



# PRODUCTIVE GROWTH

## INSIGHTS REPORT

In partnership with:



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**On 12 October 2018, NLGN partnered with SNC-Lavalin Atkins to host the sixth in our series of Innovation Exchanges.**

Participants from across NLGN's network came together for a peer to peer learning session to grapple with the challenges and explore the opportunities to boost productive growth.

The national productivity challenge is felt across the country through wages, living standards and the wider opportunities available in communities. The UK's output per worker was 16.6 per cent lower than the rest of the G7 countries in 2016.<sup>1</sup>

But the productivity challenge plays out very differently across the country. For example, labour productivity in London is 46 per cent above the UK average,<sup>2</sup> which in itself masks huge differences within the London region. This variation was reflected in the diversity of contributions on the day, with participants from London to Cornwall and Newcastle sharing their insights and experiences.

<sup>1</sup> See <https://www.ons.gov.uk/economy/economic-outputandproductivity/productivitymeasures/bulletins/internationalcomparisonsofproductivityfinal-estimates/2016>

<sup>2</sup> See <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/regionalandsubregionalproductivityintheuk/february2018>

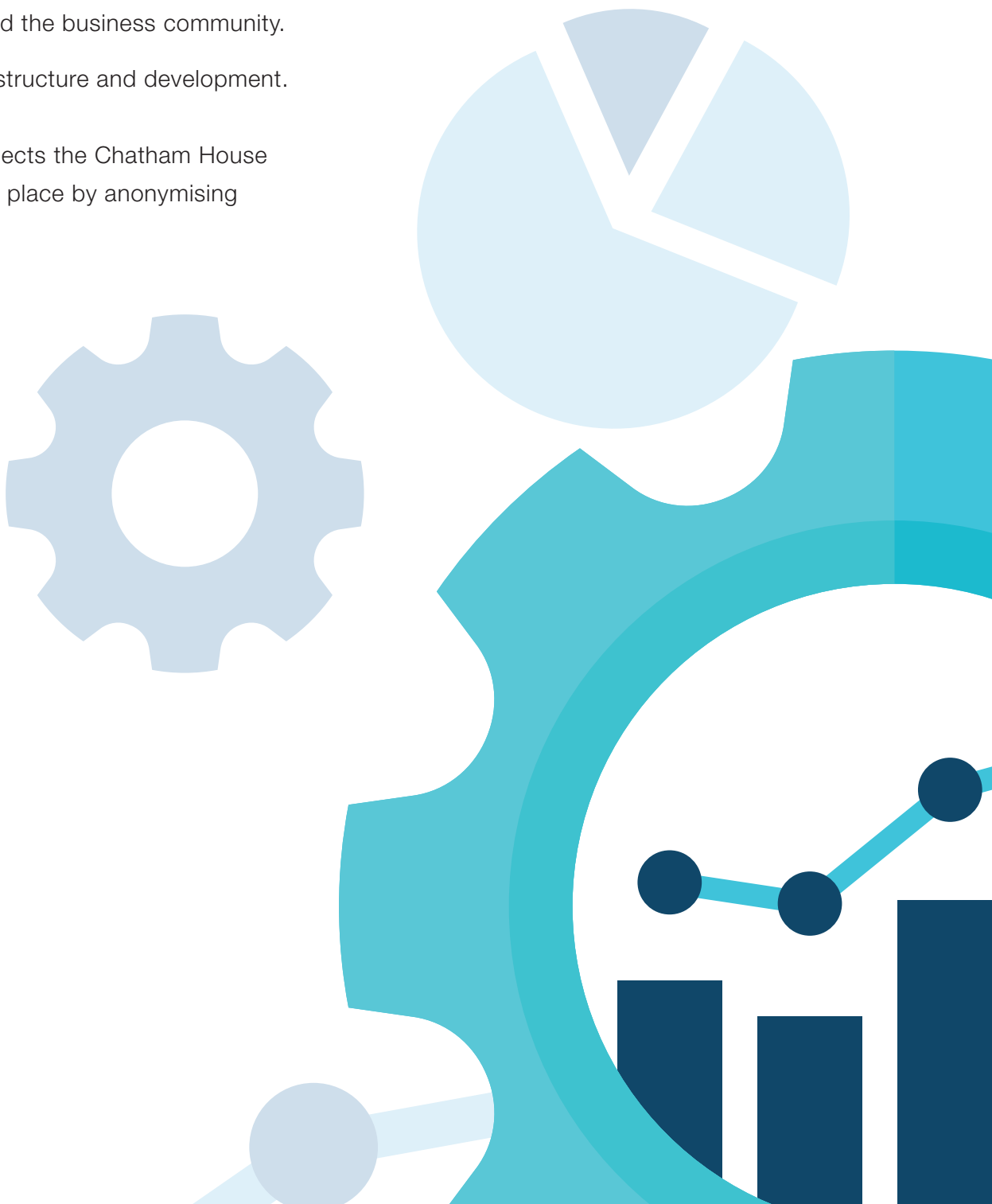
Despite this diversity, there are many common concerns and barriers that councils are facing in their efforts to boost productivity. Key themes include:

