst NEET activity is co-financed through the Learning & Skills Council (LSC). The National Offender Management Service (NOMS) has also gained Co-Financing status. NOMS focus is to support offenders to access mainstream employment and skills services and to ensure that offenders' employment, training and education needs are met.
- 2.37 In reality, there will be some activities that will cut across Priorities 1 and 2, and DWP and the LSC have the ability to jointly co-finance some activities, while ensuring that their total contribution is matched by ESF resource. In addition, CFOs must have in place effective planning and commissioning arrangements to ensure alignment with mainstream Government funding. Other important principles are:
- Embedding the principles and practices of the Integrating Employment and Skills agenda by substantially increasing the volume of JCP customers who receive a skills diagnostic and support to improve their competitiveness for employment. This would be delivered through the Adult Advancement and Careers Service.
  - Embedding and expanding the Adult Advancement Networks, networks of advice agencies in each Local Authority area which will be directly linked to the Adult Advancement and Careers Service, to help remove wider barriers to employment.
  - Action Area 1-2 activity must directly support the 14-19 commissioning plans agreed by Local Authorities and the sub-regional groupings on 14-19. The SFA, YPLA and the local authorities will establish specific planning and commissioning processes through the mechanism of a Service Level Agreement to achieve this. Activities around NEET prevention, such as curriculum development and early intervention (14-16) and NEET responses (16-18), should be seen in a wider context (i.e. 14-25), and linked to subsequent employment opportunities and/or progression to HE/higher level skills development.
  - Wherever possible, CFOs must seek to secure delivery through local partnership activity and in particular (through the spirit of subsidiarity) CFO Delivery Plans must be consistent with the principles contained within the Sub-National Review.

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<sup>16</sup> JSA claimants (unemployed); IB claimants (sick and disabled); lone parents claiming Income Support. The number of residents of working age claiming these benefits varies from local authority to local authority from 26% (Knowsley) down to 8% (Eden)

- 2.38 With the exception of the National Offender Management Service (NOMS), which is a national CFO, no other bodies are able to act as CFOs for the 2011-13 period. We are awaiting further guidance from DWP about the level of ESF resource that NOMS and other CFOs will be allocated.

### Cross-Cutting Themes

#### Sustainable Development

- 2.39 Priority 1 will support sustainable development, in line with EC Regulation 1083/2006 and the NSRF, by recognising that social, environmental and economic issues are inter-related. It will promote the following sustainable development objectives:

- Providing opportunities to allow everyone to fulfil their potential;
- Environmental protection and enhancement through delivery of projects.

#### Gender Equality and Equal Opportunities

- 2.40 Priority 1 will promote equal opportunities in line with EC Regulation 1083/2006 and the NSRF. In particular, it will:

- Maintain the dual approach to tackling gender inequality and equal opportunities by funding specific projects that target women and disadvantaged/under-represented groups
- Target specific communities in urban or rural areas that need targeted support.

#### Health

- 2.41 Whilst ESF money cannot be used to fund health and social services, it can be used to fund interventions that seek to tackle related health/worklessness issues in support of the December 2008 White Paper<sup>17</sup>. The White Paper proposed a specific focus on helping workless individuals to prepare for work and to stay in work, including by addressing more significant problems such as physical and mental health. This could include targeted interventions to:

- Address literacy/numeracy issues in addition to tackling health issues;
- Tackle long-term sickness;
- Tackle mental health issues affecting residents over 50 years of age (this age group has a higher incidence of mental health difficulties).
- Complementing activities under the Communities for Health Initiative, which seeks to address a range of health issues and tackle health inequalities in deprived urban and rural areas.

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<sup>17</sup> Raising Expectations and Increasing Support: Reforming Welfare for the Future.

### Links between ESF and European Structural Funds in the Region

#### ERDF

- 2.42 Linkages between ESF and ERDF must be developed to ensure that potential benefits arising from the complementary nature of interventions are realised. This includes the approach to strategic design, implementation and management. Key areas for consideration include:
- Linking access to employment actions to the jobs being created, both in terms of sectors/occupations (and their skills requirements) and spatial areas;
  - Outreach support to stimulate enterprise in deprived areas and among disadvantaged groups (to support activities under ERDF Priority 4-1);
  - Improvements in transport accessibility and improved accessibility of high unemployment areas to areas of employment growth (to support activities under ERDF Priority 4-2);
  - Support for programmes of employment creation<sup>18</sup> in prioritised regeneration areas characterised by low employment rates (to support activities under ERDF Priority 4-3).
- 2.43 However, achieving this alignment is far from straightforward. ERDF and ESF programmes were developed during different timeframes and are procedurally different. Given that EC regulations prohibit joint ERDF-ESF funded projects, alignment of resources and interventions requires organisational flexibility and effective communication. The emphasis by CFOs on “outcomes” of a relatively instrumental type adds a further complexity.
- 2.44 Further scoping work is required across the ERDF, ESF and RDPE programmes to identify projects (both live and in the pipeline) for which there is the strongest potential to establish practical linkages in delivery, or at the very least ongoing communications<sup>19</sup>. A working group could be established to put forward proposals and co-ordinate timing between ESF, ERDF and RDPE and to address the issues raised above.

#### RDPE

- 2.45 Given the rural nature of much of the region, it is essential that the additional barriers facing rural areas (such as access to training and employment) are identified and measures to overcome these barriers are incorporated into the programme activities. The North West ESF Framework will provide resources to the rural areas of the North West to address rural issues as part of national and regional employment and skills priorities, with the European Agricultural Guidance and Guarantee Fund (EAGGF) providing support for skills development and employment opportunities for individuals in the rural workforce on low pay where this support is not eligible for ESF (e.g. in non-eligible sectors such as agriculture and forestry).

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<sup>18</sup> Some employer engagement activity may be eligible for funding using ERDF.

<sup>19</sup> Examples of potential linkages are the various graduate projects that are now funded by both ESF and ERDF.

## Priority 2: Developing a Skilled and Adaptable Workforce

### Key Objectives

2.46 The core aim of Priority 2 is to raise the levels of skills of the workforce in order to increase productivity, enterprise and competitiveness by:

- Increasing the numbers of people with basic skills and supporting progression from foundation to Level 2 learning, in order to improve progression of people into and within work and meet the skill needs of employers;

***At least 30% [35%] of ESF funding should support foundation level and basic skills training and at least 30% [35%] of ESF should support progression to Level 2 and training at Level 2***

- Training to Level 3 to address skills shortages, helping workers to improve their enterprise skills, especially those who face redundancy, low skilled workers, and workers in sectors with skills gaps or weak training records);
- Providing training at Level 3 and above, especially where it is linked to the needs of employers and addressing skill shortages and facilitating actions to support other aspects of the framework in particular:
  - Providing the technical, leadership, management and enterprise skills training required by small enterprises (up to 50 workers) to compete in a knowledge-based economy;
  - Providing higher level skills activity to support the strategy for tackling low skills, including for example training trainers to deliver basic skills to ESF target groups.

***Up to 40% [28%] of ESF can support training at Level 3 and above***

***In the North West, the breakdown of Priority 2 funding is: 35% for basic skills: 30% for Level 2 skills; and 35% for Level 3+ skills.***

2.47 In line with the National Skills Strategy and the Leitch Review, basic skills and Level 2 will continue to be key priorities for ESF investment in training because skills deficits and market failure are most severe at these levels. There will also be scope for ESF to support training at Level 3 and above where Regional Skills Partnerships or their successors identify skills needs at this level and where there is market failure and the costs cannot be borne by employers and individuals. This may especially be the case where employees face redundancy or have been made redundant and need to re-skill or up-skill.

2.48 This Priority supports Article 3.1a of the ESF Regulation 1081/2006, which is focused on 'increasing the adaptability of workers, enterprises and entrepreneurs, with a view to improving the anticipation and positive management of economic change'.

2.49 Priority 2 also supports Community Strategic Guidelines 1.3.2 (improving adaptability of workers and enterprise and the flexibility of the labour market) and 1.3.3 (increasing

investment in human capital through better education and skills) and National Strategic Reference Framework ESF Priority 2 (developing a skilled and adaptable workforce). It also supports the UK National Reform Programme (investment in skills).

### Context

- 2.50 The experience of past recessions highlights the potential negative impact upon employers' planning for investment in workforce development. This is especially the case for what is deemed to be non-essential training provision, especially off the job training which does not have an immediate effect on productivity. There is also a tendency to overlook longer-term planning of skill and recruitment requirements. Whilst this may be understandable in the face of more immediate priorities, the failure to adequately plan for the future will undermine their longer term productivity and competitiveness.
- 2.51 Employers may also suspend or cease other discretionary employment practices which can help to attract, motivate and retain staff. Some practices, such as flexible working practices, can be very important to some groups (such as employees with caring responsibilities).

***The key challenge for the region is to help employers to plan and provide for their current and future skills needs once the economy has come out of recession***

- 2.52 The North West has faced the challenge of adapting the skills of its adult workforce to the needs of an increasingly knowledge based economy. The region is making good progress in uplifting its qualifications profile at all levels, but it faces particular challenges in raising the numbers of people qualified at Levels 2, 3 and 4. Workers need to take their share of responsibility in investing in these skills, alongside employers and the government.
- 2.53 The evidence suggests the region (especially the major urban centres of Manchester and Liverpool) is holding its own in attracting and retaining highly skilled graduates. However, it needs to encourage greater levels of achievement of Level 4 amongst the current workforce, through closer coordination between employees, employers and HE providers.

***The key challenge is to ensure a commitment amongst adults to the skills and qualifications they need for employment, with a focus on Skills for Life and Level 2 attainment, and also to stimulate demand from employers and encourage more flexibility in workplace-based provision at Level 3***

- 2.54 The skills requirements of the North West economy will continue to change at a rapid pace as it shifts towards service sector and knowledge based industries, although this will be at a slower pace than in recent years. Much of this demand will be for workers qualified at Levels 2, 3 and 4, and heavily concentrated amongst particular sectors. The ability of employers to secure workers with these qualification levels and appropriate occupational skills impacts critically on both the capacity of existing business to grow and add value and on the ability of the region to attract high value added industries and employers.
- 2.55 If the region is to meet these skills challenges, it needs to secure the aspirations for economic growth and productivity improvements. This includes stimulating higher levels of investment in skills, meeting the skills needs of sectors and growth locations (including the North West's city-regions and specific locations within the Liverpool-Manchester corridor and places such as Preston and other growth points), and improving management and

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leadership skills. There is also evidence of the role of particular attitudes and aptitudes, such as entrepreneurialism, innovativeness and the empowerment of staff, in the performance of businesses.

***In light of these considerations the critical challenge is to stimulate employers to invest more in workforce development at all levels, including innovation, leadership and management, and entrepreneurial skills.***

### Structure of Priority 2

- 2.56 The proposed outline structure of Priority 2, with three distinct but related action areas, is illustrated in Table 2-2 below.

## Revised North West ESF Framework, 2011-13

Table 2-2: North West ESF Framework Priority 2				
Action Area	Key Aims	RSEB Priorities Supported	Indicative Activities	ESF Resource
<b>AA2-1: Supporting Skills for Life</b>	<i>Increasing the numbers of people with basic skills and supporting progression from foundation to Level 2 learning, in order to improve progression of people into and within work and to meet the skill needs of employers.</i>	Priority 3: Increase the proportion of adults with the skills and qualifications needed for employment, with a focus on Skills for Life and Level 2 attainment	<p><b>Activities Supporting Basic Skills and Labour Market Progression</b></p> <ul style="list-style-type: none"> <li>• Information, advice and guidance;</li> <li>• Activities to support access to, and provision of, apprenticeships;</li> <li>• Skills for life including basic literacy and numeracy, ICT and e-learning skills and ESOL;</li> <li>• Lifelong learning and vocational training for low-skilled and low-paid women workers, to improve their progression;</li> <li>• Training, mentoring and supporting men and women in occupations or sectors in which they are under-represented;</li> <li>• Retraining for workers who face redundancy or who have been made redundant, and who do not have accredited skills;</li> <li>• Training, mentoring and supporting men and women in occupations or sectors where their gender is under-represented, or in order to tackle gender segregation;</li> <li>• Initiatives by social partners to promote lifelong learning in the workplace;</li> <li>• Mentoring for employers and employees;</li> <li>• Skills/personal development training to guard against future unemployment;</li> <li>• Specialist provision for migrant workers;</li> <li>• Activities to retain in employment people who become disabled or develop health conditions (including in small businesses);</li> <li>• Activities to help employers to promote the health and wellbeing of workers, and prevent the onset of ill health;</li> <li>• Sustainable approaches to mental health and employment - in particular replicable interventions that help people with mental health conditions retain work;</li> </ul> <p><b>Activities Supporting Level 2 Learning</b></p> <ul style="list-style-type: none"> <li>• Activities to support access and progression from foundation level up to</li> </ul>	At least 60% of ESF Priority 2 funding <i>[including at least 30% to support basic skills and at least 30% for training at Level 2]</i>

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Table 2-2: North West ESF Framework Priority 2				
Action Area	Key Aims	RSEB Priorities Supported	Indicative Activities	ESF Resource
			Level 2; <ul style="list-style-type: none"> <li>• Training leading to Level 2 qualifications (especially for people without Level 2 qualifications, part-time workers and workers in sectors with a weak training record);</li> <li>• Retraining of people already at Level 2, where there is a need to adapt to specific sectoral change and the changing nature of employment demand;</li> </ul>	
<b>AA2-2: Supporting Training at Level 3 and Above</b>	<i>Providing training at Level 3 and above, especially where it is linked to the needs of employers and addressing skill shortages and facilitating actions to support other aspects of the framework</i>	Priority 4: Support adults to attain skills and qualifications at Level 3 and above, with a focus on key sectors Priority 5: Stimulate employers to invest more in workforce development which meets business needs Priority 6: Stimulate demand for, and investment in entrepreneurial, intermediate and higher level skills from	<b>Activities Supporting Intermediate Skills Attainment</b> <ul style="list-style-type: none"> <li>• Activities to support access and progression from Level 2 to Level 3;</li> <li>• Training leading to Level 3 qualifications in: sectors where there are skills shortages at Level 3; in SMEs up to 250 employees; and for men, women and BAME communities in sectors and occupational areas in which they are under-represented at Level 3;</li> <li>• Intermediate and professional skills for RES priority growth sectors, with a specific focus on the environmental technology and renewables sectors;</li> <li>• Training to help address specific skills gaps in key sectors in relation to environmental management skills for businesses, particularly to help businesses achieve relevant environmental standards;</li> <li>• Support for training people to meet the skills required to meet government objectives for more energy efficient housing;</li> <li>• Stimulating demand for training amongst employers and employees, including through the work of social partners and other intermediaries;</li> </ul> <b>Activities Supporting Training at Level 4 (or equivalent) and above</b> <ul style="list-style-type: none"> <li>• Stimulating demand for training amongst employers and employees;</li> <li>• Activities to prepare people from disadvantaged groups to access Higher Education (but not higher education provision itself);</li> <li>• Lifelong learning and training for managers and workers in small enterprises;</li> <li>• Intermediate and professional skills for RES priority growth sectors;</li> </ul>	Up to 40% of ESF Priority 2 funding

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Table 2-2: North West ESF Framework Priority 2				
Action Area	Key Aims	RSEB Priorities Supported	Indicative Activities	ESF Resource
		individuals	<ul style="list-style-type: none"> <li>• Entrepreneurial and skills support for SMEs in the environmental technologies sector;</li> <li>• Training that enables businesses to diversify into the environmental technologies sector, where there is evidence of need;</li> <li>• Support for social enterprises and other self employment including sole traders;</li> <li>• The training of trainers in the public, private or voluntary sector (at any level including Level 4 and above) to deliver activities that benefit target ESF groups (e.g. basic skills and other provision);</li> <li>• Support for graduate retention;</li> <li>• Support companies to engage highly skilled individuals who have been made redundant to utilise their skills in growth sectors;</li> <li>• Training in the health and social care sectors to meet rising demand due to the ageing population;</li> </ul>	

### Targeting of Resources

#### Stakeholder Prioritisation

- 2.57 Priority 2 has a less explicit targeting of resources than Priority 1 (in terms of disadvantaged groups that are a key focus of Priority 1), although these groups are likely to be disproportionately represented in the cohort of North West residents who lack the qualifications/skills on which Priority 2 will focus. There is a specific focus on gender and BAME communities in sectors in which there are skills shortages at Level 3.

#### Spatial and Sectoral Prioritisation

- 2.58 Priority 2 has a less explicit targeting of resources than Priority 1. However, stimulation of higher levels of investment in skills should focus on meeting the skills needs of sectors and growth locations (including the North West's city regions and specific locations within the Liverpool-Manchester corridor and places such as Preston and Chester).
- 2.59 Whilst there is not a case for targeting Level 2 provision upon particular locations or sectors, Level 3+ provision will be targeted upon sectors prioritised in the IRS, by the RSEB and those that are important in the context of a shift towards a low-carbon economy. This includes those sectors that require support to reduce their carbon footprint and environmental impact, as well as the environmental technologies and renewable energy sector.

### Outputs and Result Indicators

- 2.60 There will continue to be a small number of targets, which will be quantified by outputs and results indicators. Possible performance indicators are listed in Chapter 6. These indicators are contained in the National ESF Programme which will apply in the region.

### Delivery

- 2.61 Given the focus of Priority 2 on addressing skills issues, the LSC is expected to be the principal Priority 2 co-financing organisation (CFO). In reality, there will be some activities that will cut across Priorities 1 and 2, and the LSC and DWP have the ability to jointly co-finance some activities, while ensuring that their total contribution is matched by ESF resource.
- 2.62 Expenditure on offender learning and skills is expected to remain within the remit of the LSC, which should work in partnership with NOMS to agree on what is required in relation to offender learning and skills within the region and to assist focusing on these priorities. In addition, Action Area 2-1 activity should directly support the forthcoming Adult Advancement and Careers Service to allow them to expand their support to those in work.
- 2.63 The national Operational Framework for ESF made clear that Government expects ESF to be aligned with and support the strategy for the simplification of business support and the Solutions for Business product portfolio. It is therefore important that where ESF initiatives make an offer to (or require engagement with) existing or potential businesses these initiatives are designed from the outset to align with the national effort to simplify business support. In addition, activity should support sector-specific strategies produced by the NWDA and/or relevant national Sector Skills Councils. The Framework should also include the full range of appropriate delivery partners (e.g. FE Colleges and HEIs).

### Cross-Cutting Themes

#### Sustainable Development

- 2.64 Priority 2 will support sustainable development in line with EC Regulation 1083/2006 and the NSRF. The Framework recognises that social, environmental and economic issues are inter-related, and will promote the following sustainable development objectives:
- Environmental protection and enhancement through delivery of projects;
  - Providing skills that businesses both demand and require – now and in the future.
- 2.65 When identifying priorities for ESF in terms of supporting sustainable development, including environmental sustainability, the framework will consider:
- Identifying skills needs in key sectors driving economic growth in the region and which are likely to have a high impact on the environment (thereby providing a steer for CFO plans in terms of identifying vocational training courses which may benefit most from integrated sustainable development training). This includes training to help address specific skills gaps in relation to environmental management skills for businesses, particularly to help businesses achieve relevant environmental standards (BS 8555 for instance).
  - Environmental technology and renewables sectors will also be a priority; including entrepreneurial and skills support for SMEs in the environmental technologies sector, and training that enables businesses to diversify into this sector, where there is evidence of need.
  - Support for training people to meet the skills required to meet government objectives to increase the energy efficiency of some 7 million homes as part of the UK Low Carbon Transition Plan, including where this directly supports sub-regional/city-regional pilot activity<sup>20</sup>.
- 2.66 How ESF training provision can add value to environmental business initiatives such as those on offer under the 7th research framework programme (FP7).

#### Gender Equality and Equal Opportunities

- 2.67 Priority 2 will support Gender Equality and Equal Opportunities in line with EC Regulation 1083/2006 and the NSRF. In particular, the Framework will tackle the under-representation of men, women and ethnic minorities in particular occupations and sectors, highlighting pay and skills gaps that ESF could help address in the region as well as highlighting the main equality groups or sub-groups affected (e.g. part-time female workers).
- 2.68 Sectoral and occupational gender segregation affects both men and women in the North West. Priority will be given to projects addressing segregation including:

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<sup>20</sup> For example, a joint Greater Manchester/BIS Sector Productivity and Progression Pilot. This is a programme of work, developed under the Statutory City Region agreement, that aims to help develop the skills and skills provision needed to enable the sub-region to deliver on the retrofitting and energy efficient housing agenda.

