



thinkpiece

Promoting debate and fresh thinking in the financial services industry

Progress on the skills agenda: are we making enough?

Steve Besley

Summary

- The issue of skills has been at the top of the political agenda, ever since the seminal Report on UK Skills by Lord Leitch in late 2006. It was identified by the incoming Brown Government in summer 2007 as a top priority.
- The UK Commission for Employment and Skills (UKCES) published its first annual audit of progress being made on UK employment and skills in April 2009. It was described as “*the most thorough and comprehensive analysis available of the challenges and opportunities we face*”.
- The Commission concluded that “*the UK’s relative international position is unlikely to improve by the target date of 2020, let alone become World Class*” (as Lord Leitch had proposed).
- Despite this, the Government remains committed to the Leitch ‘ambitions’ of world class UK skills and an enormous amount of work is going on to ensure that the skills system in this country remains flexible and responsive.
- The Government has consistently said that equipping the country now with skills for the future remains one of the core principles of its economic recovery plan. However a highly complicated skills landscape could compromise achieving this goal.

Number 24 (August 2009)

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CII Introduction: Despite the economic downturn the issue of skills has remained at the top of the political agenda – highlighting its importance to the prosperity of the nation. We at the CII are committed to promoting the development of skills to ensure a more professional and competitive workforce. UKplc is now part of a global marketplace and to remain a major force we need to invest in skills. Our membership skills surveys reinforce the message that the country needs to up its game. The present Government has invested heavily in skills, however the landscape is a crowded one. In his paper, Steve Besley of Edexcel takes a look at this landscape and its development since the Leitch report.

The Leitch agenda. ‘Prosperity for all in the global economy: world class skills

Not many people give their name so comprehensively to an area of Government policy as Lord Leitch has done. Just say ‘Leitch’ and to many people you say skills. This is because of the major Report written by Lord Leitch and his team in December 2006 which argued that unless we took far reaching action to raise skill levels in this country by the end of the next decade, we would be in danger of falling behind other major economic powers. *“Without increased skills, we would condemn ourselves to a lingering decline in economic competitiveness, diminishing economic growth and a bleaker future for all.”*¹

The Leitch Report, ‘*Prosperity for all in the global economy: world class skills*,’ was one of a number of what were labelled ‘doomsday’ Reports that were commissioned by the Treasury when Gordon Brown was Chancellor. Others included those on climate change, housing and transport. Each has had a significant impact on Government planning in recent years and spawned a mass of activity, a rash of targets, a number of new quangos and no little wringing of hands.

Raising skill levels is crucial to our future and is something all political parties are committed in some form.

In the case of the Leitch Report, the Government followed this up six months later with a detailed Implementation Plan setting out an extensive reform agenda to the skills, qualifications and funding systems respectively along with a battery of measures and milestones all designed to keep us on track to achieving world class status across all major skill levels by 2020. World class status meant being in the top quartile of OECD countries for low, intermediate and high skill levels

¹ Leitch: Final Report

Has the agenda changed?

Two and half years on, and in the midst of a certain amount of economic and political turmoil, how important is the Leitch agenda?

Clearly things have moved on. Earlier this year, for example, the Select Committee for the Department for Innovation, Universities and Skills (DIUS) concluded in a major Inquiry that some of the Leitch analysis required re-evaluation in the light of current circumstances. *“The change in the economic climate will mean that priorities have to be identified and it will not be possible to pursue all parts of Leitch.”*²

More recently, the Chancellor tightened the purse strings on public spending leaving the then Secretary of State for Skills to call for *“additional cashable efficiency savings of £340m”* from the Skills and FE sector in 2010/11. And on top of that, the UK Commission for Employment and Skills (UKCES) a body proposed by Leitch to help advise and monitor on progress towards the 2020 ambitions, recently released its first annual progress report on the UK skills agenda. It concluded that *“the UK’s relative international position is unlikely to improve by 2020, let alone to become World Class. Indeed, overall it may deteriorate slightly.”*³

What progress are we making?

Raising skill levels is crucial to our future and is something all political parties are committed to in some form. So just what progress are we making?

The answer depends on a number of variables. Some industry sectors are doing better than others, as are some regions, some age groups and some social groups but in terms of headline measures, we have a long way to go. According to data in the Commission’s Report, the UK ranks 11th in the world on productivity levels and despite some improvements, *“it is uncertain that it will be sufficient to get us to a top quartile place by 2020,”* 10th on rates of employment, where *“recent progress has been disappointing”* and 14th on income inequality, *“the gap between the highest and lowest earners,”* where again some improvement has happened but not enough.