- **FINANCES AND RISK:** Creating the right conditions for growth is more challenging in a context of substantial cuts, which can limit councils' financial reach and the ability to take measured risks.
- **WORKFORCE:** Growth in productivity relies on having the right skills in the pipeline. During a period of rapid change in both the nature of work and the workforce, getting skills development right is increasingly important.
- **THE WIDER ENVIRONMENT:** There is a danger that features of the wider environment, which in turn affect productivity, can be overlooked. These features include transport, services and aspects of the built environment.
- **SOCIAL VALUE:** Whilst the primary focus of this Innovation Exchange was productive growth rather than inclusive growth, there was recognition that there is an inevitable and important overlap between the two. Challenges exist in developing a mutual understanding between sectors on what delivering inclusive growth and social value means in practice.

In the face of these and other challenges, councils are using the tools they have at their disposal. This report considers three key levers that councils can use to shape and deliver productive growth:

- Upskilling the workforce.
- Building effective partnerships between councils and the business community.
- Wider infrastructure and development.

The report respects the Chatham House rule that was in place by anonymising contributions.



## ABOUT OUR SPONSORS

SNC-Lavalin's Atkins business was delighted to host the latest Innovation Exchange in October around how we encourage productive growth for local authorities. As highlighted in this report, the UK's productivity is just under 17% below the G7 average. In the context of the wider infrastructure and environment, the offices that we work in can have a major positive impact on productivity.

As an organisation we have undertaken research with Imperial College London on the benefits of Human Centred Design (HCD), which could contribute significantly to addressing the productivity challenge that we face in the UK. Our research undertaken with Imperial College London, focused on the ripple down effect of productivity through HCD focused on health and wellbeing, in particular, how HCD can positively impact future business growth and improve the position of the national economy. According to the study, a human-centred approach could lead to an increase of 5%-8% to UK productivity levels, which in turn could contribute up to £20bn to GDP.

HCD involves examining the work environment and how its design impacts staff and their wellbeing. The research identifies six areas where a HCD focus can have a positive impact including:

- **LIGHTING:** through providing substantial daylight provision or high quality artificial lighting;
- **INTERACTION:** to allow individuals within the office a degree of self-control over their environment to control their immediate space or the physical desk set up;
- **NOISE AND ACOUSTICS:** reduce or eliminate environmental noise, for example traffic, pink noise (human voices) or white noise (air conditioning);
- **THERMAL COMFORT:** allowing individuals to control the temperature of their immediate space;
- **VENTILATION:** ensure the office has sufficient ventilation, with air purification systems to filter out volatile organic compounds and carbon dioxide;
- **VISUAL ELEMENTS:** provide employees with plants and scenic outside views.

It is estimated that 570,000 work hours are lost every year in the UK to absences linked to poor building design. Creating workplaces that centre around peoples' needs is the model that has already been adopted by a number of buildings in the UK, with positive benefits. If adopted more widely could see the UK's productivity continue to make positive gains into the future.

