



Liverpool City Region All-Party Parliamentary Group

Research Paper No.4

Unlocking barriers to opportunities for young people in Liverpool City Region

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1. Introduction

Young people across the UK are facing a number of economic and social challenges as a result of demographic trends, rapid technological change, house price inflation, weak economic growth and low productivity. Nationally, these challenges have been exacerbated by the economic aftershocks of COVID-19, Brexit, and the war in Ukraine. In Liverpool City Region (LCR), these challenges are exacerbated further still by the legacy of deindustrialisation and long-standing issues of deprivation in some areas.

These challenges have consequences for social mobility, and the capacity for each generation to achieve a better quality of life than the last. Analysis by the Social Mobility Commission has shown that those growing up in areas of deprivation, with fewer labour market opportunities in professional occupations and fewer education opportunities in 'Outstanding' schools, will see particularly stark differences in pay and life chances compared to those living elsewhere.¹

This paper explores some of the specific barriers to opportunity facing young people in Liverpool City Region and considers how these might be overcome to improve social mobility for the next generation. It identifies key opportunities to develop good jobs across the local economy, as well as a skills system that will enable local people to access them. The paper concludes by considering what kinds of interventions may be required, both locally and nationally, to ensure these opportunities can be realised.

2. Barriers

Education

Education performance has been of concern in Liverpool City Region for many years, and the factors contributing to this situation are complex and intersecting. As shown in Figure 1 overleaf, Liverpool City Region is behind the national average at both Key Stage 2 (age 11) and Key Stage 4 (age 16). Performance in English and Maths is a particular concern, with only 62% of pupils achieving grade 4 or above compared to 65% nationally. This figure falls to 41% in Knowsley.²

Beyond this, the number of 16-17 year olds not in education or training (NEET) across the city region remains higher than the national average. In LCR, 3.6% of 16-17 year olds were classified as NEET at the end of 2021, compared to 2.6% in the rest of England. Knowsley and Liverpool, in particular, have a significantly higher percentage of NEETs, at 5.1% and 4.4% respectively.³ The Metro Mayor's Young Persons Guarantee is supporting young people facing the greatest barriers and, through activities with local authorities and other partners, can help ensure there is a safety net for young people at key transition points.

Figure 1: Pupils meeting expected standard at Key Stage 2 and Key Stage 4 ⁴

Local Authority	Pupils meeting expected standard at age 11 (2019)	Pupils meeting expected standard at age 16 (2019)
Halton	60%	36%
Knowsley	63%	18%
Liverpool	62%	36%
Sefton	63%	36%
St Helens	66%	38%
Wirral	60%	46%
Liverpool City Region	62%	35%
England	65%	40%

Progress has been made in post-16 education in Liverpool City Region over recent years, in part due to the devolved adult education budget. However, further education providers spend significant time and resources in ‘catch-up’ education which aims to bring students up to speed on key subjects including Maths and English. Apprenticeships are an increasingly attractive option for many young people, but recent years have seen a decline in the number of apprentice starts from 12,230 across LCR in 2017/18 to 10,040 in 2019/20. By 2020/21 this number had fallen further to 9,450, although this is likely due to the COVID-19 pandemic.⁵

Liverpool City Region is home to several high-ranking universities, with world leading research capabilities in areas such as medical sciences, chemistry, engineering and Maths. However, access to higher education amongst local young people varies significantly across the city region. In Knowsley, Halton and Liverpool fewer than 30% of young residents go on to higher education, while in Sefton and Wirral this figure is over 35% – above the England average.⁶

Transport

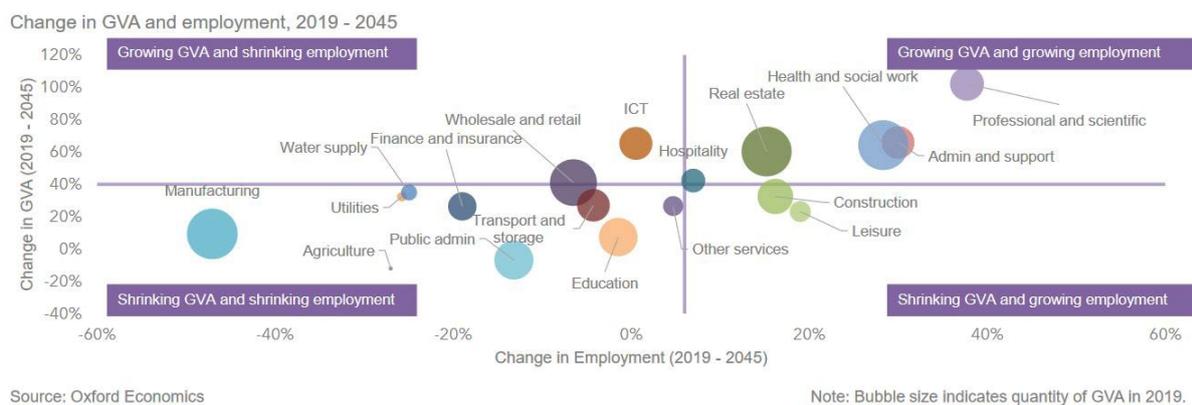
A functioning public transport network is vital to ensuring young people are able to access suitable jobs across Liverpool City Region. Poor public transport provision means young workers spend longer periods commuting and use more of their income on travelling to work, particularly if they are dependent on travelling by car. Public transport provision and access to jobs and core services is highly variable across Liverpool City Region, with accessibility particularly poor in Knowsley and Halton compared to Liverpool and Wirral.⁷ LCR’s public transport compares poorly with comparable metropolitan areas elsewhere in Europe. For example, just 36% of Liverpool and Wirral’s population can reach the city centre by public transport in 30 minutes or less compared to 80% in Turin.⁸