And what about progress against the skills ambitions?

Nor do things seem much better on the specific Leitch skill ambitions, for which there are four. First, getting 95% of adults, that’s those aged 19 and over, to have achieved functional literacy and numeracy by 2020 from a 2005 baseline of 85%

² Select Committee Report on Leitch

³ Ambition 2020. 2009 Report.

in literacy and 79% in numeracy; second, ensuring over 90% of the adult population is qualified to at least level 2, that's broadly GCSE level; third, securing an increase in level 3 skills and fourth, doing the same for level 4 skills with over 40% of the adult population qualified to level 4 and above by 2020. The baseline position for this national endeavour, based on 2003 data, was set out in Leitch. This had the UK ranked 17th out of OECD countries on low skills, 20th on intermediate skills and 11th on higher level skills. Two and a bit years on, the rankings are 17th, 18th and 12th respectively, leaving us in the third quartile for lower and intermediate skills and the second quartile for higher level skills.

An enormous amount [of progress] will have [been made] but other countries are doing much the same thing and faster

So what are our prospects for hitting the 2020 ambitions? The Report reckons we'll hit two: the one on adult literacy and the one on level 4 achievements but remain some way off on the others. For adult numeracy, we're likely to hit 88%-90% but not 95%; for level 2 achievements, we should hit 77% against an ambition of 90+% and for level 3, 58% against 68%. In summary, *"we will still not be in the top quartile of the world in any skill level."* In fact it will leave us ranked 23rd in the OECD on low skill levels, down from 17th currently, 21st on intermediate skills down from 18th currently and 10th on high level skills, up from 12th now.

That is not to say that no progress will have been made, an enormous amount will have but other countries are doing much the same thing and faster and to put the Leitch ambitions in perspective, it would mean *"attaining more than 20m qualifications, equivalent to more than one for every second adult of working age by 2020,"* a big ask.

Putting performance in context

Four factors should, however, be noted. First that whether we call it an ambition, a target or whatever, the aspiration of being in the top world quartile for all skill levels is not easy, *"most of the high performing countries do very well in only 2 out of 3 skill attainments."* No country is there at present although perhaps the USA is the nearest. Second that a country's position tends to reflect its policy choices; the UK has focused initially on level 2 and only more recently turned to level 3. Third, there are other measures of skill development apart from qualification achievement, there's training, employability and other measures which paint a different picture. And fourth, parts of the UK are progressing more

strongly; Scotland, for instance, at lower and higher skill levels.

Where are things going wrong?

The Commission's Report does highlight some weaknesses.

An obvious concern, and one highlighted by most users of the skills system be they businesses or individuals, is just how complicated the skills system appears to be. The Commission is undertaking a major piece of work to 'simplify' the skills system but this may be no easy task. There are arguably three reasons as to why the skills system is as it is.

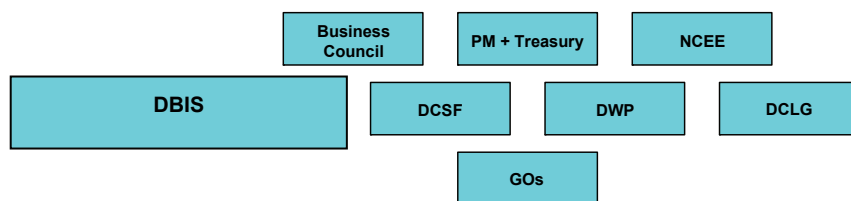
First, it exists in a state of perpetual evolution. In many ways this is as it should be, better to have a system that is flexible, responsive and able to respond to global challenges than one that's static and immutable. The downside of this is that many of the changes appear to be politically rather than needs driven. This was highlighted at the very highest level with the Government's skills department (DIUS) becoming part of the expanded Department for Business, Innovation and Skills (This was formally the Department for Business, Enterprise and Regulatory Reform). In addition, the learning and skills system is currently going through major change as the LSC is dismantled and planning and funding procedures configured around two separate systems, one for pre-19 provision and one for post-19 and adult provision.