If you would like to find out more about our approach to HCD then please contact Mike Batheram, Client Director, SNC-Lavalin Atkins at [mike.batheram@atkinglobal.com](mailto:mike.batheram@atkinglobal.com).

## **CHALLENGE 1: HOW DO COUNCILS, EDUCATION PROVIDERS AND EMPLOYERS ENSURE THE RIGHT SKILLS ARE IN THE PIPELINE?**

The nature of work and the make-up of the workforce are changing. Old industries are fading, technology is driving significant change in many jobs and the workforce is ageing, all against a backdrop of substantial political uncertainty. This brings challenges and opportunities in terms of both the nature of skills required and how these talents are developed and retained in a place.

### **DELIVERING THE SKILLS FOR TOMORROW**

#### **VALUE AND PROMOTE VOCATIONAL ROUTES**

There is often a disconnect between education policy and the skills that are required in the workplace. Schools incentivise children to pass exams but employers are often frustrated that this doesn't lead to the skills they need both now and in the future. Vocational routes must be given greater status and actively incentivised alongside university routes. This renewed vocational focus needs to be supported by changes

to apprenticeships – the Apprenticeship Levy has not created the relationships with businesses that councils hoped for.

#### **A PLACE-BASED VIEW**

Investing in specialist skills can support local niche industries. Where there is a local labour market need, it is possible to incentivise people to go into these areas of work by, for example, reducing the costs of training. However, where places are trying to attract new industries, there can be a 'chicken and egg' paradox whereby the right skills need to be in supply in an area in order to attract businesses, yet an existing business within a place may be a necessary foundation to incentivise and support skills development, particularly in niche industries.

#### **LIFELONG LEARNING**

As the workforce ages and the pace of change in the workplace continues, councils are recognising the value of investing in retraining and lifelong learning opportunities. However, this needs to be backed up by adequate funding and the large-scale infrastructure required to provide these opportunities at scale.

#### **INVEST IN SOFT SKILLS**

During a period of rapid technological change, it's important not to lose sight

of the value of soft skills, communication and understanding community dynamics. Technical skills can often be taught later while soft skills can be harder to get right.

## COLLABORATION BETWEEN COUNCILS, EDUCATION PROVIDERS AND EMPLOYERS TO UPSKILL THE WORKFORCE

Delivering the skills for tomorrow is a complex challenge and one that demands collaboration. This includes collaboration between local authorities as well as councils facilitating collaboration with and between education providers and employers. It can be easier and more productive to collaborate on a very specific part of the skills agenda rather than to generically 'boost skills' in the area.

## ENGAGEMENT AND OUTREACH

Many participants discussed the benefits of engaging with children and young people, particularly before students begin to narrow down their options through choosing A-level or equivalent qualifications. Methods of engagement in schools and colleges include:

- **HOMEWORK AND BREAKFAST CLUBS:** One council runs a social value programme, which involves clubs that are designed to support students with current work but also provide opportunities to engage with young people about future work prospects. All secondary school

children also complete one hundred hours of work experience by the time they reach year 12. This not only prepares these students for the world of work but allows both employers and potential future employees to build relationships.

- **SHORT-TERM WORK EXPERIENCE:** Work experience opportunities can give young people a flavour of areas of work that might be of interest in the future. One participant outlined the work experience they provide in engineering. This outreach programme is led by recent graduates, which not only helps to reduce the cost of the programme but may be more effective since young people can find it easier to relate to younger employees. This scheme also involves engaging with the parents of children on the programme.
- **MENTORING:** Members of the business community can act as mentors for local young people. One example was given of a mentoring programme for the 'silent majority' of mid-attaining students who benefit from mentors' guidance and support.

Examples were also provided of engagement across the ages and beyond the school environment:

- **JOBS FAIRS:** While jobs fairs are a valuable tool for engagement, these can be improved through collaboration with jobs centres; holding fairs at a variety

of times to accommodate variable working hours; and ensuring fairs include employers advertising 'real jobs' as well as training schemes.