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- Women: under-representation in sectors, notably manufacturing, transport and communication; and occupationally in skilled trade occupations, managers and senior officials (both categories are higher paid occupations).
- Men: under-representation in sectors, notably health and social work, and part time work in education; and occupationally in administrative, personal services and customer services.

### Health

2.69 Whilst ESF money cannot be used to fund health and social services, it can be used to fund interventions that seek to tackle health-related issues in the workplace. This includes:

- Activities to help employers to promote the health and wellbeing of workers, and prevent the onset of ill health;
- Sustainable and replicable interventions that help people with physical and mental health conditions to retain work<sup>21</sup>;
- Complementing activities in the Skilled for Health<sup>22</sup> initiative to improve health literacy and basic skills among specific groups with common health issues.

## Links between ESF and Structural Fund Programmes in the Region

### ERDF

2.70 It is likely that there will be many jobs created in high skill occupations. Future job creation will require high and medium education levels, as well as more generic skills such as problem solving and analytical skills, self management and communication skills, teamworking, linguistic skills and digital competencies.

2.71 It is therefore desirable that linkages between ESF and ERDF are developed, ensuring the potential benefits arising from the complementary nature of interventions are realised. This includes the approach to strategic design, implementation and management. Key areas for focus include:

- Support for skills development at Level 3 and above for key regional sectors (to support ERDF Priority 1 sector support);
- Addressing the region's skills needs in relation to developing the environmental technology sector (ERDF Priority 1);
- Leadership and management skills development to support increased innovation (to support ERDF Priority 2 activities);
- Ensuring that the region benefits from a workforce that has the skills to enable businesses to address their own environmental challenges, and increase their

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<sup>21</sup> Eight local authorities in the North West have included NI 150 (*Adults Receiving Secondary Mental Health Services in Employment*) as an LAA target for 8 LAs in the NW and would relate to the more challenging aspects of mental health conditions in the labour market, both under Priorities 1 and 2.

<sup>22</sup> A national programme that seeks to embed Skills for Life learning into health improvement provision.

competitiveness. This will include training employees in environmental management (ERDF Priority 2).

- Any ERDF projects that aim to make homes more energy efficient.

2.72 Further scoping work is required across the ERDF, ESF and RDPE programmes to identify projects (both live and in the pipeline) for which there is the strongest potential to establish practical linkages in delivery, or at the very least ongoing communications<sup>23</sup>. A Task and Finish group could be established to put forward proposals and co-ordinate timing<sup>24</sup> between ESF, ERDF and RDPE.

### RDPE

2.73 ESF will mainly address rural issues as part of national and regional employment and skills priorities, with RDPE providing support for skills development and employment opportunities for individuals in the rural workforce on low pay where this support is not eligible for ESF (e.g. in non-eligible sectors such as agriculture and forestry).

2.74 Whilst the scope of RDPE to deliver training and skills is limited (the measure dedicated to this activity is only for those active within the agricultural and forestry sector) this leaves a gap for rural people who would benefit from training/skills development but are not active within this particular sector.

## Priority 3: Technical Assistance

2.75 Technical assistance funds will be available to finance the preparatory, management, monitoring, evaluation, information and control activities of the Operational Programme, together with activities to reinforce the administrative capacity for implementing the funds, at national and regional levels. In the North West, the following will continue to be developed as part of the regional Technical Assistance strategy:

- Effective monitoring and evaluation systems;
- Support for the cross cutting themes of Gender Equality and Equal Opportunities, Sustainable Development and Health, including funding pilot projects and research;
- Support for voluntary and community sector network organisations to encourage participation of the third sector in the programme activities;
- Support for labour market monitoring and intelligence, and evaluation activities to identify best practice;
- The programme's publicity and communications strategy.

2.76 Technical Assistance funds will also support the development of capacity within the Regional ESF Committee to manage and deliver the Programme.

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<sup>23</sup> Examples of potential linkages are the various graduate projects that are now funded by both ESF and ERDF.

<sup>24</sup> For example, the potential ERDF AA 1-3 call for Energy Efficiency within Housing Sector, which would provide jobs and training opportunities within the environmental technologies sector.

### Distinctions in the Strategy for using ESF in Merseyside

#### Phasing-In Arrangements

2.77 As part of the arrangements for the phasing in of former Objective One areas, the North West ERDF Operational Programme and ESF Framework both contain a ring-fenced allocation for Merseyside (approximately 40% of total ERDF and ESF resources). During the phasing-in period (2007-10), partners in Merseyside have had additional flexibilities in how structural funds can be used to address sub-regional priorities, and during this time have been able to draw on a much higher level of funding (on a per capita basis) than in the rest of the North West. For ESF, this has meant:

##### Priority 1

- Increased flexibility for Merseyside to establish a Complementary Strand of ESF outside the co-financing regime up to 2010, after which the additional phasing-in funding ceases. This strand was managed at a strategic level through the City Employment Strategy consortium, with ESF funded activity being co-ordinated/commissioned by the appropriate lead body for the nature of the activity possibly acting through consortia based arrangements (e.g. City-Region Employment and Skills Board (CRESB)) or directly commissioned by CRSEB or TMP.
- A higher proportion of Priority 1 funding was allocated through small grants to community groups to undertake spatially targeted interventions. A maximum of 4% of Priority 1 funding could be distributed in this way in Merseyside during the phasing-in period 2007-10 (compared to 2.5% in the rest of the region).

##### Priority 2

- Scope to support a wider range of eligible sectors than in the rest of the region in terms of Level 3 and 4 provision. The emphasis was on the sectors which have been prioritised in the Merseyside City-Region Development Plan.
- All SMEs (i.e. up to 250 employees) in Merseyside could be provided with higher level technical, leadership, management & enterprise skills training. The focus was on firms of up to 50 workers elsewhere in the North West.

#### 2011-13 Programme Period

2.78 The core North West Framework parameters will now apply to Merseyside during 2011-13. No additional flexibilities will apply during the remainder of ESF funding. However, wherever appropriate and possible within the context of a single revised Framework, it is important to retain a focus on tackling the specific challenges facing Merseyside, utilising the remainder of the Merseyside ring-fenced allocation (which is guaranteed for the whole programme period).

2.79 Partners in the Liverpool City Region are currently developing an Employment and Skills Strategy and accompanying Commissioning Framework. These will be the primary documents for setting out the vision for how employment and skills services are to be integrated locally within the City Region and the strategic priorities for investment and

delivery. They are also key components of the Multi Area Agreement signed by Government in January 2009.

2.80 The Employment and Skills Strategy defines the strategic priorities of the Liverpool City Region, and the management and deployment of this forthcoming allocation of ESF should therefore reflect, and build on, this work to date. This will include an appropriate sectoral focus linked to the Liverpool City Region MAA transformational actions:

- Liverpool SuperPort
- Cultural and Visitor Economy
- Knowledge Economy
- Low Carbon Economy.

2.81 The Liverpool City Region Employment and Skills Board will determine what activity is commissioned and for whom, at what spatial level and the degree to which this provision aligns to other provision, or indeed is part of a wider co-commissioning process. City-Region partners must also be involved in the commissioning and procurement process in order to ensure that priorities are met, and as part of a wider performance management process.

2.82 The clear focus here is on aligning budgets, joint commissioning and shared performance management in order to achieve the objectives of the Strategy as efficiently as possible. The scale of the task will require that both mainstream and local resources are included in the CFO Delivery Plan process across all sub-regional partners.

### Good Practice

2.83 The revised Framework has been informed by an evaluation of regional ESF frameworks<sup>25</sup>, which identified the following hallmarks of good practice:

- Establishing a clear link between the evidence, analysis, targeting and ESF funded activities (including cross cutting issues and complementarity);
- Clear vertical connections between the Operational Programme, regional strategies and local policy instruments (e.g. City Employment Strategies, Local Area Agreements);
- Supplementing the activity underpinning the development of the framework and CFO plans with a review of current provision to identify gaps in provision;
- Open and intense CFO partnership working to identify value adding activity to underpin development of the CFO plans and regional ESF framework;
- Ongoing CFO partnership activity to minimise duplication, identify gaps and ensure that ESF continues to add value when mainstream provision is flexed;

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<sup>25</sup> Leeds Metropolitan University Policy Research Institute, *Regional ESF Frameworks: Case Study Evaluation* (DWP, 2009).

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- Using the framework and CFO plans to review progress in the region at forums such as the regional committee;
- Relevant, reliable and timely management information to support monitoring and assessment of regional impact;
- Identification of specific technical assistance activity to support cross cutting issues where required;
- Effective promotion and public relations to demonstrate the impact of ESF activity in the region related to the emphasis provided by the framework.

2.84 An evaluation<sup>26</sup> of the 2000-06 European Structural Fund programmes highlighted some general lessons for project delivery. These include:

- **Using market failure arguments for public sector intervention:** moving towards a more explicit exposition of market failure arguments for public intervention to focus activities where the economic impact of interventions will be the greatest.
- **Strategy Alignment:** the future programmes should be aligned closely behind, and add value to, the activities of the RDAs and their regional economic strategies.
- **Portfolio Approach:** the development process should consider balancing investments between risky and less risky options.
- **Demand Responsiveness:** a common feature of more successful interventions is that they are able to respond to identified market demand.
- **Evaluation:** new programmes should incorporate thematic evaluation approaches, in addition to the usual focus on mid and final term evaluation and ad hoc project level reviews.
- **Outputs frameworks:** robust and unambiguous output frameworks are required that can be monitored in an efficient and effective way. The way in which these can unintentionally direct resources also needs to be considered.

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<sup>26</sup> Source: *The 2007-13 EU Competitiveness and Employment Programmes: Good Practice Guidance*. Regeneris Consulting, June 2006.

## 3. Cross-Cutting Themes

### Introduction

- 3.1 In line with the National ESF Operational Programme there are two cross-cutting themes (CCTs) and one new theme for the North West: Sustainable Development; Gender Equality and Equal Opportunities; and Health (a new cross cutting theme in the North West). All three cross-cutting themes will be promoted during programme implementation.

### Sustainable Development

#### Context

- 3.2 Sustainable development will be a CCT, and in line with EC Regulation 1083/2006 and the UK NSRF, the ESF Framework and activities within it will take account of environmental concerns and respect the principles of sustainable development. In particular, all future Programmes must take account of the goal to reduce the UK's emissions of carbon dioxide by 34% by 2022 and 80% by 2050<sup>27</sup> in order to tackle climate change.
- 3.3 The National ESF Operational Programme sets out how sustainable development will be integrated into the Programme at both a strategic and operational level. This includes clear roles for the CFOs. Integration is intended to ensure that:
- The Programme meets ESF regulatory requirements and contributes to the UK Sustainable Development Strategy;
  - The Programmes key strategic aims in terms of promoting employment and skills are delivered in a way which uses resources and energy as efficiently as possible and in ways which also help to enhance or protect the physical and natural environment.

#### Targeting

- 3.4 Investment in the drivers of a low carbon economy is a central feature of all EU Programmes in the North West, to help position the region to take advantage of increasing demands for new and developing products and services in response to environmental challenges and a changing regulatory framework. The North West Regional ESF Framework will complement ERDF low-carbon investments in a number of ways:
- Ensuring all training activity is delivered in such a way that is consistent with the UK Sustainable Development Strategy, ensuring good practice in delivery in keeping with the objectives of the UK Sustainable Procurement Action Plan;
  - Addressing the region's skills needs in relation to developing the environmental technology sector, complementing ERDF investment in this area.

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<sup>27</sup> UK Climate Change Act (2008).

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- Ensuring that the region benefits from a workforce that has the skills to enable businesses to address environmental challenges and increase their competitiveness. This will include training employees in environmental management.
- Linking ESF activity with:
  - ERDF programmes looking to undertake energy efficiency measures, especially measures under Priority 1, Action Area 1-3
  - Other ERDF and Business Link business support activity with SMEs looking to expand / diversify into the low carbon sector.
- ESF should directly support either unemployed people to gain the skills to compete for a job in the low carbon sector, or to allow current employees to upskill/retrain to enable them to meet the specific skill needs of employers in that growing sector.

## Gender Equality & Equal Opportunities

### Context

- 3.5 In line with EC Regulation 1083/2006 and the National Strategic Reference Framework (NSRF), the ESF Framework and activities within it will comply with all relevant EC and UK legislation on non-discrimination and equal opportunities including the Employment Equality Age regulations (2006) and the Gender Equality Duty (2007).
- 3.6 The ESF Framework maintains the dual approach to promoting gender equality and equality of opportunities by funding specific activities which target women and disadvantaged groups as well as integrating equal opportunities into the planning, implementation, monitoring and evaluation of the programme as a whole. Key requirements are:
- All partners associated with the programme will be required to maintain their public duty to promote equal opportunities;
  - The principle of accessibility for people with disabilities will be taken into account during the various stages of implementation;
  - All projects will have to take account of the needs of people with disabilities;
  - Technical assistance can support gender and equal opportunities training;
  - A balanced participation of women and men in the management and delivery of the Regional ESF Framework.

### Targeting

- 3.7 The Regional ESF Framework has a number of targets relevant to gender and equal opportunities in each of the two main Priorities with regard to women, ethnic minorities and people with disabilities. The weight and emphasis of these targets are on:

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- Women economically inactive, particularly lone parents and those with care responsibilities and from BAME groups with low economic participation rates;
- People with disabilities, particularly those who are economically inactive and those in employment with basic skills needs and qualifications below Level 2;
- Ethnic minorities (including migrant groups), particularly those from communities with low levels of economic participation;
- Older workers, particularly those lacking basic skills and below NVQ Level 2.

3.8 Although gender equality and equal opportunities are challenges across the region, there is some spatial concentration of disadvantage which is relevant. In deprived communities<sup>28</sup>, the combination of multiple disadvantage increases the challenges facing many groups. Sectoral and occupational gender segregation affects both men and women in the North West. Priority will be given to projects addressing segregation including:

- Women: under-representation in sectors, notably manufacturing, transport and communication; and occupationally in skilled trade occupations, managers and senior officials (both categories are higher paid occupations);
- Men: under-representation in sectors, notably health and social work, and part time work in education; and occupationally in administrative, personal services and customer services.

## Health

### Links between Health and Worklessness

- 3.9 The impact of health issues on worklessness is currently a focus for government attention through initiatives such as Pathways to Work. Being economically inactive can lead to higher rates of poor health, mental illness, and premature death. Poor health can affect the ability to gain and stay in employment. The Health Development Agency<sup>29</sup> found that there is a relationship between unemployment and poor health, and that “employment policy should evaluate the health impact of all its relevant interventions”.
- 3.10 The latest life expectancy and infant mortality figures for England show that the health gap is widening still between the better off and more deprived population groups. Availability of employment and skills development is crucial to reducing the numbers of people living in deprivation and to reduce the health gap.
- 3.11 The Leitch Review of Skills highlighted that health problems (both physical and mental) are more common in unskilled and low-income households. The report found that skills can impact upon health either directly, by providing information on improving health, or indirectly, by improving income and making a healthy lifestyle more affordable. The Review concludes by stating that whilst it is difficult to estimate the potential health benefits of skills

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<sup>28</sup> For example, the worst 20% of wards in England based on the Index of Multiple Deprivation could be a spatial target.

<sup>29</sup> *Worklessness and health: what do we know about the causal relationship?* Health Development Agency (2005).

improvements, these are likely to be greatest at the lower end of the skills distribution. The report also highlights that:

- Unemployment rates are a key indicator of health inequalities;
- Worklessness is directly associated with mental and physical health and with poverty and other factors impacting on health;
- Prosperity is increasingly seen as a route to health, and skills are a driver of prosperity.

3.12 Alongside tackling the barriers to work that ill health presents, reducing worklessness is also a key objective for improving the general health of the North West. Studies show a much greater proportion of the population with poor health live in low income households and employment is the best way to reduce poverty.

3.13 Recent national initiatives to join-up health and employment/skills include:

- *Working for a Healthier Tomorrow*<sup>30</sup>, Dame Carol Black's review of the health of the working age population;
- Skilled for Health, a national programme that aims to address both the low skills and health inequalities prevalent within traditionally disadvantaged communities.

3.14 As national evidence has shown, ill health is often strongly linked to economic inactivity, unemployment and worklessness. Poor health is therefore an outcome of worklessness that can subsequently become a barrier to future labour market participation. The solution to the "health" problem may be through a mix of access to employment, better longer term career prospects, employment flexibility and good working conditions.

### Health Inequalities

3.15 The North West region continues to have lower life expectancy than any other region in England, except the North East. The North West Public Health Observatory found that Manchester, Blackpool and Liverpool have the lowest male life expectancy of all 374 local authorities in England and Wales. Five North West local authorities, comprising Blackburn with Darwen, Liverpool, Manchester, Salford and Knowsley respectively, have the lowest female life expectancy of all England & Wales local authorities. In addition, five of the ten local authority areas with the highest rate of Incapacity Benefit claimants are in the North West (Knowsley, Barrow, Liverpool, Blackpool, and Burnley).

### Implementation of Health as a CCT

3.16 ESF money cannot be used to fund health and social services. Rather, it must support entry to or progression within the labour market. Activities that could be funded include:

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<sup>30</sup> Department of Health (2008).

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- Help for people with disabilities and health problems enter and remain in work, providing workless people with health issues with the appropriate level/type of activity that they are able to undertake to support their entry/return to work;
- Activities to retain in employment people who become disabled or develop health conditions (including in small businesses);
- Activities to help employers to promote the health and wellbeing of workers, and prevent the onset of ill health;
- Sustainable and replicable interventions that help people with physical and mental health conditions to retain work (including adults receiving secondary mental health services in employment);
- Complementing activities under the Communities for Health Initiative, which seeks to address a range of health issues and tackle health inequalities in deprived urban and rural areas;
- Complementing activities within the Skilled for Health initiative to improve health literacy and basic skills among specific labour market groups with common health issues;
- Supporting residents being medically reassessed as part of the migration from IB to ESA (particularly supporting those with health conditions who are moved on to JSA);
- Aligning activities with existing joint DWP/DH initiatives such as the Regional Workplace Health Coordinators.

3.17 The European Programmes Management Unit will work with the Regional ESF Committee and the region's CFOs to develop the baseline for activity and likely measurements that the health CCT will entail.

## 4. Proposed Themes for Regional Innovative Activity

### Introduction

***There is ongoing discussion at national level about whether innovative/transnational projects/activities will remain a feature of ESF Frameworks during the 2011-13 period. If they do remain part of the Framework, any delivery activities should be funded through the CFO arrangements (i.e. there is no dedicated separate funding stream and no direct bidding/funding or delivery) and there will be scope for research activities to be funded by Technical Assistance. All chapter content below is therefore provisional pending further guidance.***

### Purpose of Regional Innovative Activity

- 4.1 In line with the National ESF Operational Programme, the North West ESF Framework will provide scope for the inclusion of 'innovative activities' to extend employment opportunities and develop a skilled and adaptable workforce. This will be supported nationally through the innovation and mainstreaming sub-committee of the National Monitoring Committee. There will be no specific Priority Axes or fund available for either innovative or transnational activity<sup>31</sup>. Rather, such interventions will be supported under Priority 1 and 2 and research activities can be funded through Technical Assistance.
- 4.2 There is no precise definition of innovation, but the expectation is that activities should include new ways of tackling long-standing issues, new areas of research to better understand the needs of target groups and methods of capturing data. The ESF Operational Programme (paragraphs 380-382) states that:
- "Innovation may, where appropriate, be a feature of any activity. In addition, within Priorities 1 and 2 there will be a limited amount of funding available to support a small range of dedicated innovative activities. Priorities 1 and 4 will include support for developing and delivering innovative ways of helping unemployed and inactive people make the transition from unemployment and inactivity to sustainable employment. Priority 2 will include support for developing and delivering of innovative activities to raise skills levels."*
- 4.3 The emphasis of regional innovative activity should be on what outcomes are to be achieved, rather than how they are to be achieved.

### Requirements of Regional Innovative Activity

- 4.4 Following discussions with the innovation, transnationality and mainstreaming sub-committee and the European Commission, it has been agreed that:
- All dedicated innovative projects will have a transnational or inter-regional dimension (i.e. at least one partner from another EU Member State)

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<sup>31</sup> This is permitted under ESF Regulation 1081/2006, but this option has not been taken up in the UK.

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- Innovative and transnational activity will be delivered through direct bidding, outside of co-financing.

4.5 In addition, all innovative projects will be required to:

- Have an evaluation strategy so that the methods and results of the project can be independently assessed. Innovative projects will be required to make the results of their activities available for dissemination and possible mainstreaming, so that good-practice lessons can be shared.
- Where appropriate, good practice building on the ERDF/ESF EQUAL 2000-06 programmes must be incorporated (e.g. opportunities for skill training for local residents and prospective employees in the business premises assisted by ERDF).

