



Three policy priorities for the Tees Valley

March 2017

Introduction

The first metro mayor for the Tees Valley will be elected with a vision for the city region and clear strategic, deliverable policies to meet it. The challenge and workload will be considerable, with powers and expectations ranging from delivering policy, to establishing the institutions and capacity for effective city region governance. This briefing outlines three priorities that address the biggest issues facing the Tees Valley.

A **'quick win'** will help the mayor to set the tone for delivery right from the start. Delivering results quickly will build trust, and show what the metro mayor is able to do for the city-region. The best 'quick wins' in these circumstances are high profile and of value to citizens.

Strategic decisions form the framework for delivering the metro mayor's vision. As such, the mayor will have the power to take the decisions that will make the most of the new geography of governance. While the mayor will be keen to show progress towards their vision, strategic decisions will often take longer to show outcomes, therefore careful evaluation is needed to allow for flexibility and to demonstrate the effects.

A **long term vision** for the city region will be the key election platform – it is what the mayor is working towards while in office. This should be ambitious, but reflect the real needs and potential of the city region. Some aspects of the vision will be achievable within the mayor's term in office, while others will build momentum or signal a change in direction. It is important to be clear and strike the balance of where each policy lies on this spectrum.

Policy priority 1: A quick win

Urgently respond to the SSI closure by setting out a plan to help people retrain and access other jobs.

- Prioritise retraining those who lost their jobs
- Work with Whitehall to gain the best results from investment in retraining
- Learn from what has worked in other places

On taking office the metro mayor will face calls to fill the void created by the 2015 closure of the former SSI plant in Redcar. This is understandable given the scale of this economic shock despite the considerable progress already made by national and local government in responding to the closure. The

metro mayor should prioritise future interventions on supporting the people who lost their jobs, rather than the site itself.

Prioritise retraining those who lost their jobs

From day one, the metro mayor must have a plan to build on progress already made by providing those who lost their jobs following the closure of SSI with opportunities for retraining. Many of those who lost their jobs have since found work, but often in lower-skilled, lower-paid jobs than they previously held due to lower demand for their specific skills sets. This leads to lower productivity, and a poorer performing economy in aggregate.

While acknowledging that achieving long term results is highly complex and will inevitably take time, clearly prioritising this issue from day one will show residents the new mayor can do and will signal the centrality of skills to his or her vision. It is also vitally important to the entire community that those made redundant from the steelworks are equipped with flexible skills that give them the best possible chance of accessing future opportunities in the Tees Valley. Repurposing the site matters but should be second to helping the people affected.

Work with Whitehall to gain the best results from investment in retraining

The direct impact of the 3,000 jobs lost from the plant closure and the supply chain businesses will be hugely significant for individuals, communities and the city region for a long time. Central government committed in 2015 to an £80 million programme of support for those made unemployed in the wake of the SSI closure, including £30 million for redundancy and statutory entitlements and at least £3 million for retraining. A significant proportion of the remaining funds will be transferred to the combined authority, but the metro mayor will also have more informal powers to prioritise the relative importance of interventions in retraining over investments in repurposing the site.

The new metro mayor will be judged by their constituents on the effectiveness of these programmes, even though many aspects are beyond their formal powers and some of the funds have already been allocated. The metro mayor must therefore use their influence with central government, their new city region wide powers, and local knowledge and networks and to maximise the impact of investments made through these programmes. This means brokering relationships between employers and training providers, coordinating efforts to boost the retraining opportunities through apprenticeships and ensuring individuals have access to good quality careers advice.

Learn from what has worked in other places

The metro mayor should set up and administer proper evaluations of the retraining programmes in the Tees Valley. These evaluations will help ensure that investments are having their desired impact. The metro mayor can use this to promote a culture of evaluation amongst his or her team. Taking on board lessons from previous evaluations of how other places and employers have managed retraining programmes following major job losses is fundamental to effective decision-making. While there are no easy answers, the What Works Centre for Local Economic Growth has evaluated previous studies of these interventions and produced a toolkit¹ that highlights several considerations to take forward.

1 <http://www.whatworksgrowth.org/resources/toolkit-responding-to-major-job-losses/>

Retraining programmes should be tailored to individuals. One study suggests that a higher proportion of expenditure allocated to individual case management is positively associated with reemployment rates, which suggests support that is tailored to the individual can have more of an impact than a more generalist approach. The mayor should work with skills providers and businesses to ensure retraining programmes are both tailored to the needs of individuals and employers, and ensure different groups receive the assistance they need.

The metro mayor should also use their position to ensure that those who have been affected by job losses are receiving the right type of support. The impacts of training, for example, vary depending on the skills level of the recipient, with higher skilled users apparently responding better to short-term interventions. Evidence from one study suggests that shorter courses (less than one year) have larger effects for more experienced workers and longer courses (more than a year) are better suited to less experienced workers.

The metro mayor will need to use their links with businesses, skills providers and central government to make the most of the funds available for those who lost their jobs following the closure of SSI. Although the metro mayor might not have formal powers over some aspects of how this money is spent, they are likely to be held accountable for the results, and must use their informal powers to best administer these investments. This means ensuring that individuals receive the training they need to access a wide spread of jobs across the Tees Valley. It will be hugely important for individuals and the wider city that investments in retraining reflect what has been shown to work in other places.

Policy priority 2: A strategic aim

Help long-term unemployed people across the city region get into work

- Learn from how other places have reintegrated the long-term unemployed
- Capitalise on the opportunities presented by Government pilots

The first metro mayor of Tees Valley must set out a vision to reintegrate residents who are long term unemployed back into the labour market. The Tees Valley area suffers from significant and persistently high unemployment levels: the city region's claimant count is double that of the national level (3.9 per cent compared with 1.8 per cent nationwide) and is even more pronounced for youth unemployment (5.2 per cent compared with 2.3 per cent nationally). Rates of economic inactivity in the Tees Valley are also higher at 26 per cent than the national average (22 per cent).