- **RETAINING TALENT:** Just as important as developing talent is retaining it. There may be many high-skilled jobs available but a shortage of people to fill these positions. In one city, a talent retention programme and business ambassador programme are being launched in a drive to retain graduates from the local universities. This includes pushing think-pieces and promoting the liveability of the city for young people.

## INFLUENCING CURRICULUMS AND ATTRACTING INVESTMENT

- **INFLUENCING CURRICULUMS:** Through collaborating with education providers, businesses are working to harness local talent and ensure the skills they require are developed. One example given was a contractor for a powerplant working with further education colleges to develop the right skills programme for their students. Another council has created a financial services group with businesses and the university to develop degrees that will improve graduate employment prospects in the area.

- **ATTRACTING INVESTMENT:** Local Economic Partnerships (LEPs) have the power to influence and attract investment but skills strategies developed by LEPs can be uncoordinated and not sufficiently focused on outcomes. However, a good example was provided of collaboration between the LEP, local university, further education colleges and civic organisations to lobby for a new engineering centre. This centre is geared towards a shared goal of tackling skills shortages, particularly as the city has high graduate retention but typically in low-paid jobs. Plans involve training engineers and providing expensive equipment that could be shared with colleges and employers to train apprentices.

## PROVIDING OPPORTUNITIES AND RESOURCES

- **APPRENTICESHIPS AND EMPLOYMENT OPPORTUNITIES:** Many employers are working with councils to deliver high-quality apprenticeships. Dedicated employment and skills boards are also devising new strategies and setting KPIs around apprenticeships.
- **SKILLS HUBS:** One council has worked with a local university to set up an entry level skills hub in a former university building. The recently opened hub, which required £5 million of capital

investment from the council, will provide services for apprentices and pathways to employment. It aims to provide 1000 residents in the area with high-level apprenticeships by 2022. There is a focus on health, caring and construction industries since there is high demand for these skills in the region. The hub caters for all ages and is open at varied times, accounting for child care provision and shift working patterns. There are hopes that other universities in the city will get involved in the project in the future.

- **FUNDING RESOURCES AND EQUIPMENT:** Businesses may buy expensive resources such as CNC machines, 3D printers and virtual reality equipment, which is then shared with colleges and universities for the training of future employees.

## CHALLENGE 2: HOW CAN EFFECTIVE PARTNERSHIPS BE BUILT BETWEEN COUNCILS AND THE BUSINESS COMMUNITY?

Councils are well-placed to build relationships with businesses and education providers, but it takes time and commitment. Effective and sustainable partnerships can be supported

by a change in council culture, starting small, and focusing on specific sectors.

## SKILLS AND BEHAVIOURS WITHIN COUNCILS

### COMMUNICATION AND ENGAGEMENT

Building effective dialogue with the business community relies on good communication and soft skills within the council. Success requires councils to be clear about what they are offering businesses and expertise in external relations, including consistent messaging to build council brand. Given the time and effort needed to build effective relationships, it can be helpful to have a dedicated business engagement officer. One council has created a group of business directors who meet several times a year to build more successful partnerships and aid relationships with government.

### COLLABORATION

Developing a shared growth agenda relies on collaboration within the council, with teams from across a local authority building relationships with businesses – beyond simply those working on economic development and growth. Collaboration across sectors is also required. For example, one council outlined the success of their High Street Summit on homelessness through joint-working between businesses, police, outreach workers, the council and others.

## SHARING POWER

Sometimes councils need to take a step back and relinquish some power for the best outcomes to be achieved. While councils play an important role in wider leadership, this doesn't necessarily have to transfer into all elements of strategy and execution. Some of the best partnerships are business-led and actively engage the local community, with councils and LEPs taking a supportive role.

There are also questions concerning the role of elected members in building partnerships with the business community. In some cases it might be appropriate to put members on partnership boards with business but this can depend heavily on the skillset of members. Electoral cycles can also cause issues in developing lasting partnerships with business. One council has moved to a four-year election system to create more stability.

## STARTING SMALL

Smaller projects with short time scales can be a good place to start building partnerships with businesses.