### Priorities for Regional Innovative Activity

4.6 Innovative activity in the North West could include specific activity or use of ESF to add value to existing initiatives in relation to:

- 1) Responding to Demographic Change
  - Addressing the ageing demographic scenario: this is high on the EU's agenda, and helping older workers find work and stay in the labour market is becoming increasingly important as the working age population declines;
  - Impacts of migration and the needs of migrant workers around parity of qualifications, language training, enterprise skills etc (to add value to Migration Impacts Forum work on migration);
  - Opportunities to promote potential for ethnic minorities within the world of work.
- 2) Employability/Worklessness
  - Strategically focused national or regional research activity and pilot projects (e.g. on new ways of working, transferable skills etc) to address employability issues for inactive and unemployed people;
  - Further research to understand the causal links between health and worklessness;
  - Facilitating access and return to the labour market for those who have difficulty in being integrated or re-integrated into a labour market which must be open to all.
  - Promoting lifelong learning and inclusive work practices which encourage the recruitment and retention of those suffering discrimination and inequality in connection with the labour market.

### 3) Workforce Development

- Reconciling family and professional life, as well as the re-integration of men and women who have left the labour market, by developing more flexible and effective forms of work organisation and support services;
- Promoting gender equality in the work place, reducing gender gaps and supporting job de-segregation;
- Strengthening the social economy (the third sector), in particular the services of interest to the community, with a focus on improving the quality of jobs.

### 4) Skills Development

- Opening up the business creation process to all by providing the tools required for setting up in business and for the identification and exploitation of new possibilities for creating employment in urban and rural areas;
- Supporting adaptability of firms and employees to structural economic change and the use of information technology and other new technologies;
- Support for the creation of green jobs to address climate change and facilitate a shift to a low-carbon economy;
- Approaches to the monitoring and evaluation of soft skill development.

## 5. Regional Financial Allocations

### North West ESF Allocations

5.1 DWP has indicated that the total North West ESF allocation for 2007-13 is £416m<sup>32</sup>. The reduction in ESF in the North West (as a % of 2000-06 Programme) is smaller than that for England as a whole. In the terms of the spatial split between Merseyside and the rest of the North West, the key points are:

- North West ESF allocation excluding Merseyside is £258m over the period 2007-13. The annual profile is roughly constant over Programme period (in real terms);
- Merseyside ring-fenced ESF is €159m; two and a half times as high as England average (on per capita basis). The annual grant profile declined sharply over 2007-10 (the phasing-in period).

5.2 The 2011-13 period covers £139m of ESF (approximately one-third of the total ESF resource for 2007-13), of which £22m is allocated to Merseyside (14% of total programme period ESF). Some £117m is available in the rest of the region (45% of total programme ESF). The annual profile of ESF for Merseyside and the rest of the North West between 2007 and 2013 as contained in the National Strategic Reference Framework are shown below:

		2007	2008	2009	2010	2011	2012	2013	Total
Merseyside	£m	49.7	39.7	29.2	18.4	7.1	7.2	7.4	158.7
	%	31.3%	25.0%	18.4%	11.6%	4.5%	4.6%	4.7%	100.0%
Rest of North West	£m	34.2	34.9	35.5	36.3	38.2	38.9	39.7	257.7
	%	13.3%	13.5%	13.8%	14.1%	14.8%	15.1%	15.4%	100.0%
North West Total	£m	83.9	74.5	64.8	54.6	45.3	46.2	47.1	416.4
	%	20.1%	17.9%	15.6%	13.1%	10.9%	11.1%	11.3%	100.0%

Source: UK National Strategic Reference Framework.  
 Note: All figures in £m, current (2009) prices, with an allowance for inflation included.

### Split of Resources by Priority

#### National ESF Parameters

5.3 To ensure that Ministerial priorities and output and results targets in the Operational Programme are met, there are some parameters on the type and quantity of ESF activity that can be supported at the regional level. Regional ESF frameworks must work within these parameters to determine how ESF resources can be best targeted to meet regional skills and employment priorities.

<sup>32</sup> In 2009 current prices. Excludes Technical Assistance funding, which will now be retained centrally by DWP.

- 5.4 The parameters have been adjusted for 2011-2013 to take account of economic, labour market and policy developments. In particular there is more flexibility in Priority 2, reflecting changes to Train to Gain and the Government's low carbon agenda.

### ESF Priority Allocations

#### Priority 1: Extending Employment Opportunities

- 5.5 Guidance states that: at least 70% of ESF funding should improve the employability and skills of unemployed and inactive people; at least 23% of ESF funding is ring-fenced for work with young people who are NEET or at risk of becoming NEET; and up to 2.5% of ESF funding should be distributed as small grants to community groups. Key factors for consideration are:

- Over the past two years the percentage of the working-age population that are economically inactive and unemployed has increased. However, the proportion of young people in the NEET group has risen (and at a faster rate than unemployment and economic inactivity in the region). In addition, the Young Person's Guarantee is increasing the amount of mainstream resource going into tackling worklessness among young adults. ***This suggests that the region should maximise the amount of ESF funding available for NEET activities.***
- In the 2007-10 period, up to 2.5% of Priority 1 funding was available as community grants for VCS bodies outside Merseyside and up to 4% in Merseyside. Allocating the maximum 2.5% of Priority 1 funding for Community Grants to VCS groups during the 2011-13 period would mean that in real terms, the funding available during 2007-10 outside Merseyside is continued through the remainder of the Framework period and the real terms reduction in funding in Merseyside is minimised.

***In the North West, 72% of Priority 1 activity will be allocated to supporting activities among workless adults, 25.5% will be allocated to NEET activity and 2.5% will be made available for Community Grants.***

#### Priority 2: Developing a Skilled and Adaptable Workforce

- 5.6 Guidance states that: at least 30% [35%]<sup>33</sup> of ESF funding should support foundation level and basic skills training; at least 30% [35%] of ESF should support progression to Level 2 and training at Level 2; and up to 40% [28%] of ESF can support training at Level 3 and above. Again, the arguments for variations to these allocations are finely balanced. Key factors for consideration are:

- The North West accounts for a higher proportion (16%) of all England residents without basic skills than those without Level 2 skills (13%) and Level 3 skills (10%). However, in recent years, the region has made slower progress in tackling Level 2 skills deficits (compared to the national average) than those at basic level and Level 3. ***This suggests that basic skills should receive most funding, followed by support for Level 2 training.***

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<sup>33</sup> Figures in square brackets were those contained in original Framework guidance covering the 2007-10 period.

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- However, an increased focus on Level 3 and above provides greatest potential for complementing ERDF interventions to support growth in key sectors, innovation and a shift towards a low-carbon economy. ***This suggests that a greater proportion of Priority 2 funding should be allocated to Level 3+ activities than during the 2007-10 period.***

***In the North West, the breakdown of Priority 2 funding is: 35% for basic skills; 30% for Level 2 skills; and 35% for Level 3+ skills.***

### Use of Released Technical Assistance Funding

- 5.7 The Operational Programme allocates 4% of Regional Competitiveness and Employment funding to Priority 3 Technical Assistance - TA) for 2007-10. For 2011-2013, the Managing Authority proposes to allocate 1% to regions for regional technical assistance. The remaining 3% is available to add to their regional Priority 1 and/or 2 allocations for 2011-2013. The central Managing Authority will retain under-spend from 2007-2010 TA to fund central TA projects in 2011-2013 and to meet bids from regions for additional TA in 2011-2013 should the need arise.

***In Merseyside, partners wish to retain 2%<sup>34</sup> of ESF as Technical Assistance<sup>35</sup> in Merseyside and to split evenly the 'released' TA between Priorities 1 and 2 in order to: support the economic recovery and provide skills for future growth; and to address the continuing concentrations of worklessness in the City-Region, and the growing problem of Youth Unemployment and inactivity among 18-24 year olds. This is consistent with the Liverpool City-Region Employment and Skills Strategy and Commissioning Framework.***

***In the rest of the region, one-third of the released Technical Assistance funding will be allocated to Priority 1 and two-thirds to Priority 2, to provide additional resource for boosting business competitiveness to help prepare the region for the upturn in the economy. Whilst the region is experiencing a rise in worklessness, employment is expected to begin to grow again during the second half of 2010, and a range of domestic funds can already be levered into Priority 1 type activity.***

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<sup>34</sup> The released TA is worth £4.2m for the region (3% of the total £138.6m ESF) for 2011-13. This amounts to £650,000 for Merseyside (although this would be reduced to £435,000 should 2% of ESF be retained as Technical Assistance) and £3.5m for the rest of the North West.

<sup>35</sup> This will require the agreement of DWP.

## 6. Outputs and Results Targets

### Performance Monitoring Framework

- 6.1 A top-down approach to target setting within Regional ESF Frameworks has been undertaken by DWP. This has provided partners in the region with targets for those outputs/results indicators contained in the national ESF Programme for North West, broken down by Merseyside and the rest of region. These targets are for the entire programme period, and not on an annual basis.
- 6.2 The targets for the North West and the Merseyside phasing-in area are derived from the targets set for the national programme. Regional targets are to be set on a pro-rata basis vis-à-vis the national targets (based on ESF resource allocation). The targets are based on information about unit costs, participants and outcomes from comparable projects in the 2000-06 programme. Adjustments have been made to reflect the policy priorities of the 2007-13 programme, and information from domestic programmes that may be used as match funding.
- 6.3 Targets for Merseyside reflect different assumptions on unit costs than for the rest of the region, which are intended to reflect the nature of Merseyside's needs. However, partners in the region have stressed that unit costs in other parts of the region are also likely to differ from any regional average figures used. This is particularly the case in sparsely populated rural areas containing a dispersed pattern of population and businesses, where there are significant delivery challenges associated with most business and people support services.
- 6.4 Targets have been calculated using the assumption of a 62%/34% split of ESF resources between Priorities 1 and 2 at national level (the remaining 4% is allocated for Technical Assistance), and further assumptions on split of resources within the Priorities.

### Performance Indicators

- 6.5 The National ESF Programme contains a list of suggested outputs, results and outcome indicators under each of the two Programme Priorities. These are summarised below:

Table 6-1: North West ESF Framework – England ESF Programme Performance Indicators		
Priority	Outputs	Results
<b>Priority 1: Extending Employment Opportunities</b>	<p>Total number of participants as well as numbers in the following target groups:</p> <ul style="list-style-type: none"> <li>• Unemployed or economically inactive</li> <li>• Aged 14 – 19 and not in education, employment or training (NEET) – or at risk of becoming NEET</li> <li>• Disabled or have health-related conditions</li> <li>• Lone parents</li> <li>• Aged 50 years and over</li> <li>• Ethnic minorities</li> <li>• Female</li> </ul>	<p>Numbers of:</p> <ul style="list-style-type: none"> <li>• Participants in work on leaving support</li> <li>• Participants in work six months after leaving support</li> <li>• Economically inactive participants engaged in job search activity or further learning</li> <li>• 14 – 19 NEETS, or at risk of NEET in education, employment or training on leaving support</li> </ul>
	Where possible, results indicators will be broken down by gender, ethnicity, age, lone parents and disability/health conditions, and by unemployment and inactive participants	

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Table 6-1: North West ESF Framework – England ESF Programme Performance Indicators		
Priority	Outputs	Results
<b>Priority 2: Developing a Skilled and Adaptable Workforce</b>	Total number of participants as well as participants without: <ul style="list-style-type: none"> <li>• Basic skills</li> <li>• Level 2 qualifications</li> <li>• Level 3 qualifications</li> </ul> And participants in the following target groups: <ul style="list-style-type: none"> <li>• Disabled or have health-related conditions</li> <li>• Aged 50 years and over</li> <li>• Ethnic minorities</li> <li>• Female</li> </ul>	Numbers of: <ul style="list-style-type: none"> <li>• Participants gaining basic skills</li> <li>• Participants gaining Level 2 qualifications</li> <li>• Participants gaining Level 3 qualifications</li> </ul>
	Where possible, results indicators will be broken down by gender, ethnicity, age, lone parents and disability/health conditions	

Note: The same indicators will be measured in the Merseyside phasing-in area as in the rest of the North West

### Add Additional Indicators

#### Soft Indicators

6.6 In our previous discussion with partners, many were keen to highlight that some of the impacts of ESF interventions will be on soft outcomes, such as individuals' attitudes and aspirations. The sort of attitudes that ESF interventions may change relate to:

- Views about employment and self-employment;
- Attitudes to work and to training for employment.

6.7 Current guidance from DWP is that Regional ESF Frameworks should not set targets for these types of indicators; rather providers will be expected to record soft outcomes as part of their monitoring data for Priority 1 and 2 interventions. In terms of understanding the impact of ESF and in picking up indications of change, evidence on attitudes and aspirations could form part of a subsequent evaluation of some aspects of ESF Framework activity. If so, evidence needs to be collected and collated in order to form a baseline. This could be done through the use of Technical Assistance to collect health-related data, for example through a Healthy Living Years indicator.

#### Other Indicators

6.8 The region may establish a small number of additional regional targets, but only if these can be quantified and tracked using existing data collected by CFOs and other delivery bodies. No additional indicators have been identified in the North West.

# Appendix A Socio-Economic Assessment

## Headline Messages

1. There have been some significant economic changes since 2007. However, the lag in publication of National Statistics data means that performance on most indicators does not yet reflect the impact of the recession. However, there is anecdotal evidence available to indicate that the recession may affect the achievability of Framework objectives. Additional issues include:
  - **Higher unemployment:** unemployment has begun to grow rapidly as a result of the recession, a trend which looks set to continue. Recent rises in unemployment have (in percentage points terms) been focussed in areas dependent on the manufacturing sector and places with relatively undiversified economies. The added competition for jobs will particularly affect the Framework's ability to support more disengaged and disadvantaged groups into employment.
  - **Falling consumer expenditure:** demand for goods and services has fallen which will directly affect regional businesses and their suppliers and will have a knock on impact on the spending of employees too (and in turn on employment creation).
  - **Tougher export conditions:** the global down-turn will reduce demand for export goods which will hit many of the region's manufacturing firms hard, although the fall in the value of the pound against the euro has provided some respite.
2. The position of the North West and Merseyside economies on key indicators (based on latest available data) is shown in the table below:

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Table A-1: Summary of the Employment and Skills Position, Issues and Challenges in the North West for England and Merseyside		
	North West Region	Merseyside Sub-region
<b>Economic Performance</b>	<ul style="list-style-type: none"> <li>The North West has a significant productivity gap compared to the England average, especially within Cumbria and Greater Merseyside. Trend based economic forecasts suggest this gap will widen up to 2017.</li> <li>In respect of a number of drivers of productivity, the North West compares unfavourably to England averages.</li> </ul>	<ul style="list-style-type: none"> <li>GVA per head and business start rates are well below regional and national levels.</li> <li>The employment rate has fallen across the sub-region.</li> <li>There are however, reasons for optimism, including strong employment growth in recent years, significant regeneration activity (e.g. European Capital of Culture 2008 and associated City Centre redevelopment), and a relatively young population.</li> </ul>
<b>Economic Growth Prospects</b>	<ul style="list-style-type: none"> <li>Employment growth is forecast to slow significantly over the next ten years, relative to the previous decade.</li> <li>Where growth is forecast it will be concentrated within the service sectors, higher skilled occupations, sub-regionally within Cheshire &amp; Warrington and within the regions cities, towns and city fringes.</li> </ul>	<ul style="list-style-type: none"> <li>Merseyside (alongside Lancashire) is projected to see the slowest rate of employment growth from 2007-17.</li> </ul>
<b>Population Change</b>	<ul style="list-style-type: none"> <li>Whilst the population of the North West is expected to grow, there is a fundamental issue around the potential decline in the working age population (due to fewer young people entering the labour market and an ageing population structure).</li> <li>The ability of employers to meet their skills needs will be highly influenced by the retirement decisions of older people.</li> </ul>	<ul style="list-style-type: none"> <li>In addition to the issues highlighted for the North West, Merseyside has also experienced net out-migration over the past two decades (although evidence suggests that this has slowed markedly).</li> <li>Population is projected to grow only marginally over the next decade.</li> <li>While Liverpool has a significant pool of graduates, it struggles to retain many of these within the sub-region.</li> </ul>
<b>Economic Participation</b>	<ul style="list-style-type: none"> <li>The employment rate for the North West is less than for England as a whole, but is markedly lower amongst men and those over the age of 50.</li> <li>Otherwise, the lower rate of employment is largely a result of a higher rate of economic inactivity.</li> <li>Out of the gap of 129,000 fewer people not in employment compared to the England average around 126,000 (90%) is accounted for by just six local authority areas<sup>36</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>Merseyside has a very high rate of economic inactivity – 27.8% compared to 23.3% regionally and 20.8% nationally. Inactivity is especially high among the white ethnic group, those facing disability and those aged over 50.</li> </ul>

<sup>36</sup> These are Manchester, Liverpool, Oldham, Wirral, St.Helens and Knowsley.

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Table A-1: Summary of the Employment and Skills Position, Issues and Challenges in the North West for England and Merseyside		
	North West Region	Merseyside Sub-region
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>• The qualifications of the region’s residents highlight some significant skills challenges, especially in light of the nature of employment change predicted over the next decade.</li> <li>• The North West has a lower proportion of its economically active population qualified to Level 4 or higher than nationally. If the rate was equal to the national average, the region would have an additional 85,000 people qualified to Level 4.</li> <li>• 52% of the inactive population does not have qualifications to Level 2 (4.3 percentage points above the national average).</li> <li>• Post-16 participation in education and associated achievement is improving but still lags behind the England average.</li> </ul>	<ul style="list-style-type: none"> <li>• The proportion of the workforce qualified to Level 4 or above is 28.9% in Greater Merseyside, compared to 33.0% in England.</li> <li>• Attainment of Level 2 at age 19 is 65%, 5 percentage points below the England average of 70%. On top of this 69.4% of 16 and 17 year olds are currently in full-time education compared to 72.2% nationally (although this ranks above the Lancashire rate (68.5%) and Greater Manchester (65.2%)).</li> </ul>
<b>Skill Gaps and Shortages</b>	<ul style="list-style-type: none"> <li>• The incidence of skills gaps amongst employees in the North West is broadly comparable to national averages but there are significant skills gaps and shortages.</li> <li>• A gap in the basic and ‘soft’ skills sought by employers is a particular issue in the region. The scale of skills shortages vary significantly within the region, but are quite marked in some locations, especially where employment growth has been strong and the economic base is adjusting in light of the decline of traditional sectors.</li> </ul>	<ul style="list-style-type: none"> <li>• Merseyside experiences similar issues in terms of the skills gaps and shortages experienced by employers. Though some variation in nature of occupation specific skills shortages currently and expected in the future.</li> </ul>

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### Labour Market Position

Table A-2: Labour Market and Skills Summary, North West and Merseyside							
	North West			Merseyside			England
	Latest Position	Change since Framework produced	NW as % of England	Latest Position	Change since Framework produced	Merseyside as % NW	
<b>Population</b>							
- Number	6,875,700	0.7%	13.4%	1,467,600	-0.1%	21.3%	51,446,200
- working age population as % of all	61.6%	-0.2 percentage points		61.7%	0.0 percentage points		62.1%
<b>Economically inactive</b>							
- Number	1,001,200	3.8%	15.0%	254,800	16.2%	25.4%	6,680,700
- % of working age population	23.7%	0.2 percentage points		28.4%	1.3 percentage points		21.1%
<b>Incapacity Benefit Claimants</b>							
- Number	367,420	-5.0%	18.7%	97,280	0.4%	26.5%	1,969,360
- % of working age population	8.7%	-0.7 percentage points		10.7%	-1.3 percentage points		6.2%
<b>Unemployment (ILO definition)</b>							
- Number	210,200	32.3%	14.1%	47,600	20.2%	22.6%	1,491,200
- % of working age population	6.5%	2.6 percentage points		7.4%	2.5 percentage points		6.0%
<b>Unemployment (Claimant Count)</b>							
- Number	197,595	90.9%	15.1%	57,844	85.4%	29.3%	1,311,098
- % of working age population	4.7%	2.2 percentage points		6.4%	2.6 percentage points		4.1%
<b>Long Term Unemployed (6mths +, Claimant Count)</b>							
- Number	66,090	112.5%	15.5%	22,015	85.0%	33.3%	427,705
- % of working age population	1.6%	0.8 percentage points		2.4%	0.9 percentage points		1.3%
<b>Entry level Literacy Skills (working age adults)</b>							
- Number	536,760	-25.7%	n/a	139,800	0.0%	26.0%	n/a

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Table A-2: Labour Market and Skills Summary, North West and Merseyside							
	North West			Merseyside			England
	Latest Position	Change since Framework produced	NW as % of England	Latest Position	Change since Framework produced	Merseyside as % NW	
- % of working age population	12.7%	-4.6 percentage points		15.4%	-1.5 percentage points		n/a
<b>Entry level Numeracy Skills (working age adults)</b>							
- Number	2,229,200	8.6%	n/a	559,000	0.0%	25.1%	n/a
- % of working age population	52.6%	3.4 percentage points		61.7%	-0.4 percentage points		n/a
<b>No Qualifications</b>							
- Number	621,500	-10.8%	16.0%	156,800	-8.7%	25.2%	3,888,200
- % of working age population	14.7%	-2.3 percentage points		17.5%	-3.7 percentage points		12.3%
<b>No Level 2 qualifications</b>							
- Number	1,287,000	-0.9%	13.8%	287,000	-0.3%	22.3%	9,314,000
- % of working age population	30.4%	-1.3 percentage points		31.7%	-3.8 percentage points		29.2%
<b>No Level 3 qualifications</b>							
- Number	1,568,000	-25.4%	10.2%	472,000	5.6%	30.1%	15,402,000
- % of working age population	37.0%	-14.4 percentage points		52.1%	-3.0percentage points		48.2%

### Overview

3. This assessment takes place under challenging economic circumstances as the country remains within an on-going recession, the economy having contracted from the third quarter of last year; the result of a banking credit crisis-fuelled downturn dating back to the summer of 2008. As the effects of the downturn progressed, reduced availability of credit has fed into lower levels of confidence among businesses suffering reduced access to finance and among consumers facing lower levels of job security, employment opportunities and wages.
4. Summarized below are some of the latest available forecasts/indicators tracking nationwide economic performance:
  - The Treasury has recently published a summary of independent forecasts for the economy, with forecasters agreeing that on average GDP is expected to contract by 4.3% during 2009 but will recover somewhat during 2010 at 1.0% growth<sup>37</sup>.
  - Unemployment has been steadily rising and the British Chambers of Commerce have predicted in their 2009 second Quarter Economic Survey that unemployment will reach 3.2 million (10% of the WAP) by the middle of 2010.
  - In the first quarter of 2009 household expenditure fell by 1.7% on top of a 1.5% fall in the previous quarter<sup>39</sup>.
5. Over the course of 2009 the Regional Economic Forecasting Panel predicts that the North West Economy will have contracted by 4.0% with further decline of 1.25% in 2010<sup>41</sup>. Over the longer term, the Panel predicts that there will be 1.4% p.a. growth in GVA across the region up to 2015<sup>42</sup>, although unemployment is expected to continue to rise and remain high well after GVA growth is resumed.