Second, each 'system' change brings with it a change in the numbers of bodies, agencies and mechanisms needed to support it. From next year, for example, instead of just one agency, the LSC, suppliers of learning and skills may well have to deal with a separate agency for young people's learning, a separate agency for adult learning and another agency for apprenticeships, let alone a range of other planning and funding agencies.

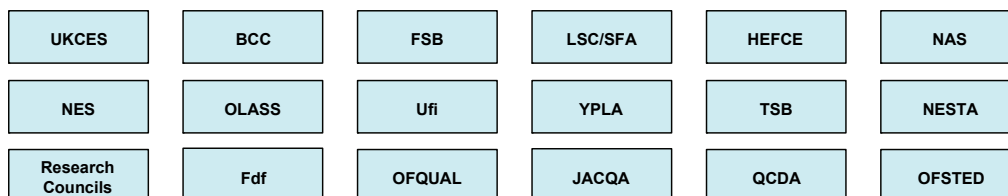
Third, and as a follow on to the above, old agencies rarely die, they tend to mutate into something else with the result that the system rarely gets cleansed, tending instead to build on itself.

Helping us deliver the skills agenda

GOVERNMENT



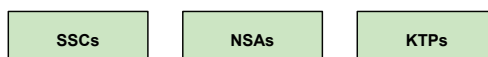
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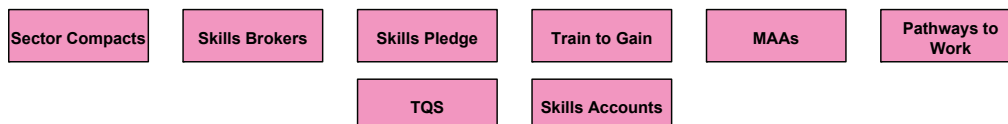
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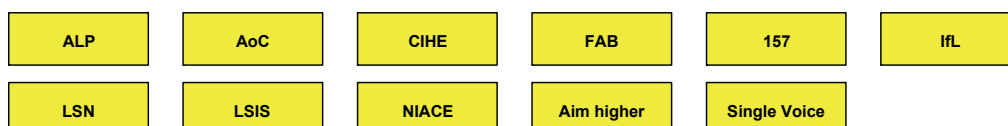
LOCAL



SUPPORT MECHANISMS



REP BODIES



PROVIDERS



- Abbreviations explained in the text
- Many bodies operate on more than one level. This diagram is thus a simplification intended only to offer a visual representation of where the different 'bits' of the system are chiefly located

Abbreviations Used: AACS: Adult Advancement and Careers Service; **AoC:** Association of Colleges; **ALP:** Association of Learning Providers; **BCC:** British Chambers of Commerce; **BERR:** Dept of Business, Enterprise and Regulatory Reform (Now part of DBIS); CIHE: Council for Industry and HE; DBIS: Department for Business, Innovation and Skills; DCLG: Dept for Communities and Local Government; DCSF: Dept for Children, Schools and Families; DIUS: Dept for Innovation, Universities and Skills (Now part of DBIS); DWP: Dept for Work and Pensions; ESB: Employment and Skills Boards; FAB: Federation of Awarding Bodies; FdF: Foundation Degree Forward; FSB: Federation of Small Businesses; GO: Government Offices; HEFCE: HE Funding Council for England; IfL: Institute for Learning; JCP: Jobcentre Plus; KTP: Knowledge Transfer Partnership; LA: Local Authority; LEP: Local Employment Partnership; LLN: Lifelong learning Partnership; LSC: Learning and Skills Council; LSIS: Learning and Skills Improvement Service; LSN: Learning and Skills Network; LSP: Local Strategic Partnership; MAA: Multi Area Agreement; NAS: National Apprenticeship Service; NCEE: National Council for Educational Excellence; NES: National Employer Service; NESTA: National Endowment for Science, Technology and Arts; NIACE: National Institute for Adult Continuing Education; NSA: National Skills Academy; OFQUAL: Office of the Qualifications and Exams Regulator; OFSTED: Office for Standards in Education; OLASS: Offender Learning and Skills Service; QCDA: Qualifications and Curriculum Development Agency; RDA: Regional Development Agency; RSP: Regional Skills Partnership; SSC: Sector Skills Council; SFA: Skills Funding Agency; TQS: Training Quality Standard; TSB: Technology Strategy Board; Ufi: University for Industry; UKCES: UK Commission for Employment and Skills; YPLA: Young People's Learning Agency

If we take the skills system as that covering 14-19 and adult learning and training, then there would appear to be at present, working away in the skills system somewhere, something like:

- 4 planning and funding bodies
- 4 regulatory/inspection agencies
- 4 Government Departments
- 9 bodies representing or supporting the supply side of colleges, training providers and others
- 10 support agencies
- 12 strategic bodies
- 16 separate support mechanisms

This is shown in the diagram on the previous page.