Employment

Having risen sharply in response to the COVID-19 pandemic, claimant count among 18-24 year olds in LCR has now largely returned to pre-pandemic levels (though remains higher than the national and North West regional average).⁹ However, recent evidence¹⁰ suggests that, at a national level, young people may again be struggling to find work, with unemployment among 18-24 year olds rising by 19.5% over October-December 2022. It will be important to monitor this development and understand the extent to which this trend is reflected in Liverpool City Region as more local data becomes available.

While significant progress has been made in attracting investment and high-quality jobs to LCR over several decades, overall business and jobs densities remain lower than average.¹¹ Moreover, despite important specialisms in high productivity sectors such as manufacturing and health, many of the sectors LCR currently specialises in are less productive than the national average, limiting the potential for growth over the next 20 years (see Figure 2).

Figure 2: Productivity by sector (GVA) and employment in LCR ¹² (largest circles = most employees)



As a result of this sectoral imbalance, there are fewer well paid jobs available in LCR than there should be for the size and composition of the city region. Opportunities for young people to stay in or move to the area and work in higher paid sectors such as financial and professional services, engineering and advanced manufacturing are more limited than in regions such as the South East or North East Scotland. LCR is not alone in this challenging situation, sharing a similar industrial composition to regions such as South Yorkshire and the North East.

3. Opportunities

Liverpool City Region has a number of significant and distinctive strengths with potential to provide opportunities for young people over the coming years and decades. Unlocking these opportunities will be critical for long-term prosperity, ensuring there are good jobs available for young people in LCR, and attracting young people to the region. This section highlights some of these opportunities and the policy levers required to realise them.

High-quality jobs

LCR has several sectoral strengths with potential to create more high-quality jobs over coming years. These include: health and life sciences (particularly infection control); materials chemistry; AI; and green energy. Liverpool City Region Combined Authority estimates that if 5% of local GDP is invested in research and development, up to 44,000 new jobs could be created by 2030 in these and other innovation-intensive industries.¹³ Unlocking the full potential of these emerging innovation strengths could provide a stable source of secure, well-paying employment for local labour over the coming decades, and of shared prosperity for local communities and the wider economy. The LCR freeport, which opened in January 2023, has the potential to attract new employers and industries, and the freeport management team is focusing on bringing firms in the sectors named above into freeport sites across the city region.

The UK has committed to achieve net zero carbon emissions by 2050 and Liverpool City Region Combined Authority has pledged to do so by 2040. LCR is well placed, in its existing sectoral strengths and geographically, to benefit from the investment that will be required to achieve this target. Parts of the city region are already identified as hotspots in the UK's net zero economy, with 4.4% of UK net zero economy jobs (e.g. in areas such as hydrogen production, renewable energy generation, waste management and recycling) currently located in Birkenhead, Wirral South, Halton and the wider area surrounding the River Mersey.¹⁴ Analysis included in the recent Independent Review of Net Zero suggests jobs in low carbon

and green sectors are more spatially dispersed than in other industries, meaning there are opportunities for regions such as LCR to benefit from the energy transition.¹⁵

Building on these strengths can help develop the capacity of local firms to scale up and export to international markets. Analysis by Centre for Cities suggests that innovative, 'exporting' businesses are more productive than firms which primarily focus on local and national markets. However, London and the South East of England currently have a higher concentration of these high productivity exporting businesses than other parts of the UK. This disparity contributes to regional inequalities in wages and living standards.¹⁶ Nurturing growth in innovative, exporting businesses will help to create more high-quality jobs, increase inward investment and attract businesses to the area.