**The North West has a significant productivity gap compared to the England average and trend based economic forecasts suggest that this gap will widen in future.....**
6. The UK's relatively weak position in national and international terms on productivity and skills levels highlights the scale of the challenge facing the North West. The region has a significant productivity gap with the England average which currently stands at 15.1% (measured on the basis of GVA per capita). This represents a £20.0bn output gap or £2,900 per head of population.
7. There is considerable variation in GVA per capita between the sub-regions, with Cheshire being above the England average, whereas Cumbria and Greater Merseyside are significantly below it.
8. The current output gap stems from two main sources:
  - Around a quarter arises from a lower proportion of our population in work (equating to 80,000 people below what it would be if at the England average)

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<sup>37</sup> HM Treasury, August 2009.

<sup>39</sup> Consumer Trends Quarter 1 2009 No 52, ONS.

<sup>41</sup> NWRIU, Spring 2009.

<sup>42</sup> NWRIU, April 2009.

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this element is caused in small part by the region's slightly older age structure, but mostly to a lower employment rate;

- Around three quarters is due to the below average rates of productivity of those in work. The low rates of productivity are particularly pronounced in the service sector, especially the business services sector.
9. Trend based forecasts of GVA per head from a Working Futures 2008 study show average annual growth over the period 2007-17 in the North West at 2.2%, significantly below the England average growth rate of 2.6%. This growth equates to around an additional 170,000 jobs over the period. These projections highlight the scale of the challenge facing the region – based on the continuation of past trends, the productivity gap will widen.
10. However, the region's economic performance has improved markedly in relative and absolute terms in the period since 2000, in common with other northern regional economies. The Regional Strategy baseline analysis for the State of the Region Report highlights the importance of the region's **core cities** of Manchester and Liverpool and their surrounding city-regions as 'drivers' of economic growth. In both cases there has been strong economic growth and many of the region's key knowledge assets are concentrated in or close to them. This growth is generally associated with a need for higher level skills.

**In respect of a number of drivers of productivity, the North West compares unfavourably to England averages....**

11. In particular, the region has a lower rate of economic activity amongst the working age population, a less well qualified workforce, and lower levels of enterprise and innovation. The State of the Region report produced by the NWRIU as a summary of the preliminary evidence base for the upcoming Regional Strategy identifies the following factors:
- **Skills:** Despite the region being one of the largest producers of graduates in the UK (following the academic year 2005/06, 67.6% of students who studied at NW HEIs remained in the region in the December following graduation), there is a significant skills gap at higher skills levels (80,000 fewer people of working age with graduate level qualifications than the England average) and too many people with low or no qualifications (Between 2001 and 2006, the Northwest was consistently in the bottom 3 region in terms of the proportion of the total working age population with no qualifications). Although the picture is mixed across the region and sectors, employers are less likely to train than average. However, the number of Skill Shortage Vacancies (SSVs) in the Northwest, those vacancies which employers report are hard to fill due to skill gaps, were significantly less than for England (4 per cent of the workforce, compared to 6% for England) and have fallen since 2005.
  - **Enterprise:** In 2006 there were 41.4 registrations per 10,000 of the Northwest's working age population compared to 48.6 in England and Wales. However, this rate, 14.9% below the figure for England and Wales is an improvement on the gap of 18.8% in 1996.

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- **Innovation:** The region performs generally well on innovation and R&D, 58% of firms being described as 'innovation active'<sup>43</sup>, (the second highest in the UK) and 62% as 'broader innovators'<sup>44</sup>. The region also holds world class centres of excellence in the region's universities.
- **Investment:** overall total levels of investment in the region's infrastructure, housing and business base are lower than many other regions (in part reflecting the past slow rate of growth and static population which tend to reduce rates of new investment as additional houses, schools etc are not needed as much).
- **Competition:** Openness to international trade and investment can be used as an indicator of the state of the competitive environment. Compared to other regions and the England average the North West has a relatively open economy; exports and imports represented just over 40% of GVA in 2006 equating to 94.1% of the England average and ranks the region 5th out of 9 regions.

### Employment Growth

12. **Employment growth is forecast to slow significantly over the next ten years, relative to the previous decade...**
13. Trend based projections indicate a significant slowdown in employment growth in the next decade, both nationally and for the North West. In terms of employment growth, the Working Futures Study<sup>45</sup> predicted net employment growth in the North West of 5.1% over the period 2007-17, slightly below the rate projected for England of 6.5%. This represents around 170,000 jobs. Over the shorter term the Regional Economic Forecasting Panel predicts employment growth of -2.0% during 2009, -1.9% in 2010, -0.7% in 2011 and 0.0% in 2012, the strongest falls expected within financial & business services, manufacturing, distribution, hotels & catering and construction. The State of the Region Report suggests that where there will be growth in employment in the coming years it will come at Level 2, intermediate and higher level occupations, with a continuing decline in demand for elementary occupations.
14. Across the North West, the Working Futures research suggests there are significant differences in forecast growth rates according to sector, occupation and sub-region up to 2017:
  - There is a continuation of the trend of jobs growth in service sectors (+45,000 *net* for distribution and transport, +45,000 for non-marketed services and 136,000 for business & other services) and decline in manufacturing sectors (-67,000);
  - Jobs growth is predicted to be disproportionately higher in higher skilled occupations. For example, 62,000 more jobs in professional occupations, and 15,000 fewer jobs in administrative & secretarial occupations – this has important implications for the types of skills and the level of qualifications demanded;

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<sup>43</sup> A company is defined as 'innovative active' if it is engaged in the introduction of new product or process, engaged in innovation projects not yet completed, expends funds on internal R&D, training, acquisition of knowledge or capital equipment.

<sup>44</sup> a firm who has engaged in business restructuring, employed new management techniques or new business/market strategies to exploit more traditional innovation.

<sup>45</sup> LSC, 2009.

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- The forecast growth rate varies from a low of 3.5% in Lancashire and Greater Merseyside to a high of 7% in Cheshire and Warrington (compared to the cumulative average for the North West of 5.1% over the period). Within the sub-regions, there is expected to be a spatial concentration of job creation, being typically located in the region's cities and larger towns, as well as associated with city fringe and other locations (such as Manchester and Liverpool Airports, the Omega strategic site).

**Whilst employment growth due to expansion is expected to be modest, there will be substantial 'replacement' demand....**

15. When considering changing skill needs in the region, it is necessary to consider the demand that is associated with the overall increase or decrease in employment, as well as replacement demand which arises from people in employment withdrawing from the labour force (for example, through retirement). The Working Futures forecasts indicate that there will be demand for almost 1.4 million additional people over the period 2007-17 as a result of expansion and replacement demand.
16. The total predicted demand (replacement and expansion) in the North West (2007-17) by occupation is shown in the table below. This illustrates that demand is disproportionately concentrated amongst higher level occupations, including 'managers' (+233,000), 'professionals' (+225,000) and 'associate professionals' (+207,000). Demand is less in low skilled (+44,000 in the 'elementary' grouping) and semi-skilled occupations (+86,000 in 'machine and transport operatives'), driven by replacement demand in the face of an overall contraction in net employment.

Occupational Category	Expansion Demand	Replacement Demand	Total Demand
Managers & Senior Officials	60	173	233
Professional Occupations	61	164	225
Associate Professional & Technical	48	159	207
Administrative & Secretarial	-15	179	164
Skilled Trades Occupations	-34	121	87
Personal Service Occupations	54	116	170
Sales & Customer Service	20	101	121
Machine & Transport Operatives	-15	101	86
Elementary Occupations	-9	142	133
<b>Total</b>	<b>170</b>	<b>1,256</b>	<b>1,426</b>

Source: NW Working Futures 3, April 2009

17. The analysis also indicates that the greatest demands for additional workers (allowing for both expansion and replacement demand) will be in sectors such as health and social care (+35,000), retail distribution (+29,000), banking & insurance (+10,000), computing & related activities (+10,000), Hotels & Catering (+8,000).

**There will be strong demand for workers with skills at Levels 2, but especially at Levels 3 and 4....**

18. Given the occupational nature of employment demand in the coming years, the RSP analysis suggests that there will be significant additional demand for workers at qualification Levels 2, 3 and 4+. However, a key change over the last decade is the higher proportion of future demand for people qualified to Level 4 and above, reflecting the

stronger growth of knowledge based sectors (as opposed to primary and manufacturing sectors). This growth in demand is particularly strong in the region's cities.

19. People qualified to Level 4 tend to be relatively more geographically mobile and this brings to the fore issues of graduate attraction and retention, including perceptions of the employment opportunities and of the region's quality of life 'offer'.

### Worklessness

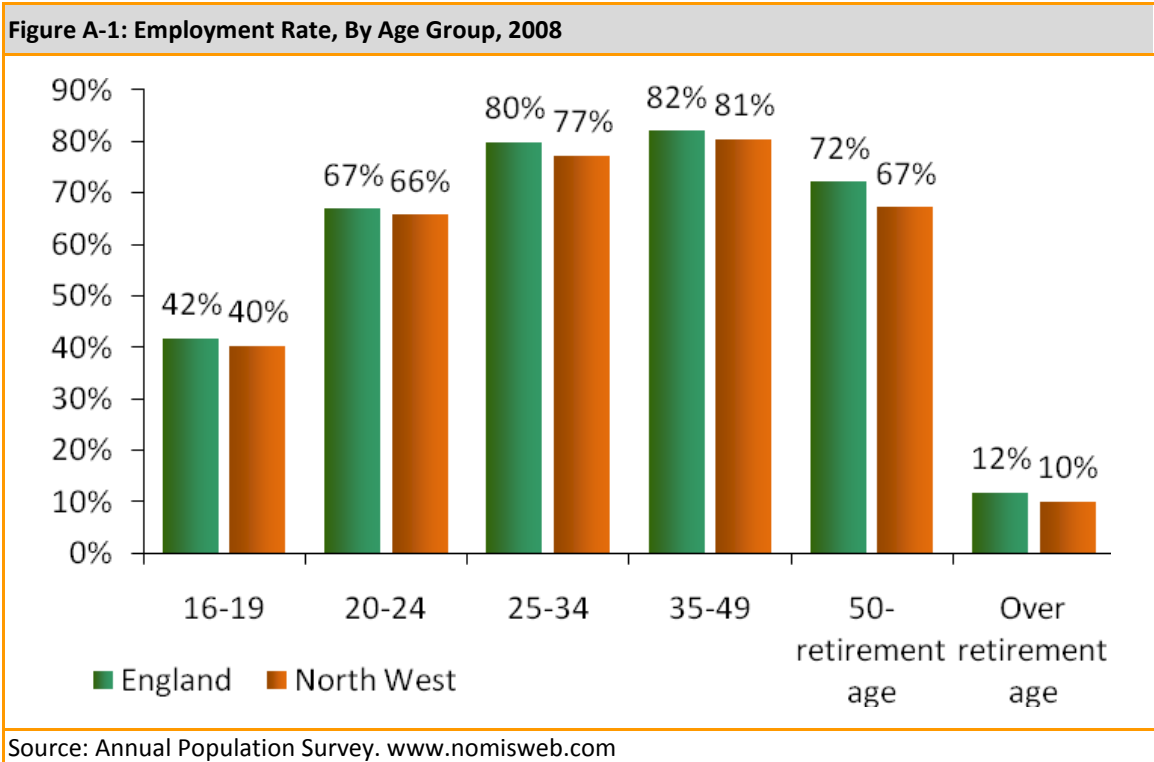
**The employment rate for the North West is less than for England as a whole, but is markedly lower amongst some groups...**

20. Of the working age population in the North West, 70.2% are in employment, 6.4% are unemployed; and 23.3% are economically inactive. The key points to note are that:
- Compared to England, the North West has a lower rate of employment (70.2% compared to 73.2%);
  - The unemployment rate in the North West is marginally higher than the national average;
  - The lower rate of employment is largely a result of a higher rate of economic inactivity;
  - There is considerable variation across sub-regions - of particular note are the high unemployment and inactivity rates in Greater Manchester and Greater Merseyside.

	Economically Active		Economically Inactive	Working Age Population
	Employed	Unemployed		
England	73.3	5.9	20.8	100
North West	70.2	6.4	23.3	100
Cheshire & Warrington	76.9	5.1	18.0	100
Cumbria	78.1	2.9	18.9	100
Lancashire	72.0	6.0	22.0	100
G. Manchester	69.0	7.4	23.6	100
G. Merseyside	64.9	7.2	27.8	100

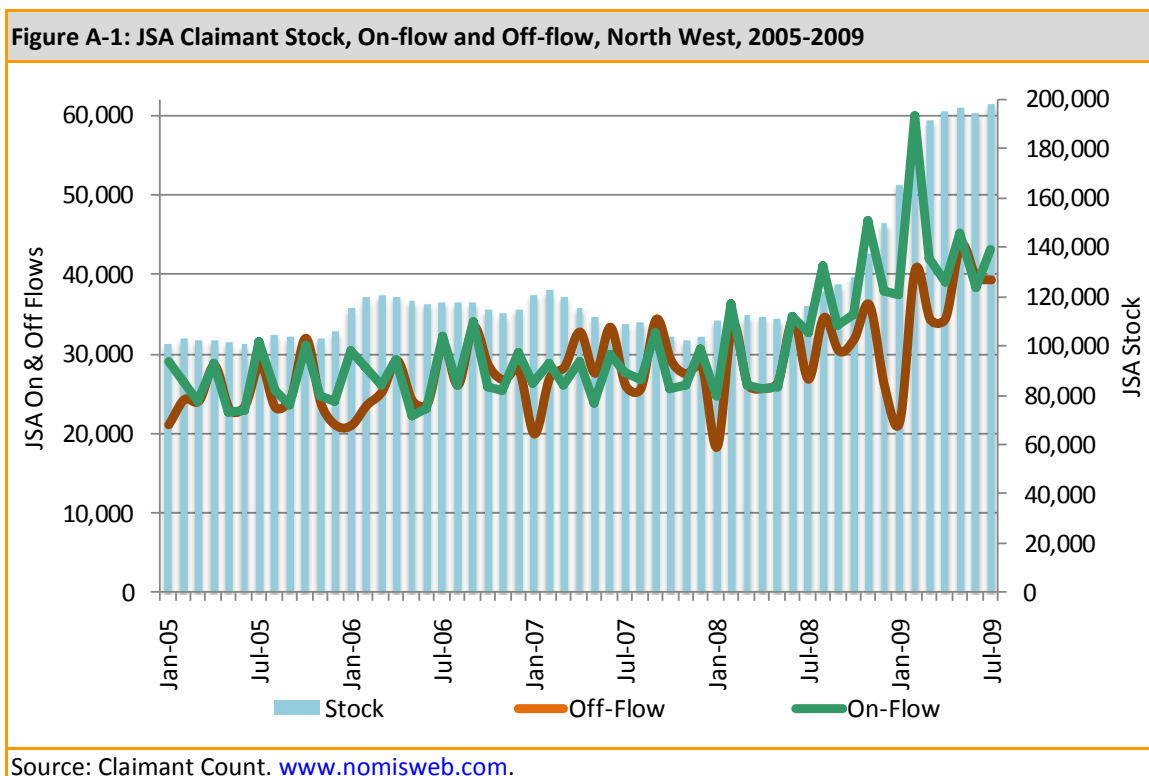
Source: Annual Population Survey. [www.nomisweb.com](http://www.nomisweb.com)

21. The employment rate for people in the 25 to 34 and 50 to retirement age categories is well below the England average (2.6% and 4.9% respectively). This is a major constraint on the supply of workers within the region. The lower employment rate amongst the over 50s reflects a variety of factors, but one of the key considerations is the region's industrial past and the process of restructuring over the past three decades. In particular, the challenges of older workers adjusting to the changing jobs market, as well as health issues associated with some traditional sectors and long term unemployment.



22. It is also likely that over time, an increasing number of people will remain in employment post retirement age. This is due to a combination of declining savings and post retirement income, but also greater employment opportunities for older people. These trends are also likely to have implications for training needs, with lower demand for full time provision, and increased demand for flexible part-time or work based provision.
23. Unemployment among the region’s male population is 1.0% point above the national average at 7.3% whereas unemployment among women matches the national average of 5.5%. Currently 18,400 men in the North West would need to enter employment in order to match the national figure or 32,500 more in order to match the female unemployment rate.
24. The number of people claiming JSA has risen by 87,000 (78%) from June 2008 to July 2009. However, this comes at a time (from the start of the current downturn) when claimant levels have risen by 89% nationally. The number of individuals moving off JSA has also remained reasonably buoyant across the region indicating that labour demand has stayed strong and a significant amount of unemployment is likely to be frictional.
25. Almost one third (32%) of JSA claimants in the region class their ‘usual occupation’ as being within the Elementary Occupations, 3.7 percentage points higher than the national share. Within this there is an especially high number of individuals out of work within the ‘Elementary Trades, Plant & Storage Occupations’ (23% of claimants). There are proportionately less people claiming JSA within ‘Administrative & Secretarial Occupations’ (9.5%, 1.6 percentage points lower than the national share) and ‘Associate Professional & Technical Occupations’ (5.7%, 1.4 percentage points below the national share).

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26. On the broader ILO measure of unemployment, the current North West rate (May to July 2009) stands at 8.6%, a year-on-year increase of 2.1 pp. The ILO unemployment rate for England stands at 8.0%, although this represents a slightly larger increase (2.3 pp) over the year. Unemployment in the North West remains lower than in Yorkshire and Humber, the North East and the West Midlands.
27. The proportion of the working-age population claiming Incapacity Benefits (IB) or Severe Disablement Allowance (SDA) has fallen steadily across the region, its sub-regions and nationally in recent times. However at 8.7% the North West continue to have the worst rate of claimancy of all the English regions bar the North East (8.9%).