## HUBS AND AFFORDABLE WORKSPACES

Shared workspaces and hubs can nurture innovative SME sectors. Councils may, for example, invest in sought after shared equipment and resources to attract

businesses. Further incentives for businesses can be the supply of affordable workspaces or short, flexible leases.

## TRIALLING NEW WAYS OF WORKING

Tackling small-scale issues in partnership with a business can produce effective results and may lead to lasting relationships. One council invited employees from a large telecommunications company based in the area to work with their passenger transport team to resolve issues with routes and timetabling. Through this collaborative approach, the service was improved and savings of approximately 20 per cent were made.

## A FOCUS ON SPECIFIC SECTORS

Many councils are focusing their efforts on certain sectors to deliver productive growth. For example, one council is working with the private sector and various parts of the local education system to develop a cluster of world-leading environmental research, engineering and green technology. The three partner organisations are large local employers with high research spend. The initiative aims to encourage green innovation, attract investment and develop the necessary skills base.

Challenges can arise when neighbouring authorities are focusing on very similar sectors. Many councils are working together to ensure that, where possible, they are complementing one another and not

saturating certain markets. Further challenges include the seasonal nature of sectors such as tourism. In these cases, local authorities are working to attract new industries to support the local economy.

### **CHALLENGE 3: HOW CAN WIDER INFRASTRUCTURE AND DEVELOPMENT SUPPORT PRODUCTIVE GROWTH?**

Skills and effective business partnerships are vital features of productive growth. However, the importance of not losing sight of the bigger picture was a key thread running through the Innovation Exchange. This includes wider infrastructure and development to attract and retain people and businesses within a place.

#### **ENSURING THE VIABILITY OF DEVELOPMENT SITES**

It is easier for developers to make profit from larger sites, which can make it more challenging to attract investment for smaller sites. Some local authorities are overcoming these issues by bundling smaller sites together to sell to developers. Other councils are using development consultants to identify the most viable types of development and explore alternative development mechanisms or means of financing. Many developers

argue that they would be more willing to deliver at lower cost if they were more certain to win bids through exclusivity arrangements. However, some councils have encountered problems with this approach and it has then been hard to re-tender sites.

A further barrier to the viability of development sites can be developers' approach to delivering social value. There are cases where developers don't grasp the extent of additional value they need to deliver and it can become difficult to integrate these projects with councils' wider work on inclusive growth.

There is a shortage of construction skills across the country and there are concerns that Brexit will compound this issue further. It was agreed that large projects provide an opportunity for councils to work with developers to address issues linked to both skills and infrastructure delivery.

#### **HOUSING**

Participants argued that the innovation that has been seen in infrastructure such as transport is not seen to the same extent in housing. For example, modular approaches to housing development are underused but can enable large parts of buildings to be created off-site at lower cost.

Councils are taking advantage of the Home Building Fund, targeted at small developers

and contractors, which involves a zero per cent loan that is not paid back until properties are sold. There is a particular focus on investment in areas with high affordability pressures.

## SERVICES AND TRANSPORT

Housing development must be supported by adequate investment in transport and services. Councils need buy-in from transport developers to deliver this infrastructure but will often first need sufficient density to attract this investment. Forward planning and communication are required to ensure that councils don't, for example, develop properties in the path of prospective transport links.

Aside from transport and essential services such as schools and GP surgeries, councils are building a broader understanding of the services needed to attract the right skills to the local economy. For example, those who wish to attract young people and graduates are looking beyond physical workspaces to develop living and social spaces in the wider community to attract this demographic. Retaining talent can be hard if these 'lifestyle' elements of the community are missing.

## CONCLUSION

Delivering productive growth in the current climate presents councils with a number of challenges, including widespread financial pressures and rapid changes to the nature of work. Through using the levers of change at their disposal, our Innovation Exchange demonstrated that councils are rising to these challenges. This includes collaborative approaches to upskill the workforce, shifts in culture to build effective partnerships with businesses, and investment in wider infrastructure to support growth. Done well, these approaches can not only boost productivity but also provide opportunities to deliver social value and inclusive growth.