Learn from how other places have reintegrated the long-term unemployed

Long term unemployment has typically been considered as a 'wicked problem' for policy makers, and the metro mayor should be alert to the challenges that they will face in tackling this critical issue. Despite this reputation there have been recent policy successes, one of the most prominent being Manchester's Working Well programme (as demonstrated by the SQW² and Dickinsons³ evaluations). The What Works Centre for Local Economic Growth will be publishing their evaluation of all the relevant evidence later this year.

² SQW Annual Report and Interim Evaluation of Greater Manchester Working Well

³ <https://www.thebiglifegroup.com/wp-content/uploads/2015/08/Big-Life-Working-Well-Interim-Evaluation-Final-Draft-for-Circulation-13-07-2015.pdf>

Capitalise on the opportunities presented by Government pilots

Working Well is a pilot programme that provides assistance to Employment Support Allowance (Work-related Activity Group) benefit claimants who have not secured employment after two years on the Work Programme. The primary innovation in the Working Well model is that support is provided to individual clients through an assigned key worker who co-ordinates a wraparound service from a complex mix of different sources.

The Tees Valley Combined Authority has already submitted proposals to pilot a locally specific programme based on Working Well and the metro mayor should support this proposal in due time. However many of the principals can inform policy in the longer term regardless of whether this application is successful.

Firstly, the metro mayor should enact programmes that recognise the complexity of support requirements for long term unemployed residents. Individuals that have been disengaged from the labour market for a long time often face multiple barriers to work, from health issues to a lack of relevant skills. The Mayor is uniquely well placed within the city region to convene the many different departments and organisations that support disadvantaged residents. The Mayor must set out a strategy that encourages a joined up way of working based on improving the outcomes for those individuals that are most in need. This means ensuring that different interventions complement each other in helping more long term unemployed residents to access work.

By designing and delivering support at the city region level (as opposed to through the Work Programme package areas) decision makers have the opportunity and incentive to bring together the disparate budgets and departments more effectively. The metro mayor is also in the position to achieve and benefit from savings made in different departments, and this should incentivise and reward better decision making.

Reintegrating those who have been out of a job for a long time should be a critical priority for the city regions' economic and social success. This will require not only significant investment, but innovative and well-administered programmes of support. Learning from the experiences in Manchester and elsewhere will put the first metro mayor of Tees Valley in a strong position to achieve this vision.

Policy priority 3: A longer term vision

Make the most of Middlesbrough city centre to attract more high-skilled, high-waged firms and jobs in a range of industries

- Concentrate investments in Middlesbrough city centre rather than out-of-town sites
- Support the conditions for growth including the built environment

Over the last few years there has been much political focus on the Tees Valley economy. This attention from national media and central government has understandably centred on the 2015 closure of the SSI plant and resources have accordingly been allocated to react to the major job losses. As a result, the Heseltine review⁴ and resulting South Tees Development Corporation was formed and became a priority for the Government. There was much to be celebrated in this response, most particularly its focus on improving skills in the area.

4 <https://www.gov.uk/government/publications/tees-valley-opportunity-unlimited>

However to make the most of the opportunities that the political attention, allocated funds and newly devolved powers bring to Tees Valley, the metro mayor should use their scope and influence to focus interventions on attracting the types of firms that will make the economy more resilient and less reliant on a single industry – therefore bringing more and better-paid jobs. This will require making the city centre as attractive a place for firms to locate in as possible.

Concentrate investments in Middlesbrough city centre rather than out-of-town sites

Although there will be significant political pressure to find alternative employment options for the former site of SSI, the metro mayor must consider the ability of Tees Valley to attract, and foster the kind of businesses that are likely to create more jobs in the coming years. Most economists and commentators agree that knowledge intensive firms such as professional services, digital and creative businesses are likely to drive employment and wage growth in the near future. Typically, these firms tend to locate and thrive in city centres.

Centre for Cities research has shown that one of the persistent weaknesses of the Tees Valley economy is that, unlike other, more successful cities, Middlesbrough's city centre has struggled to attract high-paid, high-skilled services jobs. In Tees Valley, 11 per cent of jobs are in knowledge-intensive businesses, compared to 14 per cent at a national level, and this is also reflected in the lower average wages on offer in the area (£456 per week average weekly workplace wages compared with £525 nationally). The temptation politically will be to channel funds and direct investment towards the sites that once housed the SSI plant. However, this has been done before with the Teesdale Park and Teesside Park business parks – which, while leading to the creation of thousands of jobs, may have undermined Middlesbrough's city centre economy. Instead of incentivising firms to locate in isolated, out-of-town complexes, the mayor should make the city centre the most attractive place to locate and do business in.

Support the conditions for growth including the built environment

The Mayor should focus investment in the built environment and transport on improving the conditions for growth for a broad range of sectors in the city centre. This enables these businesses that locate in the city centre to enjoy the benefits of agglomeration, where a variety of firms from related industries can share inputs, supply chains and infrastructure, match their needs with the largest pool of workers and learn from competitors and exchange ideas and information.

The mayor must use their profile, powers and networks to convene relevant partners and knowledge of the local area to bring together the funding and attention the Government have given the area to be more than the sum of its parts. As the highest profile politician in the city region, he or she should co-ordinate these activities to ensure they make a coherent plan for the city centre, and the whole Tees Valley.

Contact

Ed Clarke Analyst, Centre for Cities

e.clarke@centreforcities.org | 020 7803 4308