**Table A-5: Incapacity Benefit and Severe Disablement Allowance Claimants as a % of Working Age Population**

	February 2007	February 2009	% Point Change (07-09)
England	6.8%	6.2%	-0.6%
North West	9.6%	8.7%	-1.0%
Cheshire & Warrington	6.2%	5.6%	-0.6%
Cumbria	8.1%	7.2%	-0.9%
Lancashire	9.2%	8.3%	-0.9%
G. Manchester	10.0%	9.0%	-1.0%
G. Merseyside	11.9%	10.7%	-1.1%

Source: DWP Benefits. [www.nomisweb.com](http://www.nomisweb.com)

**As is the case in other regions, there is also a strong spatial dimension to worklessness in the North West.....**

28. Worklessness is strongly concentrated both spatially and amongst particular groups. Key points in the spatial concentration include:
- The rate of inactivity is highest in Greater Merseyside (27.8%) and Greater Manchester (23.6), compared to the regional average of 23.3% and the England

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average of 20.8%. Cheshire and Warrington and Cumbria have inactivity rates below the England average.

- All sub-regions have areas with significant worklessness problems and these tend to be heavily concentrated in particular areas. However, out of the gap of 129,000 people not in employment compared to the England average, around 126,000 (90%) is accounted for by just six local authority areas<sup>46</sup>.
- There remains great sub-regional disparity, with Greater Manchester and Greater Merseyside ranking 5.1 and 3.4 percentage points below Cheshire & Warrington in terms of IB/SDA claimancy respectively and several percentage points behind the regional and national average.
- In the region as a whole, the proportion of young people in the NEET (Not in Education, Employment or Training) group is 7.8%, 1.1 percentage points above the national average. The problem continues to be particularly acute in Greater Merseyside and Greater Manchester; despite significant recent reductions, the two major urban sub-regions remain 1.7 percentage points below the national average. Within these areas Bolton, the City of Manchester and Rochdale (within G. Manchester) and Halton, Knowsley and Liverpool (within G. Merseyside) all suffer rates of NEET over 10%, ranging up to 14.4% in Knowsley.

	2006	2008	% Point Change (06-08)
England	7.7%	6.7%	-1.0%
North West	8.9%	7.8%	-1.1%
Cheshire & Warrington	5.7%	5.8%	0.0%
Cumbria	5.8%	5.0%	-0.8%
Lancashire	7.8%	6.7%	-1.1%
G. Manchester	10.0%	8.4%	-1.6%
G. Merseyside	10.9%	9.8%	-1.1%

Source: DCSF.

- Plans are now in place nationally that require all young people in England to continue in education or training to 17 starting in 2013. In 2015 they will continue in education or training to 18<sup>47</sup>. This can be expected to significantly lower the number of 16 to 18 Year old NEETs and increase the participation of young people within the labor force.
- The issues of worklessness, poor skills and social exclusion are also strongly linked and mutually driven. They are also highly concentrated in areas of deprivation. Growing the economy in the future, expanding employment and meeting skill needs will mean that regeneration and economic development need to be much more closely linked than in the past (including links between ERDF and ESF programmes).

### Qualifications

**The qualifications of the region's residents highlight some significant skills challenges, especially in light of the nature of employment change which is predicted over the next decade...**

<sup>46</sup> These are Manchester, Liverpool, Oldham, Wirral, St.Helens and Knowsley.

<sup>47</sup> including work-base training and apprenticeships.

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31. The North West has a lower proportion of its economically active population qualified to Level 4 or higher than nationally. If the rate was equal to the national average, the region would have an additional 85,000 people qualified to Level 4. This is a major issue for the region, especially given the strength of employment growth for which a qualification at Level 4 or above is likely to be a requirement.

	<b>Level 4+</b>	<b>Level 3+</b>	<b>Level 2+</b>	<b>Without Level 2</b>
England	33.0%	52.4%	73.1%	26.9%
North West	30.3%	50.7%	72.8%	27.2%
Cheshire & Warrington	37.2%	55.3%	76.0%	24.0%
Cumbria	27.5%	48.3%	74.0%	26.0%
Lancashire	28.6%	50.5%	71.9%	28.1%
G. Manchester	29.9%	50.4%	72.0%	28.0%
G. Merseyside	28.9%	49.0%	72.8%	27.2%

Source: June 2009 Statistical First Release on Post 16 Education & Skills. BIS and DCFS, 2009.  
www.thedataservice.org.uk

32. The region has one of the largest student populations in the UK and there is a need for greater retention of the graduates leaving the North West's Universities (although these graduates will only stay if there are the right opportunities in the region). This will tend to be focused on the large cities and to a lesser extent Preston and other locations with HEI presences (such as Chester/Warrington and Carlisle). Linked to this is the need to improve the quality of life offer and promote the living/working offer of the region to people with higher level skills in other parts of the UK.
33. Of the economically active population in the North West, 27% do not have at least a Level 2 qualification (broadly the same as the England average). For the inactive population, this increases to 52% (4.3 percentage points above the national average). It is vital that in linking workless people to job opportunities that their training needs are also taken into account.

	<b>Level 4+</b>	<b>Level 3+</b>	<b>Level 2+</b>	<b>Without Level 2</b>
England	16.6%	34.4%	52.3%	47.7%
North West	13.5%	29.9%	48.0%	52.0%
Cheshire & Warrington	21.2%	37.9%	59.8%	40.2%
Cumbria	17.0%	35.7%	52.9%	47.1%
Lancashire	12.3%	29.4%	49.7%	38.7%
G. Manchester	13.3%	30.4%	46.8%	53.2%
G. Merseyside	10.4%	24.6%	42.1%	57.9%

Source: June 2009 Statistical First Release on Post 16 Education & Skills. BIS and DCFS, 2009.  
www.thedataservice.org.uk

34. As noted above, the rate of economic activity is a key driver of productivity, and the region has a lower rate of activity than nationally.

**A key challenge for the region is reducing the scale of economic inactivity within the region, both in terms of tackling the output gap and economic and social disadvantage....**

35. We noted above that the difference in economic activity between the North West and England accounts for 129,000 fewer people who are economically active. There is clearly a need to get people who are currently economically inactive back into employment, and particularly into jobs with Level 2 skill requirements. This need is exacerbated by the forecast reduction in the number of young people who will be looking to enter jobs requiring Level 2 skills, due to a decline in the size of the cohort, and a planned increase in the proportion progressing to Level 3 and higher education.
36. Sectors with significant future demand (possibly both expansion and replacement demand) for people qualified to Level 2 are Retail and Health and Social Care. Many sectors are recognising the need to develop strategies to engage workless people – for example, the social care sector in Cheshire has looked in detail at their skill needs and the approaches to addressing these issues<sup>48</sup> (including through ESF funded activities).

**Post-16 participation in education and associated achievement is improving but still lags behind the England average....**

37. Post-16 participation in education in the North West is 2.4 percentage points below the England average. The problem is even more pronounced in Cumbria and across Greater Manchester where a further 1,240 (15%) and 4,960 (11%) young people respectively would need to enter full-time education to meet the national average. The proportion of young people achieving Level 2 aged 19 across the region is also 2 percentage points below the national average. Given the projected decline in the young people cohort, it is of vital importance that this gap is closed, through higher participation in the North West, improved Level 2 achievement rates, and improved progression to Level 3 and higher education.

	<b>% in Full Time Education</b>	<b>% Point Gap w/ England Average</b>
England	72.2	0.0
North West	69.8	-2.4
Cheshire & Warrington	73.2	1.0
Cumbria	63.0	-9.2
Lancashire	68.5	-3.6
G. Manchester	65.2	-7.0
G. Merseyside	69.4	-2.8

Source: DCSF and BIS Research and Statistics Gateway.

**Offenders experience disproportionately high levels of worklessness when compared to the general population...**

38. Offenders are more likely to lack basic and vocational skills required by employers and more generally possess a range of other barriers to employment (e.g. poor or no employment history, mental health problems, substance/alcohol misuse etc). These barriers are in themselves a significant obstacle to competing for employment and offenders also face the further disadvantage of possessing criminal convictions that they may be required to

<sup>48</sup> Skill Needs of the Social Care Sector in Cheshire, Government Office North West, 2005.

disclose during recruitment processes. Whilst offenders have fewer qualifications than the North West average for all adults (52% of offenders have no qualification, compared to 15% of all adults) rates of unemployment among this group are disproportionately high.

39. There are 17 prisons in the North West (including young offender institutions, High Security and all types of adult prison) with another planned to open in 2011, with a capacity of 27,000 offenders at any one time. During 2008/2009 33,000 prisoners were supervised by the five probation areas within the region. Across the North West there can be up to 60,000 offenders within the year managed in custody and in the community.

### Demography

**Whilst the population of the North West is expected to grow, there is a fundamental issue around the potential decline in the working age population....**

40. From 2006 to 2020, the North West population is forecast to have increased by around 490,000 (+7.1%). The extent of the growth varies across the sub-regions, with strong growth in Lancashire (+9.9%) which contrasts with little growth in Greater Merseyside (+0.7%).
41. But one of the key issues nationally, and within the region, is the ageing population and the implications which this has for the economically active workforce. This is expected to be reinforced by a decline in the numbers of 15 to 24 year olds and a delay in them entering the labour market (as more continue in further and higher education). The upshot of this is that the size of what is traditionally thought of as the 'working age' population (i.e. people aged 16-65) will decline, although this will be influenced by the retirement decisions of older people (which in turn will be determined by their levels of savings and disposable income).

Age Group	North West	Cheshire & Warrington	Cumbria	Greater Manchester	Greater Merseyside	Lancashire
Working Age	2.1%	1.5%	0.0%	5.3%	-4.4%	3.8%
0-14	7.6%	2.9%	0.1%	12.9%	2.0%	8.0%
15-24	-11.6%	-7.1%	-9.0%	-10.4%	-20.0%	-9.2%
25-34	23.4%	18.7%	14.4%	26.7%	19.8%	26.7%
35-44	-13.5%	-18.0%	-21.5%	-6.2%	-20.4%	-13.6%
45-54	6.6%	10.1%	5.9%	11.2%	-5.6%	8.8%
55-64	11.0%	9.3%	13.3%	9.0%	12.7%	12.5%
65+	27.0%	36.9%	38.3%	21.9%	19.6%	35.4%

Source: ONS Sub-national Population Projections.

42. The ageing population is an issue across the region, but particularly away from the region's urban centres. In Cumbria and Cheshire & Warrington, where the proportion of over 65 year olds in the population is forecast to increase by over 35% over the period 2006-2020. However, there are some parts of the region, in the main conurbations and East Lancashire, which have relatively youthful populations, often with a strong ethnic minority presence.
43. It is quite likely that a higher proportion of the future expansion of the workforce is met by in-migration, especially international in-migration (or a reduction in net out-migration to the rest of the UK from the North West). The North West has seen a net inflow of around 51,000 people from overseas from 2002 to 2007. Inflows to the Northwest peaked in 2004, as a consequence of EU expansion to the east, and migrants of the new

‘Accession 8’ countries being granted freedom of movement permitting access to the UK labour market. However, whilst migrants will be attracted in larger numbers to the sub-regions with large urban centres, particularly Manchester and Liverpool, there is likely to be strong demand for their services across the region.

### Workforce Development

**Participation and success rates in further and work based learning vary significantly amongst different learner groups.....**

44. Some of the key points to note are:
- Low Female participation in WBL in Cumbria and Lancashire;
  - Low participation in WBL by Black and Minority Ethnic groups in the region;
  - For adult learners, lower success rates for qualifications taken by those from Black and Minority Ethnic groups, compared to the White ethnic group;
  - Lower success rates for qualifications taken by learners with higher levels of deprivation (as proxied by whether learners are in receipt of disadvantage Uplift).
45. Analysis by Pion<sup>49</sup> suggests that there will be a net overall change in employment of close to 13,000 but that this will be dominated by a large increase in Level 4 jobs (amounting to around 40,000) alongside job losses in employment requiring qualifications below Level 2 (around 25,000). Allowing adjustment in skills content, at the same pace as over the last ten years, further extends this range – to over 50,000 at Level 4 and 40,000 at below Level 2.
46. The RSP Stocktake provides some indicative estimates of the potential demand for training amongst workless people in the North West. Around 350,000 people might demand training, and that of these, 192,000 do not have Level 2 attainment, therefore requiring training at or below Level 2. Around 80,000 require training to take them from Level 2 to an intermediate level.

	Level 4 +	Level 3	Level 2	No Level 2	Total
Cheshire & Warrington	4,980	5,125	6,453	14,174	30,732
Cumbria	2,618	2,289	6,181	12,216	23,304
Lancashire	6,697	11,068	17,036	35,707	70,510
Greater Manchester	12,073	20,273	30,824	79,337	142,507
Greater Merseyside	6,058	12,181	18,553	51,372	88,164
<b>Total</b>	<b>32,426</b>	<b>50,936</b>	<b>79,048</b>	<b>192,806</b>	<b>355,217</b>

Source: EKOS estimate based on data from DfES 2006

**The incidence of skills gaps amongst employees in the North West is broadly comparable to England averages but there are significant skills gaps and shortages .....**

47. Survey based evidence (the National Employer Skills Survey 2007) indicates that the proportion of employers reporting skills gaps is 14% (down from 22% in 2003 and 16% in 2005) and the percentage of staff reported as having skills gaps is 6% - both equivalent to the England average.

<sup>49</sup> NW Skills & Productivity Report, April 2008. Available from [www.nwriu.co.uk/researchprogramme/documents/EXTRANET\\_09042008.pdf](http://www.nwriu.co.uk/researchprogramme/documents/EXTRANET_09042008.pdf)

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48. In terms of skill shortage vacancies (SSVs)<sup>50</sup> in the North West, these are most common in the following occupations: Managers (20% of all SSVs); Elementary Occupations (16%); and Sales & Customer Service (15%). The proportion of vacancies reported as 'hard to fill' is highest in Cumbria (23% of the total and 5.8 percentage points above the regional figure of 17.3%).

**Table A-12: Skills Lacking in Applicants for SSVs (bold denotes highest regional score in England)**

Skills Lacking	England %	North West %	Skills Lacking	England %	North West %
Team Work	48	<b>60</b>	General IT Skills	23	26
Customer Handling	46	50	Literacy Skills	22	31
Technical/Practical	44	48	Numeracy Skills	21	30
Oral Communication	42	49	Admin. Skills	20	20
Problem Solving	40	56	IT Professional Skills	12	11
Written Communication	29	38	Foreign Languages	9	10
Management Skills	26	30			

Source: North West NESS 2005

49. Employers in the region report that the skills and experience which applicants lack are 'soft' skills (e.g. problem solving, customer handling, and oral communication) and sector related technical, practical or job-specific skills. The issue that arises in relation to this is the extent to which soft skills are mainstreamed in to provision.
50. Employers in the North West are also more likely than employers anywhere else in England to cite basic numeracy and literacy skills gaps. The most recent survey based estimates of basic skills needs were produced by DfES in 2003. This suggests that in the North West, the number of adults with literacy and numeracy skills below Level 2 is 2.5m and 3.5m respectively. There will be significant overlap between these groups, with many adults having literacy and numeracy skills needs.
51. Evidence from NESS (but also the North West ASPIRE business survey) found that business management skills are one of the main skills gaps (identified by 30% of employers compared to 26% average for England as a whole) and this particular skills gap was more associated with manager and senior officials than any other occupation.
52. Evidence from NESS suggests that North West employers have a reasonably strong culture of workforce development on which to build. Levels of expenditure per trainee at £1,940 are relatively high compared to the national figure of £1,730 and 51% of establishments are recorded as having formal training plans compared to 47% in 2005 and 48% nationally.

### Merseyside

53. The economic performance of Greater Merseyside is weak when compared to England average benchmarks and the other sub-regions in the North West. For example:
- GVA per capita, at £13,615 in 2004, is well below the England and regional averages (£19,413 and £16,482 respectively) and is the lowest of the five North West sub-regions.

<sup>50</sup> Skills shortage vacancies (SSVs) are vacancies which employers report as being hard to fill due to a lack of candidates with the relevant skills or experience.

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- New business starts, at 38 per 10,000 of the adult population, is the lowest of the five sub-regions and well below the England average of 57.
  - The absolute level of employment has declined by 3.1% from 2005 to 2008 during which time employment grew at 1.3% nationally. Merseyside (alongside Lancashire) is projected to see the slowest rate of employment growth from 2007-17 at 3.5% (+21,000 employees).
54. There are however, reasons for optimism, including strong employment growth in recent years, significant regeneration activity (e.g. European Capital of Culture 2008 and associated City Centre redevelopment and the Wirral Waters development), and a relatively young population. However, the sub-region faces some very significant challenges going forward. These are:
- **A very high rate of economic inactivity** – 27.8% compared to 23.3% regionally and 20.8% nationally. Inactivity is high, compared to comparable England figures, in a number of groups of people (figures in brackets show rate of economic activity in Greater Merseyside and England):
    - People in the White ethnic group (27.8% v 19.5%);
    - People who are registered disabled (58.8% v 43.6%);
    - People who are aged 50 to retirement age (34.7% v 25.2%);
    - For the relative economic performance of the sub-region to improve, this economic activity rate gap needs to be narrowed. It would appear that a contributor to the relatively high rate of inactivity in Greater Merseyside is the relatively low skills base of the population. Of the economically inactive, 57.9% have qualifications below Level 2, compared to 47.7% nationally.
  - **A low proportion of the working age population with higher level skills** - The proportion of the workforce qualified to Level 4 or above is 28.9% in Greater Merseyside, compared to 33.0% in England. This relatively low supply of highly qualified people is reflected in an occupational profile which relative to England has less high skilled jobs. The Manager and Senior Official category accounts for 13.1% of Greater Merseyside jobs, compared to 16.1% nationally, and the Professional category accounts for 11.4% of jobs, compared to 13.1% nationally.
  - **Relatively weak qualification performance of young people.** In particular:
    - Attainment of Level 2 at age 19 is 65%, 5 percentage points below the England average of 70%. On top of this 69.4% of 16 and 17 year olds are currently in full-time education compared to 72.2% nationally (although this ranks above the Lancashire rate (68.5%) and Greater Manchester (65.2%)).
    - Part of the reason for the Level 2 attainment gap is the relatively low success rate in Work Based Learning for Level 2 qualifications – 47% in Greater Merseyside compared to 54% in England (full framework). The full Level 2 success rate for 16-18 year olds in FE is also below the England average (59% v 63%).

55. A significant issue for Greater Merseyside is the high proportion of young people in the NEET group – 9.8% currently, versus 6.7% for England. The NEET proportion in Knowsley is the highest in the region at 15.0%.

### Rural Areas

56. A recent national report, compiled by the Commission for Rural Communities on behalf of Defra, which highlight how the recession has affected unemployment in rural areas:
- The number of unemployed benefit claimants in England's predominantly rural districts (R80 & R50) have increased substantially – up from 93,796 in April 2008 to 212,393 in April 2009.
  - The recession has brought about sharp increases in the number of people out of work in rural areas; increases in unemployment amongst professional and higher occupations not witnessed before; and a substantial decline in the number of vacancies notified to Job Centre Plus Offices. In combination this has left many rural districts with a high ratio of JSA claimants to unfilled vacancies
  - Worklessness amongst young people is also becoming a rising issue in rural areas which has been exacerbated by the recession.