The foundational economy

While investing in Research and Development (R&D) and nurturing exporting businesses is crucial to improving productivity growth in LCR, it would be naïve to focus attention solely on developing opportunities at the vanguard of LCR's future economy. Many of tomorrow's employees, much like those today, will work in the 'foundational' economy, in sectors such as healthcare, education and hospitality. Currently, many jobs in these sectors are characterised by insecurity, low wages and poor prospects for progression. Younger workers are 2.5 times more likely than older age groups to be employed in insecure and low paid work.¹⁷ This risks embedding deprivation, undermining wellbeing and weakens local prosperity.¹⁸ Policy will therefore need to focus on improving employment conditions and prospects across all sectors – not just the most productive.

The Liverpool City Region Fair Employment Charter is playing an important role in improving employment standards and maximising opportunities for young employees in the local economy. The charter commits member employers to develop workplaces that are healthy, fair, inclusive and just, promoting growth and development and ensuring workers are paid fairly for the hours they work. There is potential to expand the fair employment model to promote positive employment practices across the economy through, for example, public sector procurement practices. While there are differences in scale and scope, the Welsh Government's Foundational Economy Challenge Fund, which commits £4.5m to support projects focused on developing inclusive employment practices within the foundational economy, represents a potential model.¹⁹

Skills for the future

Ensuring young people in LCR are able to access good quality jobs requires investment in appropriate skills. Ensuring skills training aligns with the needs of employers will be particularly important in the context of the UK's transition to net zero. Analysis by the Confederation of British Industry (CBI) suggests this transition will require "a range of different skills that goes well beyond what many consider to be 'green skills'".²⁰ Specialist industry and technical skills will need to be buttressed by broader skills – such as digital, management, and people skills – that will enable people and businesses to flourish in a fast-evolving economy.

The recent independent UK net zero evidence review reported concerns across all sectors of significant skills gaps. Installation of heat pumps, for example, is currently slower than anticipated due to employee shortages and struggles by employers to recruit staff with sufficient skills.²¹ Devolution provides an opportunity to develop an approach to skills provision at the city region level that is not only responsive to the transition to net zero, but also the specific needs of local industries. Local knowledge can be leveraged to target existing deficiencies in skills and qualification attainment more directly – drawing inspiration from the 'London Challenge' model of school improvement.²²

Research by the Heseltine Institute suggests that national skills strategies often don't reflect specific challenges in local areas, while devolved skills policies can be more targeted and effective.²³ In LCR, Skills for Growth Action Plans are being delivered to ensure specialist skills are in place at the local level that support career development and business growth in key sectors.²⁴ Deeper devolution, increased funding, and enhanced partnership between central and regional government could help provide a more place-based approach to skills policy. Doing so will not just be vital to ensuring meaningful prosperity for the future, but also ensuring broad-based social mobility for the next generation.²⁵

4. Conclusion and questions

What can LCR and its economy offer the next generation? How can it provide more opportunity, prosperity, and a better quality of life for residents over the longer-term?

Answers to these questions have been developed in recent years through the production of the city region's Local Industrial Strategy, Plan for Prosperity and other key local strategies. These documents provide the basis for realising local economic opportunities and addressing the barriers to labour market participation over the medium to long term. However, more work will be required to understand the needs and aspirations of young people in LCR, and how policy can meet them.

Whilst locally-designed strategies and locally-delivered interventions are important, the current scale and scope of devolution means national policy strongly influences the opportunities available for young people. In the UK, industrial policy has been subject to extensive and repeated churn over recent years, creating a confusing context for policy development.²⁶

This paper has re-emphasised the case for long-term strategies that address the key barriers to opportunity facing young people in LCR. With the next general election on the horizon, how can these insights be leveraged to inform the strategic approach adopted by future governments?

The following questions provide a basis for further discussions by LCR APPG members on the types of policy and interventions required to provide improved opportunities for young people in Liverpool City Region:

- What can LCR learn from other places (in the UK and internationally) in addressing barriers to labour market participation amongst young people?
- What is the role of local government and the combined authority in improving opportunities for young people in LCR?
- What are the key 'asks' for LCR of national government to improve social mobility for the next generation?
- How can business play a role in linking young people in LCR with employment opportunities?

Endnotes

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About the Heseltine Institute for Public Policy, Practice and Place

The Heseltine Institute is an interdisciplinary public policy research institute which brings together academic expertise from across the University of Liverpool with policy-makers and practitioners to support the development of sustainable and inclusive cities and city regions. The Institute has a particular focus on former industrial cities in the process of regeneration, such as the Liverpool City Region. Through high impact research and thought leadership, knowledge exchange, capacity building, and evidence based public policy, the Institute seeks to address key societal challenges and opportunities pertaining to three overarching themes: 21st Century Cities, Inclusive and Clean Growth, and Public Service Reform.

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