So where do we go from here?

Clearly the current economic and political climate makes future planning difficult but to this Government's credit, it continues to put skills reform or skills 'activism' as it now calls it, high up its list of priorities.

A lot of work is under way. A snapshot includes the reforms to the skills system, the transition to demand-led funding and the Enterprise/Innovation Nation activity sponsored by Government; the Simplification Project, the Skills Utilisation Project and the employability/talent activity led by the Commission; and the Vocational Qualification Reform Programme, leadership programmes and rapid response activity all being carried forward by other bodies.

An obvious concern is just how complicated the skills system appears to be

At a more strategic level, the UKCES report recommends as a future planning model, a new strategic framework *"to connect skills, employment and economic policy,"* in effect *"a conceptual map"* with milestones set at 2014 to go with it. Crucially, however, it sets out a list of 5 major priorities that *"should be the focus of joined up Government policy across the UK."* These include: a clear and integrated strategy for economic transformation and renewal; effective economic development in cities and local communities; more agile and responsive skills and employment provision; transformed individual aspiration and strengthened employer ambition and capacity. The first two depend largely on Government action, the last three on the work of the Commission and have been adopted as their top 3 strategic priorities for the next few years.

The Commission's three priorities for the coming year

Priority number one is about building a more responsive, demand-led system. The Leitch Report had sketched out the ideal, a system driven by the needs of users, but this has not proved easy to deliver. Part of the problem has been that demand-led has not been easy to define, *"meaningless jargon"* the Select Committee described it earlier this year. Demand can come in many shapes and forms but the key issue is about the ability of the system to respond.

Two major pieces of work here are the Simplification programme and the programme of assessing future skills needs. The Commission intend to publish a progress report on Simplification in a few months time and later in the year extend the work into employment and regional and sub-regional activities. The formal launch of the Talent Map, *"a web-based system for employers to enable them to quickly identify how they might best engage with employment and skills systems,"* will also be launched this summer.

The other piece of work under this priority is slightly longer-term but central to the Government's plans for lifting skill levels in the future and that is a series of strategic skills assessments. This involves some detailed labour market analysis to try and get a better match between skills needs and supply in the future. This work will lead into spring 2010 and start to inform the work of the Skills Funding Agency when it takes over in April 2010.

Old agencies rarely die, they tend to mutate into something else with the result that the system rarely gets cleansed

Strategic Priority 2 tackles an issue that has worried people for some time, namely the gulf in opportunity between high and low-skilled employees, whereby opportunities for training and development tend to go to those who already have high skill levels leaving those with lower skill levels stuck with multiple disadvantage. The Commission propose a number of actions to correct this. Some of this is around the Vocational Qualification Reform Programme, making qualifications more flexible and accessible, and some around supporting the wider needs of users. Priorities here include: further work by this autumn on embedding employability skills; a report next spring on tackling exclusion; and an assessment next year of *'customer journeys,'* what it's like for individuals as they plough through the system.

The third strategic priority focuses on employers, how to meet their needs, how to simplify access to the system for them and how to strengthen

engagement by them. The issue here is business critical; “UK prosperity will depend on creating an economy in which employers clearly recognise that their productivity and growth is tied to how well they use and develop the skills of their workforce.” There is a lot of talk here of ‘maximising the leverage of employer voice’ but three areas seem particularly critical. One is raising the bar on leadership and management where recommendations are due by spring 2010. Another is skills utilisation, working smart in essence, for which a number of reports are coming out shortly and a third is the re-licensing of SSCs. Results on the first five SSCs to have gone through re-licensing were announced in May. Four got through. The Financial Services Skills Council did not and is currently undergoing a process of review before submitting a new licensing proposal.

And in conclusion...

All major Political Parties have signed up to a skills improvement agenda in some form and the current economic difficulties have made this more rather than less important. We are therefore likely to see continuing activity in this area up to 2020 and beyond. For the immediate future one key question remains: state intervention or free market; which works best? The next general election will probably tell us a lot more as to which route will be taken.

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