## Appendix B Strategic and Policy Context

Key Strategic Linkages

Table B-1: Broad Linkages between the National ESF Plan Priorities and North West RSEB Priorities		
National ESF Priority	Key Aim	RSEB Priorities and Relevance of ESF Priorities
Priority 1: Extending Employment Opportunities	Improving employability and skills of the unemployed and economically inactive people	<ul style="list-style-type: none"> <li>• Impact of Recession upon Employment and Redundancy: Respond to the economic recession by tackling the economic and social effects of redundancies and lower levels of recruitment</li> <li>• Impact of Recession upon the Region’s Skills Needs: Responding to the challenges of economic recession by helping employers to plan and provide for their current and future needs</li> <li>• The impact of graduates and school leavers entering a reduced jobs market, coupled with Department for Work and Pensions (DWP) welfare reforms which will move Incapacity Benefit clients onto active benefits such as Jobseeker’s Allowance (JSA)</li> </ul>
	Tackling barriers to work faced by disadvantaged groups: people with disabilities and those with health conditions; lone parents; older workers; BAME communities; people with low skills; and those living in deprived communities	<ul style="list-style-type: none"> <li>• Employment and Worklessness: Providing the support that the workless need to gain sustainable and rewarding employment, especially those from groups and communities most adversely affected by unemployment</li> <li>• Adult skills: Ensuring a commitment amongst adults to the skills and qualification they need for employment, with a focus on Skills for Life and Level 2 attainment, as well as attainment at Level 3 and higher level skills.</li> <li>• The challenge of an older workforce and the impact this has on the labour market as when we move out of recession into a growth period.</li> </ul>
	Reducing the number of young people who are not in education, employment or training (NEET)	<ul style="list-style-type: none"> <li>• The impact of graduates and school leavers entering a reduced jobs market, coupled with Department for Work and Pensions (DWP) welfare reforms which will move Incapacity Benefit clients onto active benefits such as Jobseeker’s Allowance (JSA)</li> <li>• Aspirations and achievements of young people: Raising the</li> </ul>

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Table B-1: Broad Linkages between the National ESF Plan Priorities and North West RSEB Priorities		
National ESF Priority	Key Aim	RSEB Priorities and Relevance of ESF Priorities
		aspirations and attainment amongst young people especially amongst 16-19 year olds, and stimulate an interest in and progression towards higher skills.
<b>Priority 2: Developing a Skilled and Adaptable Workforce</b>	Reducing the numbers of people without basic skills and Level 2 qualifications and training to Level 3 to address intermediate skills shortages; and	<ul style="list-style-type: none"> <li>• Impact of Recession upon the Region’s skills Needs: Responding to the challenges of economic recession by helping employers to plan and provide for their current and future needs</li> <li>• Aspirations and achievements of young people: Raising the aspirations and attainment amongst young people especially amongst 16-19 year olds, and stimulate an interest in and progression towards higher skills.</li> <li>• Adult skills: Ensuring a commitment amongst adults to the skills and qualification they need for employment, with a focus on Skills for Life and Level 2 attainment, as well as attainment at Level 3 and higher level skills.</li> <li>• Employers Investment in Workforce Development and Related Practice: Stimulate employers to invest more in workforce development at all levels, including innovations, leadership and management, and entrepreneurial skills.</li> </ul>
	Provide higher level skills training in small enterprises (up to 50 workers) and training trainers to deliver ESF services	<ul style="list-style-type: none"> <li>• Impact of Recession upon Employment and Redundancy: Responding to the challenges of economic recession by helping employers to plan and provide for their current and future skills need.</li> <li>• Employers Investment in Workforce Development and Related Practice: Stimulate employers to invest more in workforce development at all levels, including innovations, leadership and management, and entrepreneurial skills.</li> </ul>

Key Spatial Linkages

Table B-2: Strategic Linkages between the England ESF Programme and European Policy								
Community Strategic Guidelines <sup>51</sup> (CSG)	North West ESF Priorities	City Strategy Pathfinders			Respective MAA Employment & Skills Board Priorities			
3: More and Better Jobs		Liverpool <sup>52</sup>	Manchester <sup>53</sup>	Pennine Lancashire <sup>[1]</sup>	Liverpool <sup>54</sup>	Manchester <sup>55</sup>	Pennine Lancashire <sup>56</sup>	Fylde Coast <sup>57</sup>
3.1: Attract and retain more people in employment	Priority 1: extending employment opportunities	Strategic Objective 1: To increase the supply of suitable skilled labour to meet demand from growth and for replacement labour across the whole travel to work	Programme element 1: Improving the engagement of workless residents	Strategy 1.1: Developing an enterprise culture Strategy 1.3: Encouraging innovation Strategy 3.1: Addressing Worklessness Strategy 3.2: A healthy	Goal 1: Ensuring the supply of appropriately skilled labour to meet current and future employer demand and increasing productivity. Both of these mean higher level skills and qualifications	Building Block 2: Reducing worklessness Building Block 5: Accelerating business expansion to generate growth	Priority Area: Skills and worklessness. Government Action 11: Prioritise Pennine Lancashire for public sector jobs relocation and apply a second stage consideration on existing public sector jobs within Pennine Lancashire. Significant relocations out of	<b>Employment and Skills</b> Co-commission Flexible New Deal on a Fylde Coast footprint as part of a developing approach to co-commissioning of future welfare contracts.

<sup>51</sup> Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013

<sup>52</sup> Liverpool/Merseyside City Region Employment and Skills Strategy Preliminary Delivery Plan – Framework Draft – 14<sup>th</sup> June 2007

<sup>53</sup> Greater Manchester City Strategy Business Plan Revised Draft to DWP March 16<sup>th</sup> 2007

<sup>[1]</sup> An Integrated Economic Strategy for Pennine Lancashire

<sup>54</sup> Liverpool City Region Multi Area Agreement June 09 – Employment & Skills Platform

<sup>55</sup> The Manchester Area Agreement Bulletin November 2008 – Issue 5

<sup>56</sup> Pennine Lancashire Multi Area Agreement, 2009.

<sup>57</sup> Draft Fylde Coast Multi Area Agreement, 2009

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Table B-2: Strategic Linkages between the England ESF Programme and European Policy							
Community Strategic Guidelines <sup>51</sup> (CSG)	North West ESF Priorities	City Strategy Pathfinders			Respective MAA Employment & Skills Board Priorities		
		area		workforce	<p><u>Goal 2:</u> Bringing a greater number of people into the labour market as the pre-requisite to securing economically sustainable communities and eliminating the severe deprivation which is a major constraint on the prospects of a better future for many thousands of people in the city region.</p>		<p>Pennine Lancashire would automatically result in an audit of the impact this would have on the local economy - this would inform a dialogue between Pennine Lancashire partners and Government to look at suitable alternatives</p> <p><u>Government Action 14:</u> Commission welfare contracts on a Pennine Lancashire footprint, commencing with Flexible New Deal from October 2010.</p> <p><u>Priority Area:</u> Strategic Housing</p> <p><u>Government Action 22 (draft):</u> HCA/DWP are asked to support the development of a bespoke Private Rented Sector/Worklessness</p>

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Table B-2: Strategic Linkages between the England ESF Programme and European Policy							
Community Strategic Guidelines <sup>51</sup> (CSG)	North West ESF Priorities	City Strategy Pathfinders			Respective MAA Employment & Skills Board Priorities		
							Advise and Regeneration model currently being developed.
3.2: Improve adaptability of workers and enterprises	Priority 1: extending employment opportunities	<p><u>Strategic Objective 1:</u> To increase the supply of suitable skilled labour to meet demand from growth and for replacement labour across the whole travel to work area</p> <p><u>Strategic Objective 3:</u> To make a real difference to businesses and communities around the opportunities of European Capital of Culture 08 and related economic</p>	<p><u>Programme element 2:</u> Improving the basic employability and occupational skills of those not in work</p>		Same as above.	<p><u>Building Block 2:</u> Reducing worklessness</p> <p><u>Building Block 3:</u> Strengthening our skills offer</p> <p><u>Building Block 4:</u> Achieving more for 14-19 year olds</p> <p><u>Building Block 5:</u> Accelerating business expansion to generate growth</p>	<p><b><u>Employment and Skills</u></b></p> <p>Providing a clear and co-ordinated 'progression model' for training and employment across the Fylde Coast</p> <p>Engaging with employers and partners involved in skills and employment to better co-ordinate activity;</p>

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Table B-2: Strategic Linkages between the England ESF Programme and European Policy								
Community Strategic Guidelines <sup>51</sup> (CSG)	North West ESF Priorities	City Strategy Pathfinders			Respective MAA Employment & Skills Board Priorities			
		growth						
3.3: Increase investment in human capital through better education and skills	<u>Priority 2:</u> developing a skilled and adaptable workforce	<u>Strategic Objective 2:</u> To build skilled, working communities eliminating child poverty and increasing opportunity and social mobility	<u>Programme element 1:</u> Improving the engagement of workless residents <u>Programme element 2:</u> Improving the basic employability and occupational skills of those not in work	<u>Strategy 1.4:</u> Growing the knowledge economy <u>Strategy 2.1:</u> Raising attainment at all levels <u>Strategy 2.2:</u> Investing in higher level skills <u>Strategy 2.3:</u> Addressing the graduate deficit <u>Strategy 4.1:</u> Promoting a skilled and mobile workforce	<u>Goal 1:</u> Ensuring the supply of appropriately skilled labour to meet current and future employer demand and increasing productivity. Both of these mean higher level skills and qualifications.	<u>Building Block 2:</u> Reducing worklessness <u>Building Block 3:</u> Strengthening our skills offer <u>Building Block 4:</u> Achieving more for 14-19 year olds	<u>Priority Area:</u> Skills and worklessness. <u>Government Action 16:</u> Increase number of higher education places in Pennine Lancashire.	<b><u>Employment and Skills</u></b> Highly personalised work-related pathway to Level 2 outcomes and promotion of entrepreneurship and vocational and practical learning 14-19. BSF programme in Blackpool for construction sector

### Introduction

1. The overall objective of the North West ESF Framework is to support **sustainable economic growth and social inclusion** in the region by increasing employment, reducing economic inactivity and developing a skilled and adaptable workforce. Therefore, the two priorities for the 2007-2013 programme are:
  - Priority 1: Extending Employment Opportunities –projects to tackle the barriers to work faced by unemployed and disadvantaged people;
  - Priority 2 – Developing a Skilled and Adaptable Workforce –projects to train people who do not have basic skills and qualifications needed in the workplace.
2. ESF resources will be concentrated where they can most effectively enhance the impact of national, regional, sub-regional and local strategies, in line with European policy objectives. This means that resources will be targeted on:
  - People who are unemployed or economically inactive, especially people with disabilities and those with health conditions, lone parents, older workers (over 50 years of age) and Black, Asian & Minority Ethnic (BAME) communities;
  - Young people not in education, employment or training (NEET);
  - People without basic skills or ‘skills for life’;
  - People without a Level 2 qualification;
  - People without a Level 3 qualification in sectors where there are skills shortages at this level, in SMEs (up to 250 employees), and for women and BAME groups in sectors and occupational areas where they are under-represented; and
  - Women and men who want training to enter non-traditional occupations and sectors.
3. The North West ESF incorporates Merseyside, a former Objective 1 area. This is referred to as a ‘Phasing In’ area. The region has three City Employment Strategy pilots to consider that cover the whole of Greater Manchester, Merseyside and Pennine Lancashire.

### Alignment with European Policies

#### Lisbon Agenda and UK National Reform Programme

4. The Lisbon Agenda presents the overarching policy framework upon which the ESF Operational Plan for England, and in turn the North West ESF Plan, draws. It seeks to transform the European Union’s labour, capital and product markets, with two broad, overarching aims:
  - **Generating stronger, sustainable economic growth.** Achieving this goal requires a significant increase in emphasis on competitiveness, innovation and knowledge-intensive activities, with the explicit targeting of investment on:
    - Improving competitiveness and raising productivity;

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- Using knowledge to gain competitive advantage;
  - Increasing and improving investment in research & development;
  - Facilitating innovation, the use of information and communication technologies and the sustainable use of resources;
  - Making Europe more attractive to business;
  - Building infrastructure for a competitive economy.
- **Creating more and better jobs.** A stronger economy will drive higher quality job creation in the EU and policies that promote social inclusion will facilitate faster economic growth by increasing the effective labour pool. Investment will be targeted on:
    - Encouraging more people into the workforce;
    - Increasing the adaptability of workers and flexibility of labour markets;
    - Investing in human capital through better education and skills.

5. In response to the Lisbon Agenda, member States have produced National Reform Programmes (NRPs). The current NRPs cover a three-year period (2005-8). The UK Government published the UK's NRP in October 2005, entitled "Lisbon Strategy for Jobs and Growth: UK National Reform Programme". Key aspects of the UK NRP are set out in the summary box below.

### **Lisbon Strategy for Jobs and Growth: UK National Reform Programme**

#### *Macroeconomic policies for jobs and growth:*

- Maintaining macroeconomic stability in the face of a more integrated global economy;

#### *Promoting productivity growth:*

- By strengthening the five drivers of productivity, including supporting enterprise and raising skills levels and participation in the workforce by increasing participation in education;

#### *Increasing employment opportunity for all:*

- Working towards the aspiration of an 80 per cent employment rate and the aim of employment opportunity for all, including:
  - The development and roll-out of the Job Centre Plus model, with an emphasis on providing a more customer centred approach that integrates job search assistance and benefits services;
  - The piloting and subsequent roll-out of Jobcentre Plus' Pathways to Work Programme that is aimed specifically at Incapacity Benefit claimants (including a greater emphasis on more effective targeting and intensive forms of support for claimants, as well as continuing support for the unemployed and inactive who gain work);

- An increased emphasis on the coordination of provision between key agencies dealing with worklessness and workforce development, including Job Centre Plus, LSC and Connexions;
- Improving the supply of affordable childcare by extending the network of Sure Start Children's centres by 2010.

### European Strategic New Skills for New Jobs Initiative<sup>58</sup>

6. Due to changes in the global economy such as an aging population, a move to a low-carbon economy and technological and organisational advances, there has been a shift in skills needs and job opportunities across the EU. Hence, EU member states have asked the European Commission to report on future skills needs in Europe up to the year 2020. The aims of this initiative are to:
  - Improve the capacity to anticipate and match labour market and skills needs in the EU;
  - Reach the objectives set out in the EU's growth and jobs strategy;
  - Make best use of existing initiatives and instruments;
  - Gather results that are comparable at EU level;
  - Promote a truly European labour market for jobs and training that corresponds to citizens' mobility needs and aspirations.
7. In order to respond to the needs of member states, the commission are looking to more effective ways to analyse and predict which skills are required and where. For example, there is a need to respond to the shift to a low carbon economy, the growing importance of the knowledge economy and the diffusion of ICTs and nano technologies. It is here that sustainable jobs are likely to arise.
8. It is likely that there will be many jobs created in high skills occupations. Future job creation will require high and medium education levels, as well as more generic skills such as problem solving and analytical skills, self management and communication skills, teamworking, linguistic skills and digital competences. The European Commission will also facilitate the upgrading and matching of skills by regions and Member States via existing Community policies and funds, especially the European Social Fund.
9. Initial assessments also highlight that jobs are likely to be created in services, especially business services (IT, Insurance and Consultancy). Employment will also be provided by the healthcare sector, social work, distribution, personal services, hotels, catering and to a lesser extent education. Losses are predicted in the primary sector, however, jobs in construction is likely to stabilise. Whilst manufacturing will also suffer losses there is a predicted rise in engineering.

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<sup>58</sup> Commission of the European Communities – New Skills for New Jobs – anticipating and matching labour market and skills needs – 16/12/08

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10. In terms of practical measures to meet the needs of industry over the next decade, there will be a focus on reducing gender imbalances to address the current skills mismatch and shortages in technological and managerial occupations, for example. The Commission also proposes to remove administrative boundaries to enhance the free movement of workers across the EU and to promote occupational, sectoral and geographical mobility.

### European Community Strategic Guidelines

11. The European Community Strategic Guidelines (CSG) sets out how the EU's regional policy will be delivered via the EU Structural and Cohesion funds over the period 2007-13 (i.e. how Structural Funds will help deliver Lisbon objectives). The CSG suggests ways in which the regions can build competitiveness on three broad fronts:
- First, by enhancing the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
  - Second, by encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new ICT; and
  - Third, through creating more and better jobs by attracting more people into employment or enterprise, improving adaptability of workers and enterprises and increasing investment in human capital<sup>59</sup>.

### Implications for the North West ESF Plan

12. In order to support the key objectives of the Lisbon Agenda and the CSG, the National ESF Programme and North West ESF Framework places an emphasis on:
- Attracting more people into employment, especially disadvantaged groups and the economically inactive; and
  - Improving the skills of potential and current workers to improve individual progression and ultimately business competitiveness.

### Alignment with UK Policy

#### UK National Strategic Reference Framework

13. The UK's National Strategic Reference Framework (NSRF) is the UK Government's strategy for investing its Structural Fund allocations in England, in line with the CSG and the Government's regional policy agenda.
14. Table B-3 illustrates the linkages between European and National policies and ESF.

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<sup>59</sup> This is in line with the EC Integrated Guidelines for Growth and Jobs 2005-08.

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<b>Table B-3: Strategic Linkages between the England ESF Programme and European Policy</b>				
<b>CSGs</b>	<b>Integrated Guidelines on Growth and Jobs</b>	<b>National Reform Programme (Lisbon)</b>	<b>UK NSRF</b>	<b>ESF Priorities</b>
3: More and Better Jobs	17: Implement employment policy aimed at achieving full employment	National strategy for increasing employment (80% aspiration) and skills (especially up to Level 2)	Promotes sustainable economic growth and inclusion by extending employment opportunities and improving productivity	Priorities to extend employment opportunities and develop a skilled and adaptable workforce
3.1: Attract and retain more people in employment	18: Promote a lifecycle approach to work 19: Ensure inclusive labour markets 20: Improve matching of labour market needs	Working through JC+; New Deals; Pathways to Work; support for disadvantaged groups; initiatives to extend working lives; National Childcare Strategy etc	Extending employment opportunities by: developing the skills of people out of work; overcoming barriers faced by disadvantaged groups; reducing NEET cohort	ESF Priority 1: Increase employment and reduce inactivity, including tackling barriers faced by disadvantaged groups and reducing NEET cohort
3.2: Improve adaptability of workers and enterprises	23: Improve investment in human capital	Working through LSC; apprenticeships; skills for life; Train to Gain; Women and work commission	Developing a skilled and adaptable workforce by: improving basic skills; tackling skills deficits and gender segregation in the workforce; training managers and workers in small firms	ESF Priority 2: Reducing the number of people without basic skills and increasing workers qualified to Level 2 and (where skills shortages persist) Level 3; reducing gender segregation in the workforce; and developing managers and workers in small enterprises
3.3: Increase investment in human capital through better education and skills	24: Adapt education and training systems			

### UK National Employment Action Plan

15. In September 2004 the Department for Work and Pensions published the UK National Action Plan on Employment. It flows directly from the Lisbon Agenda and, as such, there is strong alignment with the England ESF Plan, in particular through:
- Guideline 1: Active and preventative measures for the unemployed and inactive;
  - Guideline 3: Address change and promote adaptability in the labour market;
  - Guideline 10: Address regional employment disparities through interventions to create new and better jobs and tackle unemployment in areas of the region with high concentrations of worklessness.

### Employment and Skills Policy Agenda in the North West

#### North West ESF Framework and Regional Skills Priorities

16. The North West ESF Framework is being produced in the context of UK national policy driven by the national LSC, DCSF and DWP. It therefore operates at the intersection between a range of different policy imperatives and priorities driven by:
- National employment and skills policy, which aims to increase skills/qualifications and participation levels (for the LSCs especially around NVQ Levels 2 and 3)<sup>61</sup>;
  - The drive for a greater demand led provision, as well as a sector focus through the Sector Skills Councils;
  - The skills agenda in the North West, as well as at the sub-regional and local levels.
17. Whilst all activities in the Regional ESF Framework must be framed under the Priorities contained in the national ESF Plan, it is also important that they support the six broad North West skills priorities contained in the North West *Statement of Skills Priorities 2007-10*. These are:
- Tackle worklessness by linking people, jobs and training;
  - Increase participation of 16-19 year olds in education and/or work based learning, and progressing into higher education;
  - Increase the proportion of adults with the skills and qualifications needed for employment, with a focus on Level 2 attainment;
  - Support adults to progress beyond Level 2 and to attain skills and qualifications at Level 3 and above, with a focus on key sectors;
  - Stimulate employers to invest more in management, leadership, intermediate and higher level technical and professional skills;

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<sup>61</sup> In line with UK Skill Strategy 2005.

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- Stimulate demand for, and investment in entrepreneurial, intermediate and higher level skills from individuals.
18. The North West Statement of Skills Priorities for 2007-10 is in effect a description of how key RES themes and actions relating to skills, employment and learning will be taken forward within the North West over the next three years. The Statement also provides the context for deployment of ESF and LSC spending on skills, employment and learning in the region.
19. It is crucial that both the National ESF Programme and the Regional ESF Framework are aligned with the key RSP objectives in the North West, given that all activities in the Regional ESF Framework must be framed under the two Priorities contained in the national ESF Operational Plan, which in turn is framed by the Community Strategic Guidelines. Linkages between the national ESF Operational Plan and the RSP priorities are summarised in Table B-4 below.
20. In determining how resources should be targeted, the North West ESF Framework must clarify the distinction between issues and priorities which are:
- **National** (sectoral and other);
  - **National**, but which have a particular relevance and resonance in the North West, for example:
    - Worklessness: of all the English regions, the North West has the largest number of economically inactive residents;
    - Disability: the North West has the highest number of people of all regions claiming benefits related to sickness or disability;
    - Under-represented groups: worklessness and economic inactivity is disproportionately focussed on some labour market groups in the North West, including lone parents, certain BAME communities and older workers;
  - **Strong North West region-wide issues and priorities**, either because the skills issues are shared across many labour markets, or because there are common skills and employability issues across the region, for example:
    - Qualification levels of both men and women are below the national averages for their gender, and women are more likely to have no qualifications;
  - **Strong priorities for particular parts of the region** (because of local/sub-regional demand-side or supply-side issues), for example:
    - Employment growth in recent years has been concentrated in the North West's city-regions, and this trend in employment demand is likely to continue, creating strong demand for particular types of skills;
    - The largest numbers – and greatest concentrations – of workless adults and young people live in and around Liverpool and Manchester.

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Table B-4: Detailed Linkages between the National ESF Plan Priorities and North West RSEB Priorities		
National ESF Priority	Key Aim	North West Employment and Skills Priorities and Relevance of ESF Priorities
<p><b>Priority 1 - Extending Employment Opportunities (Increasing employment and promoting social inclusion)</b></p>	<ul style="list-style-type: none"> <li>Improving Employability and skills of unemployed and economically inactive people, including supporting them, where appropriate, to become self-employed</li> <li>Tackling barriers to work faced by disadvantaged groups: people with disabilities and those with health conditions; lone parents; older workers; BAME communities; people with low skills; and those living in deprived communities; including where appropriate helping with caring responsibilities and working with the health sector; and supporting community projects to mobilise disadvantaged and excluded people and facilitate their integration into the labour market</li> <li>Reduce the number of young people not in education, employment or training (NEET), for example by increasing participation and attainment in learning, and reforming vocational routes for 14-19 year olds</li> </ul>	<ul style="list-style-type: none"> <li>Tackle worklessness by linking people, jobs and training. <i>High: of all the English regions, the North West has the largest number of economically inactive residents. Worklessness and economic inactivity is also disproportionately focussed on some labour market groups in the North West, including lone parents, certain ethnic minority groups, and older workers.</i></li> <li>Increase participation of 16-19 year olds in education and/or work based learning. <i>High: many young people in the North West are disengaged from the labour market, and are therefore at risk of long-term disengagement from the economy at a critical early stage in their development.</i></li> </ul>
<p><b>Priority 2 – Developing a Skilled and Adaptable Workforce (Raising levels of skills in the workforce in order to increase productivity, enterprise and competitiveness)</b></p>	<ul style="list-style-type: none"> <li>Reduce the numbers of people without basic skills, including improving literacy and numeracy skills; supporting progression from foundation to Level 2 learning</li> <li>Some limited flexibility to train to Level 3 to address skills shortages; helping workers to improve their enterprise skills, especially those who face redundancy, low skilled workers, and workers in sectors with skills gaps or weak training records)</li> <li>Provide technical, leadership, management and enterprise skills training needed in small enterprises (up to 50 workers) to compete in a knowledge-based economy</li> <li>Higher level skills activity to support the strategy for tackling low skills, including for example: training trainers to deliver basic skills to ESF target groups</li> </ul>	<ul style="list-style-type: none"> <li>Increase proportion of adults with the skills needed for employment, with focus on Level 2 attainment</li> <li>Support adults to attain skills and qualifications at Level 3</li> <li><i>High: the qualification levels of both males and females are below the national averages for their gender. Females are also more likely than males to have no qualifications, but only limited scope in ESF to train to Level 3</i></li> <li>Stimulate employers to invest more in workforce development which promotes innovation, management/leadership and intermediate and higher level technical and professional skills</li> <li>Stimulate demand for, and investment in entrepreneurial, intermediate and higher level skills from individuals. <i>Modest: desirable for ESF to have a wider focus than just the smallest SMEs in the region or focus on Merseyside, although ESF could possibly be used to stimulate demand amongst employers and employees in this area; also NW ERDF OP features support to increase productivity and skills base in SMEs, by supporting development of intermediate/higher level technical skills, and leadership/management skills</i></li> </ul>

21. For issues that are sub-regional and local in nature, the North West ESF Framework will need to contribute towards addressing the priorities identified in **Sub-Regional Actions Plans and City Employment Strategies (in Liverpool and Manchester)**, where these are consistent with regional, national and European policy imperatives.

### Leitch Review of Skills

22. The Leitch Review of Skills was tasked in 2004 with considering the UK's long-term skills needs. This is now being implemented, with the Government's response being published in July 2007. A key theme is the desire to give employers a stronger voice on the content and delivery of skills and employment programmes, as well as encouraging them to take greater responsibility for the planning and funding of their training activity (through the use of appropriate support from the public sector). Key features of the implementation plan include:
- Increased funding for Train to Gain. The Comprehensive Spending Review indicates that around a third of the adult skills and Further Education budget will be routed through Train to Gain by July 2011 – over £1billion – increasing as a proportion in the next decade<sup>62</sup>. Recent Government announcements herald greater flexibilities in the use of Train to Gain in the face of economic recession.
  - The formation of a new adult careers service to provide tailored employment and skills support (the Adult Progression and Careers Service).
  - Legislation to raise the participation age to 18 so that young people are required to stay on in some form of education or training.
  - New legislation for a funding entitlement for adults to free training in basic literacy and numeracy and a first full Level 2 qualification.
  - Giving all suitably qualified young people access to apprenticeships, as well as promoting advanced apprenticeships as the most appropriate route to deliver on the new Level 3 entitlement for young people aged 19-25.
  - Encouraging HEIs to focus more on workforce development and collaborate more with employers on training.
  - A number of reviews have also been launched into IiP and consideration of a legal entitlement to workplace training from 2010.
23. Additional actions are proposed around employers' requirements, including:
- An enhanced 'employer voice' in determining skills provision, including Employment and Skills Boards.
  - Reform of vocational qualifications including recognition of employers own training.
  - A Quality Standard for Employers Responsiveness and Vocational Excellence.

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<sup>62</sup> Train to Gain for Growth, November 2007-11, Learning and Skills Council.

24. The White Paper, *Raising Expectations: Enabling the System to Deliver*, was published by the Department for Children, Schools and Families and the Department for Innovation, Universities and Skills in March 2008. This has major implications for the organisation and delivery of education and training for both young people and adults – the key points are:

### 14-19 year olds:

- Local authorities will take responsibility for the delivery of education and training for children and young people aged 0-19, supporting the Government's commitment to raise the participation age to 18 by 2015.
- They will also take responsibility for delivering the full range of 14-19 entitlements including the new Diplomas, Apprenticeships and the Foundation Learning Tier. Local authorities will be able to commission provision to meet demand from young people and employers.
- Establishment of a Young People Learning Agency to co-ordinate provision. As part of this arrangement, local authorities will need to work with national agencies and the Regional Development Agencies who will co-chair the regional level, to provide a coherent planning and funding system for FE colleges and providers.
- The New Young People's Learning Agency (YPLA) will hold the overall budget and approve all LA commissioning plans for 14-19 provision.

### Adult learners:

- The creation of a Skills Funding Agency which will route funding to FE colleges and other providers to meet the demands of employers and learners (this will replace the LSCs).
- The Agency will manage the creation and management of the new England-wide adult advancement and careers service and manage the new National Apprenticeship Service.

### Freud report on welfare to work

25. The Freud report, an independent review of welfare to work, was published in March 2007. This has helped to shape the delivery of welfare to work provision. The review concludes that while there has been good progress on welfare to work, there needs to be more evolution, and the over-arching recommendation is that the Government needs to do more to encourage the least advantaged into work.
26. Resources should be targeted on individuals, who generally face multiple, complex problems, so that spending can be directed towards these in a more individualised way. The report finds that Jobcentre Plus (JCP) has been successful in terms of helping those closer to the labour market into work, and that it should focus on these individuals. In particular, Freud recommended:
- Contracting out support for the hardest to help to the private and voluntary sectors, to provide an incentive to improve performance.

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- A greater commitment to rights and responsibilities for those who are receiving employment support, so that there is a greater element of conditionality attached to receiving benefits.
  - Reforming the benefit system, in order to reduce complexity – the report recommends further investigation of options for this.
  - Streamlined, mass market provision based on Jobcentre Plus – in the longer term, Jobcentre Plus should provide a one-stop front-end for all benefits.
27. Following on from the Freud report, the Green Paper *'In work, better off: next steps to full employment'* published in July 2007 set out how the Government proposed to move towards full employment, giving everyone the chance to work and contribute to society. The Government's response *'Ready for work: full employment in our generation'*, published December 2007, sets out more than 50 changes to the current system of benefits and job-seeking support to be implemented over the next four years.
28. The greater emphasis on the integration of the employment and skills agenda has been reinforced with the publication of *Work Skills* in June 2008. This outlines what the Government is doing to help people take control of their skills needs and the role of employers in achieving this.
29. The Government published its response to *No One Written Off* as a White Paper December 2008 (***Raising Expectations and Increasing Support: Reforming Welfare for the Future***). **This makes a number of important policy initiatives, including:**
- People currently claiming Income Support will move to either the Employment and Support Allowance or Jobseeker's Allowance (with the exception of carers for the time being). The requirements within Jobseeker's Allowance will be modified to suit the broader range of people who will be claiming it.
  - Encouraging lone parents and partners with younger children (seven and younger) to engage with the support that is available, to improve skills, prepare for work or address more significant problems such as debt, drugs or mental health. The Government is intending to start by exploring what the regime might look like for parents with three to six year-old children.
  - The White Paper confirms the plans set out in the Green Paper for testing a Work for Your Benefit scheme. This will require people who have been on Jobseeker's Allowance for two years to participate in full-time activity, to develop their work habits and employability skills in return for their benefit.

### New Deal

30. Via Job Centre Plus, the DWP have set up the New Deal programme which provides people on benefits with the help and support they need to look for work, increasing training and preparing for work. Seven programmes have been developed:
- 1) **New Deal for Young People** – helps young people to find and keep a job or start to work for themselves. A personal advisor is there to help improve skills and learn new skills.

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- 2) **New Deal 25 Plus** - very much the same as the programme aimed at Young People only targeted at those over the age of 25.
  - 3) **New Deal 50 Plus** – help and advice for those who are over 50 and are looking to (re)enter the workplace.
  - 4) **New Deal for Lone Parents** – a voluntary programme designed to help lone parents into work. Personal advisors are also available to help with childcare and training.
  - 5) **New Deal for Disabled People** – based on job broker system. Helps and supports disabled people looking to get back into work.
  - 6) **New Deal for Partners** - voluntary programme to support the partners of those who are claiming certain benefits.
  - 7) **New Deal for Musicians** – a compulsory programme for people who are claiming job seekers allowance. Individuals are given the opportunity to speak to people who work in the music industry. The requirement is that they have to also be taking part in New Deal for 25 or New Deal for Young People and be at the end of the ‘gateway’ stage.
31. From October 2009, the Flexible New Deal will replace the current New Deal 18 – 24 and 25+ programmes. The Flexible New Deal is based around five core principles:
- A stronger framework of rights and responsibilities to move benefit customers from being passive recipients to active jobseekers.
  - A personalised and responsive approach to individual customer needs which will provide tailored employment and skills support to meet the needs of both customers and local employers.
  - A partnership approach with public, private and third sector organisations working together to maximise innovation, leading to more and better outcomes.
  - Devolving and empowering communities for future sustainable employment which will be at the heart of neighbourhood renewal.
  - Not just jobs, but jobs that pay and offer opportunities for progression, with an emphasis on sustaining and progressing in work to ensure all customers who need help to develop their skills have access to the relevant pre-employment and in-work training.
32. The Flexible New Deal will be introduced in two phases. In areas within phase one it will begin in October 2009; phase two is planned to begin in October 2010.

### Train to Gain

33. Train to Gain is part of the Government’s Solutions for Business – a wide portfolio of highly targeted, publicly funded business support products and services. Train to Gain:
- Aims to meet the needs of employers of all sizes and from all sectors to improve the skills of their employees as a route to improving their business performance

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- Aims to encourage all businesses and individuals to value and realise the benefits that learning and skills can bring
- Be a valuable resource for employers, unlocking employees' potential and increasing company productivity.
- A broad range of training packages are available to businesses from basic level skills 2, Level 3 and other higher-level skills such as Leadership and Management.

### Forthcoming Changes

34. The activities of Train to Gain are set to continue with the move from the Local Skills Council to the Skills Funding Agency (SFA). This has brought about radical changes with regards the way young people and adults are to be funded in the future. *Raising Expectations: enabling the system to deliver* lists proposals transforming the post 19 skills system. The new SFA is there to create a demand led, flexible and responsive system.
35. The SFA will pass post-19 funding to colleges, ensuring that funding follows the learner. The SFA is increasing funding for Train to Gain from £520m in 2007/08 to over £1 billion by 2010-11. This supports the move to increasing the proportion of adult skills funding that is to be delivered through demand led routes. In addition to this, new flexibilities for small and medium sized businesses are being built into the current system in order for them to train their staff. One example of this is to make all training at Level 2 free for all SME employees regardless of their current skill level.
36. From here on, Train to Gain will: *deliver a national skills service to all sizes of business in all sectors and include the National Employment Service. It will ensure a demand – led skills system which raises employment skills levels, is valued by employers and used by them to seek brokerage interventions to help them find solutions. It will aim to secure a culture change that makes employers value skills<sup>64</sup>.*
37. The Future Jobs Fund aims to create 150,000 additional jobs, primarily aimed at 18-24 year olds who have been out of work for nearly a year. The Future Jobs Fund is a part of the Young Person's Guarantee. From early 2010, everyone in between the ages of 18 and 24 who has been looking for work for a year will get an offer of a job, work experience, or training lasting at least 6 months. The fund is specifically targeting 50,000 jobs in unemployment hotspots and expects around 10,000 of the 150,000 jobs created to be "green" jobs<sup>65</sup>.
38. One other development that the NW ESF Framework will also need to reflect is the SFA's commitment to implementing a regional plan for skills to be set by the RDAs. The NWDA will now be responsible for identifying the strategic skills gaps in the North and the investments that employees need if their skills are to be developed.

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<sup>64</sup> DIUS – FE & Skills System Reform – an update – December 2008 – p24.

<sup>65</sup> The Young People's Guarantee is currently due to finish in early 2011 and before finalising allocations and eligible activity, partners should review how successful the scheme has been, what demand is still there (in terms of volumes of young people who are still long term unemployed).

### Key Growth Sectors

39. HM Government produced *New Industry, New Jobs – Building Britain's Future* in April 2009. This is a strategic vision for Britain's recovery from the credit crunch and economic downturn. The document also sets out what is needed in terms of preparation for the upturn and beyond.
40. Four priority areas are identified for action and reform: 1) Innovation 2) Skills 3) Finance and 4) Infrastructure. This is to ensure that businesses can grow and access growing global markets. The document also emphasises that innovative businesses need educated entrepreneurial and skilled people. Investment in education and skills is an important part of the Government's economic and industrial policy.
41. There is also an identified need to address Britain's comparative weakness in low and intermediate skills and in specific skills such as handling IT. This strategy is about implementing a demand led system that delivers what individuals and employers need (e.g. Train to Gain outlined above).
42. The strategy also highlights the need to respond to future growth in economy areas such as low carbon or bioscience or in those driven by broader demographic change such as the care, hospitality and leisure sectors. There will also be an emphasis on childcare skills.
43. Existing and future priority areas include:
  - Low carbon industrial strategy
  - Ultra low carbon vehicles
  - Digital Britain
  - Life sciences and pharmaceuticals
  - Advanced Manufacturing – aerospace, composite materials, industrial biotechnology sector, plastic electronics, professional and financial services, engineering construction and industrial opportunities in an aging society.
44. The low carbon economy is discussed in more detail below.

### Low carbon Industrial Economy

45. Launched on 15<sup>th</sup> July 2009, *The UK Low Carbon Industrial Strategy* has a core objective to ensure that British businesses and workers are equipped to maximise the economic opportunities and minimise the costs of transition to a low carbon economy. This document builds on the *Industry, New Jobs – Building Britain's Future* discussed above.
46. The intention is not to support particular technologies or sectors on principle but to target areas where Britain has the potential to take a leading global role and where it is possible to unlock long term competition.
47. The following low carbon industries and advanced green manufacturing areas have been identified as potential growth areas for British firms:

- Offshore wind
  - Wave and tidal power
  - Civil nuclear power
  - Ultra-low carbon vehicles
  - Renewable construction materials
  - Renewable Chemicals
  - Low carbon Manufacturing
48. Within this comes the need to equip the British workforce with the skills that will allow them to seize the opportunities of the low carbon economy. This includes the development of a new skills strategy that will address the UK's low carbon skills needs.

### Alignment with North West Employment and Skills Policy Agenda

#### Regional Skills Priorities

49. The updated Employment and Skills Evidence Base provides a comprehensive analysis of the employment and skills position and prospects of the North West economy, as well as highlighting fifteen key employment and skills *issues*. The issues, which are shown below, vary widely in terms of their focus and relevance to the region's economic performance and prospects.
50. These Issues are helpful in thinking about economic and labour market structure and change. However, it is more helpful to express these issues as more action orientated *challenges or opportunities* and which have more relevance in the preparation of the region's IRS. This has helped partners to prioritise between the challenges and will, in due course, assist in the identification of approaches and actions through which to tackle them.
51. The challenges have been grouped within four key themes:
- **Competitive workers** – responding to the need for the regional economy to ensure an adequate supply of skilled workers, across the occupational groupings, skill levels and competences
  - **Competitive employers** – securing a competitive regional economy by ensuring that employers have access to the skills which they need to grow and add value and that the region can attract in high value added industries and employers
  - **Competitive economies** – ensuring that sub-regional and local economies are able to meet their skill requirements and address their specific challenges, thereby making a valuable contribution to the competitiveness of the region as a whole
  - **Supporting actions** – these include a variety of actions which cut across the demand and supply sides of the labour market, but which are essential to the competitiveness of the regional and sub-regional economies. The actions are focused on the nature and delivery of learning and training infrastructure and the

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manner in which partners in the region adjust to the proposed changes in strategy, funding and delivery of this provision.

52. In addition, a number of short term challenges are identified, which reflect the immediate and shorter term challenges arising from the current economic recession. The key challenges are displayed in Table B-5:

<b>Table B-5: Key Skills and Employment Challenges and Opportunities for the North West</b>
<b>Challenge/Opportunity</b>
<b>Competitive Workers</b>
1. Encouraging participation & addressing the demographic challenge
2. Securing a larger pool of highly skilled workers
3. Ensuring a commitment to continual skills development amongst adults, especially attainment at L2-L3
4. Enabling informed decisions, raising aspirations and attainment amongst young people, especially at L2 and 3 and tackling NEET.
5. Helping the workless gain sustainable & rewarding employment
6. Encouraging innovative and enterprising behaviours
<b>Competitive Employers</b>
7. Ensuring employers have access to workers and skills they need (a) Meeting the skill needs of key growth and priority sectors
7. Ensuring employers have access to workers and skills they need (b) Meeting the skill needs of other major employing sectors
8. Developing a positive culture of training, human resource management and employment practice
9. Developing the capability of SMEs through their leadership & management
<b>Competitive Economies</b>
10. Meeting the skill needs of areas with prospects for strong economic & population growth
11. Tackling worklessness concentrated in communities
12. Ensuring local partners research, plan & respond to their particular labour market needs
<b>Other Supporting Actions</b>
13. Developing the skills escalator to adequately up skill the workforce
14. Ensuring the responsiveness of provision to the needs of employers
15. Adjusting effectively to political, organisational & delivery changes
<b>Short Term Actions</b>
16. Responding to the economic downturn - tackling redundancy
17. Responding to the economic downturn - maintaining workplace training for current & future skill needs

53. The critical challenges address both demand and supply issues, across the region, its business and residential locations, and the mix of economic sectors. An underpinning emphasis is upon ensuring that high quality, flexible provision is available that responds to the needs of employers and workers. A further consideration is that all activity addresses and responds to equality and diversity considerations.

### The North West Joint Regional Response to the Downturn

54. In response to the economic downturn, key agencies from across the North West have developed a co-ordinated response<sup>66</sup>. This provides support to individuals in order for them to acquire the necessary skills to secure and maintain employment. Specifically, support is aimed at: 1) Individuals at risk of redundancy 2) Newly redundant individuals 3) Long term

<sup>66</sup> RSEB – The North West Joint Regional Response to the Labour Market Downturn – Summary

unemployed and workless and 4) New entrants to the labour market. This support for individuals is also coupled with support for employers.

55. In line with this response and due to the recent currency revaluation, JC+ and LSC have been able to increase both the scale and tailoring of support to those most affected by the recession. For example, it is stated that:

- **JCP** will vary existing contracts to focus new funds on JSA clients who are facing greatest disadvantage in the labour market and particularly those who have been unemployed for 6 months or more.
- The **LSC** will use ESF to provide individuals affected by the downturn with careers guidance services and to equip them with new vocational skills to access alternative employment.

56. Vocational provision is being delivered by existing Train to Gain providers. In 2008, they worked with over 10,000 businesses which are an important source of employment opportunities.

### Alignment with the North West ERDF Operational Programme

57. As discussed above, the Lisbon Agenda provides the overarching driving force for the ERDF programme and therefore the UK National Reform Programme. The North West ERDF programme supports the key policy drivers of creating employment opportunities for all and promoting productivity and growth and consists of 4 Priorities and 11 Action Areas. North West ESF interventions can support ERDF priorities in a variety of ways.

- Priority 1
  - Linking access to employment actions to the jobs being created, both in terms of sectors/occupations (and their skills requirements) and spatial areas;
  - Outreach support to stimulate enterprise in deprived areas and among disadvantaged groups (to support activities under ERDF Priority 4-1);
  - Improvements in transport accessibility and improved accessibility of high unemployment areas to areas of employment growth (to support activities under ERDF Priority 4-2);
  - Support for programmes of employment creation in prioritised regeneration areas characterised by low employment rates (to support activities under ERDF Priority 4-3);
- Priority 2
  - Support for skills development at Level 3 and above for key regional sectors (to support ERDF Priority 1 sector support);
  - Addressing the region's skills needs in relation to developing the environmental technology sector (ERDF Priority 1);

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- Leadership and management skills development to support increased innovation (to support ERDF Priority 2 activities);
- Ensuring that the region benefits from a workforce that has the skills to enable businesses to address their own environmental challenges, and increase their competitiveness. This will include training employees in environmental management (ERDF Priority 2);

## Appendix C Detailed Regional Performance Targets

*The tables below are based on financial allocations provided by DWP in August 2009 before NOMS was confirmed as a CFO. All targets stated in these tables are therefore subject to change, pending further guidance from DWP on the amount of Priority 1 resource that will be allocated to the three CFOs (DWP/JC+, LSC/SFA and NOMS).*

### North West (Excluding Merseyside)

Table C-1: North West (Excluding Merseyside) Priority 1			
Indicator	2007-10 quantification	2011-13 quantification	2007-13 quantification
<b>Outputs</b>			
1.1 Total number of participants	57,600	43,200	100,800
1.2 Number and % of participants who are unemployed	(a) 24,200 (b) 42%	(a) 18,000 (b) 42%	(a) 42,200 (b) 42%
1.3 Number and % of participants who are inactive	(a) 19,600 (b) 34%	(a) 14,800 (b) 34%	(a) 34,400 (b) 34%
1.4 Number and % of participants aged 14 to 19 who are NEET or at risk of becoming NEET	(a) 11,500 (b) 20%	(a) 8,600 (b) 20%	(a) 20,100 (b) 20%
1.5 % of participants with disabilities or health conditions	22%	22%	22%
1.6 % of participants who are lone parents	12%	12%	12%
1.7 % of participants aged 50 or over	18%	18%	18%
1.8 % of participants from ethnic minorities	17%	17%	17%
1.9 % of female participants	51%	51%	51%
<b>Results</b>			
1.10 Number and % of participants in work on leaving	(a) 12,650 (b) 22%	(a) 9,550 (b) 22%	(a) 22,200 (b) 22%
1.11 Number and % of participants in work six months after leaving	(a) 15,000 (b) 26%	(a) 11,200 (b) 26%	(a) 26,200 (b) 26%
1.12 Number and % of economically inactive participants engaged in job search activity or further learning	(a) 8,800 (b) 45%	(a) 6,700 (b) 45%	(a) 15,500 (b) 45%
1.13 Number and % of 14 to 19 year old NEETs or at risk, in education, employment or training on leaving	(a) 5,200 (b) 45%	(a) 3,800 (b) 45%	(a) 9,000 (b) 45%

Table C-2: North West (Excluding Merseyside) Priority 2			
Indicator	2007-10 quantification	2011-13 quantification	2007-2013 quantification
<b>Outputs</b>			
2.1 Total number of participants	56,950	42,750	99,700
2.2 Number and % of participants with basic skills needs	(a) 23,350 (b) 41%	(a) 17,350 (b) 41%	(a) 40,700 (b) 41%
2.3 Number and % of participants without Level 2 qualifications	(a) 23,350 (b) 41%	(a) 17,450 (b) 41%	(a) 40,800 (b) 41%

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<b>Table C-2: North West (Excluding Merseyside) Priority 2</b>			
<b>Indicator</b>	<b>2007-10 quantification</b>	<b>2011-13 quantification</b>	<b>2007-2013 quantification</b>
<b>Outputs</b>			
2.4 Number and % of participants without Level 3 qualifications	(a) 6,850 (b) 12%	(a) 5,350 (b) 12%	(a) 12,200 (b) 12%
2.5 % of participants with disabilities or health conditions	15%	15%	15%
2.6 % of participants aged 50 and over	20%	20%	20%
2.7 % of participants from ethnic minorities	8%	8%	8%
2.8 % of female participants	50%	50%	50%
<b>Results</b>			
2.9 Number and % of participants gaining basic skills	(a) 10,500 (b) 45%	(a) 7,800 (b) 45%	(a) 18,300 (b) 45%
2.10 Number and % of participants gaining Level 2 qualifications	(a) 9,350 (b) 40%	(a) 6,950 (b) 40%	(a) 16,300 (b) 40%
2.11 Number and % of participants gaining Level 3 qualifications	(a) 2,050 (b) 30%	(a) 1,650 (b) 30%	(a) 3,700 (b) 30%

## Merseyside

<b>Table C-3: Merseyside Priority 1</b>			
<b>Indicator</b>	<b>2007-10 quantification</b>	<b>2011-13 quantification</b>	<b>2007-13 quantification</b>
<b>Outputs</b>			
1.1 Total number of participants	49,800	8,100	57,900
1.2 Number and % of participants who are unemployed	(a) 22,900 (b) 46%	(a) 3,400 (b) 46%	(a) 26,300 (b) 46%
1.3 Number and % of participants who are inactive	(a) 18,450 (b) 37%	(a) 3,050 (b) 37%	(a) 21,500 (b) 37%
1.4 Number and % of participants aged 14 to 19 who are NEET or at risk of becoming NEET	(a) 6,450 (b) 13%	(a) 1,150 (b) 13%	(a) 7,600 (b) 13%
1.5 % of participants with disabilities or health conditions	22%	22%	22%
1.6 % of participants who are lone parents	12%	12%	12%
1.7 % of participants aged 50 or over	18%	18%	18%
1.8 % of participants from ethnic minorities	5%	5%	5%
1.9 % of female participants	51%	51%	51%
<b>Results</b>			
1.10 Number and % of participants in work on leaving	(a) 10,950 (b) 22%	(a) 1,750 (b) 22%	(a) 12,700 (b) 22%
1.11 Number and % of participants in work six months after leaving	(a) 12,950 (b) 26%	(a) 2,050 (b) 26%	(a) 15,000 (b) 26%
1.12 Number and % of economically inactive participants engaged in job search activity or further learning	(a) 8,300 (b) 45%	(a) 1,400 (b) 45%	(a) 9,700 (b) 45%
1.13 Number and % of 14 to 19 year old NEETs or at risk, in education, employment or training on leaving	(a) 2,900 (b) 45%	(a) 500 (b) 45%	(a) 3,400 (b) 45%

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<b>Table C-4: Merseyside Priority 2</b>			
<b>Indicator</b>	<b>2007-10 quantification</b>	<b>2011-13 quantification</b>	<b>2007-2013 quantification</b>
<b>Outputs</b>			
2.1 Total number of participants	50,300	8,200	58,500
2.2 Number and % of participants with basic skills needs	(a) 20,600 (b) 41%	(a) 3,300 (b) 41%	(a) 23,900 (b) 41%
2.3 Number and % of participants without Level 2 qualifications	(a) 20,600 (b) 41%	(a) 3,400 (b) 41%	(a) 24,000 (b) 41%
2.4 Number and % of participants without Level 3 qualifications	(a) 6,050 (b) 12%	(a) 1,050 (b) 12%	(a) 7,100 (b) 12%
2.5 % of participants with disabilities or health conditions	15%	15%	15%
2.6 % of participants aged 50 and over	20%	20%	20%
2.7 % of participants from ethnic minorities	4%	4%	4%
2.8 % of female participants	50%	50%	50%
<b>Results</b>			
2.9 Number and % of participants gaining basic skills	(a) 9,300 (b) 45%	(a) 1,500 (b) 45%	(a) 10,800 (b) 45%
2.10 Number and % of participants gaining Level 2 qualifications	(a) 8,250 (b) 45%	(a) 1,350 (b) 45%	(a) 9,600 (b) 40%
2.11 Number and % of participants gaining Level 3 qualifications	(a) 1,800 (b) 30%	(a) 300 (b) 30%	(a) 2,100 (b) 30%

## Appendix D Detailed Financial Allocations

The tables below are based on financial allocations provided by DWP in August 2009 before NOMS was confirmed as a CFO. All financial content in these tables is therefore subject to change, pending further guidance from DWP on the amount of Priority 1 resource that will be allocated to the three CFOs (DWP/JC+, LSC/SFA and NOMS).

Figures in this Annex have been calculated using the planning exchange rate of £0.78 to 1€, as stated in DWP guidance. The tables will need to be further updated to reflect currency fluctuations and further discussions at the national level on planning exchange rates.

### North West

Table D-1: North West Priority 1 (£)			
Year	ESF	Public Match	ESF + Public Match
2007	52,255,905	52,255,905	104,511,810
2008	46,412,678	46,412,678	92,825,356
2009	40,314,520	40,314,520	80,629,040
2010	33,953,570	33,953,570	67,907,140
2011	27,321,758	27,321,758	54,643,516
2012	27,883,177	27,883,177	55,766,354
2013	28,455,823	28,455,823	56,911,646
<b>Total 2007-10</b>	<b>172,936,673</b>	<b>172,936,673</b>	<b>345,873,346</b>
<b>Total 2011-13</b>	<b>83,660,758</b>	<b>83,660,758</b>	<b>167,321,516</b>
<b>Total 2007-13</b>	<b>256,597,431</b>	<b>256,597,431</b>	<b>513,194,862</b>

Table D-2: North West Priority 2 (£)			
Year	ESF	Public Match	ESF + Public Match
2007	29,816,547	29,816,547	59,633,094
2008	26,612,197	26,612,197	53,224,394
2009	23,268,046	23,268,046	46,536,092
2010	19,779,783	19,779,783	39,559,566
2011	16,142,982	16,142,982	32,285,964
2012	16,450,857	16,450,857	32,901,714
2013	16,764,891	16,764,891	33,529,782
<b>Total 2007-10</b>	<b>99,476,573</b>	<b>99,476,573</b>	<b>198,953,146</b>
<b>Total 2011-13</b>	<b>49,358,730</b>	<b>49,358,730</b>	<b>98,717,460</b>
<b>Total 2007-13</b>	<b>148,835,303</b>	<b>148,835,303</b>	<b>297,670,606</b>

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<b>Table D-3: North West Technical Assistance (£)</b>			
<b>Year</b>	<b>ESF</b>	<b>Public Match</b>	<b>ESF + Public Match</b>
2007	1,814,090	1,814,090	3,628,180
2008	1,516,339	1,516,339	3,032,678
2009	1,205,953	1,205,953	2,411,906
2010	882,545	882,545	1,765,090
2011	1,811,030	1,811,030	3,622,060
2012	1,847,251	1,847,251	3,694,502
2013	1,884,197	1,884,197	3,768,394
<b>Total 2007-10</b>	<b>5,418,927</b>	<b>5,418,927</b>	<b>10,837,854</b>
<b>Total 2011-13</b>	<b>5,542,478</b>	<b>5,542,478</b>	<b>11,084,956</b>
<b>Total 2007-13</b>	<b>10,961,405</b>	<b>10,961,405</b>	<b>21,922,810</b>

### North West (Excluding Merseyside)

<b>Table D-4: North West (Excluding Merseyside) Priority 1 (£)</b>			
<b>Year</b>	<b>ESF</b>	<b>Public Match</b>	<b>ESF + Public Match</b>
2007	21,119,848	21,119,848	42,239,696
2008	21,557,229	21,557,229	43,114,458
2009	22,003,359	22,003,359	44,006,718
2010	22,458,410	22,458,410	44,916,820
2011	22,922,563	22,922,563	45,845,126
2012	23,395,998	23,395,998	46,791,996
2013	23,878,901	23,878,901	47,757,802
<b>Total 2007-10</b>	<b>87,138,846</b>	<b>87,138,846</b>	<b>174,277,692</b>
<b>Total 2011-13</b>	<b>70,197,462</b>	<b>70,197,462</b>	<b>140,394,924</b>
<b>Total 2007-13</b>	<b>157,336,308</b>	<b>157,336,308</b>	<b>314,672,616</b>

<b>Table D-5: North West (Excluding Merseyside) Priority 2 (£)</b>			
<b>Year</b>	<b>ESF</b>	<b>Public Match</b>	<b>ESF + Public Match</b>
2007	12,741,935	12,741,935	25,483,870
2008	12,981,790	12,981,790	25,963,580
2009	13,226,441	13,226,441	26,452,882
2010	13,475,985	13,475,985	26,951,970
2011	13,730,521	13,730,521	27,461,042
2012	13,990,147	13,990,147	27,980,294
2013	14,254,966	14,254,966	28,509,932
<b>Total 2007-10</b>	<b>52,426,151</b>	<b>52,426,151</b>	<b>104,852,302</b>
<b>Total 2011-13</b>	<b>41,975,634</b>	<b>41,975,634</b>	<b>83,951,268</b>
<b>Total 2007-13</b>	<b>94,401,785</b>	<b>94,401,785</b>	<b>188,803,570</b>

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<b>Table D-6: North West (Excluding Merseyside) Technical Assistance (£)</b>			
<b>Year</b>	<b>ESF</b>	<b>Public Match</b>	<b>ESF + Public Match</b>
2007	307,506	307,506	615,012
2008	313,656	313,656	627,312
2009	319,929	319,929	639,858
2010	326,328	326,328	652,656
2011	1,527,211	1,527,211	3,054,422
2012	1,557,756	1,557,756	3,115,512
2013	1,588,911	1,588,911	3,177,822
<b>Total 2007-10</b>	<b>1,267,419</b>	<b>1,267,419</b>	<b>2,534,838</b>
<b>Total 2011-13</b>	<b>4,673,878</b>	<b>4,673,878</b>	<b>9,347,756</b>
<b>Total 2007-13</b>	<b>5,941,297</b>	<b>5,941,297</b>	<b>11,882,594</b>

## Merseyside

<b>Table D-7: Merseyside Priority 1 (£)</b>			
<b>Year</b>	<b>ESF</b>	<b>Public Match</b>	<b>ESF + Public Match</b>
2007	31,136,057	31,136,057	62,272,114
2008	24,855,449	24,855,449	49,710,898
2009	18,311,161	18,311,161	36,622,322
2010	11,495,160	11,495,160	22,990,320
2011	4,399,195	4,399,195	8,798,390
2012	4,487,179	4,487,179	8,974,358
2013	4,576,922	4,576,922	9,153,844
<b>Total 2007-10</b>	<b>85,797,827</b>	<b>85,797,827</b>	<b>171,595,654</b>
<b>Total 2011-13</b>	<b>13,463,296</b>	<b>13,463,296</b>	<b>26,926,592</b>
<b>Total 2007-13</b>	<b>99,261,123</b>	<b>99,261,123</b>	<b>198,522,246</b>

<b>Table D-8: Merseyside Priority 2 (£)</b>			
<b>Year</b>	<b>ESF</b>	<b>Public Match</b>	<b>ESF + Public Match</b>
2007	17,074,612	17,074,612	34,149,224
2008	13,630,407	13,630,407	27,260,814
2009	10,041,605	10,041,605	20,083,210
2010	6,303,798	6,303,798	12,607,596
2011	2,412,461	2,412,461	4,824,922
2012	2,460,710	2,460,710	4,921,420
2013	2,509,925	2,509,925	5,019,850
<b>Total 2007-10</b>	<b>47,050,422</b>	<b>47,050,422</b>	<b>94,100,844</b>
<b>Total 2011-13</b>	<b>7,383,096</b>	<b>7,383,096</b>	<b>14,766,192</b>
<b>Total 2007-13</b>	<b>54,433,518</b>	<b>54,433,518</b>	<b>108,867,036</b>

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Table D-9: Merseyside Technical Assistance (£)			
Year	ESF	Public Match	ESF + Public Match
2007	1,506,584	1,506,584	3,013,168
2008	1,202,683	1,202,683	2,405,366
2009	886,024	886,024	1,772,048
2010	556,217	556,217	1,112,434
2011	283,819	283,819	567,638
2012	289,495	289,495	578,990
2013	295,286	295,286	590,572
<b>Total 2007-10</b>	<b>4,151,508</b>	<b>4,151,508</b>	<b>8,303,016</b>
<b>Total 2011-13</b>	<b>868,600</b>	<b>868,600</b>	<b>1,737,200</b>
<b>Total 2007-13</b>	<b>5,020,108</b>	<b>5,020,108</b>	<b>10,040,216</b>

### Activity

Table D-10: North West Priority 1, 2007-2013 (£)						
	Total 2007-10		Total 2011-13		Total 2007-13	
NEET	39,775,435	23%	19,241,974	23%	59,017,409	23.0%
Adult workless	121,055,671	70%	58,562,531	70%	179,618,202	70.0%
Community Grants	4,323,416	2.5%	2,091,519	2.5%	6,414,935	2.5%
Balance	7,782,151	4.5%	3,764,734	4.5%	11,546,885	4.5%
<b>Total</b>	<b>172,936,673</b>	<b>100%</b>	<b>83,660,758</b>	<b>100%</b>	<b>256,597,431</b>	<b>100%</b>

Table D-11: North West Priority 2, 2007-2013 (£)						
	Total 2007-10		Total 2011-13		Total 2007-13	
Skills support	99,476,573	100%	49,358,730	100%	148,835,303	100%
<b>Total</b>	<b>99,476,573</b>	<b>100%</b>	<b>49,358,730</b>	<b>100%</b>	<b>148,835,303</b>	<b>100%</b>

Table D-12: North West (Excluding Merseyside) Priority 1, 2007-2013 (£)						
	Total 2007-10		Total 2011-13		Total 2007-13	
NEET	20,041,935	23%	16,145,416	23%	36,187,351	23.0%
Adult worklessness	60,997,192	70%	49,138,224	70%	110,135,416	70.0%
Community Grants	2,178,471	2.5%	1,754,937	2.5%	3,933,408	2.5%
Balance	3,921,248	4.5%	3,158,885	4.5%	7,080,133	4.5%
<b>Total</b>	<b>87,138,846</b>	<b>100%</b>	<b>70,197,462</b>	<b>100%</b>	<b>157,336,308</b>	<b>100%</b>

Table D-13: North West (Excluding Merseyside) Priority 2, 2007-2013 (£)						
	Total 2007-10		Total 2011-13		Total 2007-13	
Skills support	52,426,151	100%	41,975,634	100%	94,401,785	100%
<b>Total</b>	<b>52,426,151</b>	<b>100%</b>	<b>41,975,634</b>	<b>100%</b>	<b>94,401,785</b>	<b>100%</b>

## Revised North West ESF Framework, 2011-13

<b>Table D-14: Merseyside Priority 1, 2007-2013 (£)</b>						
	<b>Total 2007-10</b>		<b>Total 2011-13</b>		<b>Total 2007-13</b>	
NEET	19,733,500	23%	3,096,558	23%	22,830,058	23%
Adult workless	60,058,479	70%	9,424,307	70%	69,482,786	70%
Community Grants	2,144,945	2.5%	336,582	2.5%	2,481,527	2.50%
Balance	3,860,903	4.5%	605,849	4.5%	4,466,752	4.50%
<b>Total</b>	<b>85,797,827</b>	<b>100%</b>	<b>13,463,296</b>	<b>100%</b>	<b>99,261,123</b>	<b>100%</b>

<b>Table D-15: Merseyside Priority 2, 2007-2013 (£)</b>						
	<b>Total 2007-10</b>		<b>Total 2011-13</b>		<b>Total 2007-13</b>	
Skills support	47,050,422	100%	7,383,096	100%	54,433,518	100%
<b>Total</b>	<b>47,050,422</b>	<b>100%</b>	<b>7,383,096</b>	<b>100%</b>	<b>54,433,518</b>	<b>100%</b>



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