

SKOPE

ISSUES PAPER 18

November 2008

Skills Policy in England and Scotland after Leitch

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Summary

This issues paper examines the emergence of two divergent 'strategic paths' for skills policy in England and Scotland following the recent Leitch Review of Skills. Whereas English policy makers are focused narrowly on boosting skills supply and matching overseas levels of qualification stocks, their Scottish counterparts are increasingly stressing the need for skills to be utilised effectively at work and are looking to integrate skills policy within a wider business improvement, innovation and economic development agenda. This paper looks at the factors that have led Scotland to embark upon a new type of skills strategy and asks whether this may serve to challenge the prevailing policy consensus in England about how to tackle the 'skills problem'.

Introduction

Since its election in 1997, the UK Labour government has consistently argued that skills are central to economic competitiveness, productivity growth and social justice. The recent Treasury-sponsored Leitch Review of Skills concluded that 'skills is the most important lever within our control to create wealth and to reduce social deprivation' (Leitch 2006: 2). In doing so, it put forward a series of ambitious *qualification* targets designed to place the UK in the top eight of the OECD rankings at every skill level, ranging from adult literacy and numeracy to degree level provision, by 2020. These targets have since been accepted as a basis for skills policy in England (DIUS 2007), with the Prime Minister, Gordon Brown, insisting that, 'Our ambition must be to be nothing less than world class in education and to move to the top of the global education league' (Brown 2007).

Leitch introduced, albeit in passing, an important proviso, namely that, 'Skills must be effectively used for their benefits to be fully realised' (Leitch 2006: 22). Apart from the need to improve management and leadership skills, however, the report was conspicuously silent as to how government might address this challenge. By focusing mainly on international skills benchmarking and blanket qualification targets, Leitch fuelled a long-held policy assumption that, in the new global knowledge economy, skills supply is the main problem and issues of employer demand and usage will ultimately take care of themselves.

As a result of political devolution in 1999, however, the parliaments/assemblies of Scotland, Wales and Northern Ireland have control over education and training policy. While the UK Labour government has moved swiftly to adopt the Leitch targets in England, this has not been the case in Scotland (Scottish Government 2007a) or Wales (Welsh Assembly Government 2008). Moreover, the newly elected Scottish Nationalist administration in Scotland has recently produced a skills strategy that differs markedly both in its *underlying thinking* and *approach* to that currently being pursued by New Labour in England.

Scotland's new skills strategy

At one level, the vision outlined in *Skills for Scotland* is a familiar one – 'a smarter Scotland with a globally competitive industry based on high value jobs, with progressive and innovative business leadership' (Scottish Government 2007a: 4). There is a clear recognition that, 'A skilled and educated workforce is essential to productivity and sustainable economic growth' (Scottish Government 2007a: 9). This sits alongside a renewed concern to develop a demand-led skills delivery system that is responsive to the needs of both learners and employers. In terms of overall aims

and objectives then Scottish and English policy makers continue to share a good deal of common ground.

However, there are also significant differences. The Scottish skills strategy, while acknowledging that skills have an important contribution to make, immediately draws attention to the limits of what can be achieved, in economic terms, *simply* by boosting the supply of qualified labour.

If we look at qualification levels (which do not equate fully with skills but are one of the best proxies that we have), Scottish investment in education, for at least the last 30 years, has been higher than the rest of the United Kingdom and this has resulted in a well qualified population. As the Leitch Review of Skills in the UK recently highlighted, Scotland is the only nation or region of the United Kingdom where the percentage of people with a Higher Education qualification outnumbers the percentage with a basic school leaving qualification...Scotland has not, however, matched the UK economic growth rate despite its positive skills profile (Scottish Government 2007a: 5).

Labour productivity also remains just below the UK average (Scottish Government 2007a: 11). Indeed, the weaknesses of the Scottish economy on range of indicators, such as business investment in R&D, product innovation among indigenous manufacturing firms, new firm formation rates, patents filed, and net out migration of 'talent', have long been a source of policy concern (Scottish Government 2007b). In common with the rest of the UK, the Scottish labour market is also polarising, with a growth in professional, managerial and technical occupations occurring alongside a rapid expansion of low paid 'routine' service jobs which often demand little in the way of formal qualifications.

Research recently undertaken by Felstead and Green (2008), using data from the 2006 UK Skills Survey, suggests that improvements in the supply of qualified labour have outpaced the needs of the Scottish economy to an even greater extent than is the case in the UK as a whole. The survey found that in 2006, 37% of economically active people in Scotland possessed qualifications at level 4 or above, compared with 33% in the UK. However, whereas in the UK it is estimated that around 30% of jobs required workers to have a qualification at this level, in Scotland the corresponding figure was lower at 28%. Furthermore, while Scotland and the UK have similar proportions of people with no qualifications (10% and 9% respectively), Scotland has proportionally more jobs that do not require any qualifications on entry (32% compared to 28% in the UK).

The new skills strategy acknowledges these challenges and calls for a 'demand-pull' approach that engages

directly with issues of employer demand for, and utilisation of, skill. In language noticeably different to that of English policy documents, it states: 'Simply adding more skills to the workforce will not secure the full benefit for our economy unless employers and individuals maximise the benefits that they can derive from these skills. Furthermore, how skill interacts with other drivers of productivity, such as capital investment and innovation, is crucial' (Scottish Government 2007a: 13). There is also an explicit commitment to helping employers and individuals to address the challenge of skill utilisation, together with a recognition that 'the way in which jobs are designed, filled and subsequently executed is key to unlocking Scotland's economic potential' (Scottish Government 2007a: 31).

In recommending the new skills strategy to the Scottish parliament, the Cabinet Secretary for Education and Lifelong Learning, Fiona Hyslop, drew a direct comparison with Leitch, stating: 'Our problem is not characterised by the supply of skills but by employer demand for skills and how these skills are utilised in the workplace. Our strategy goes further than Leitch and is designed to suit Scottish needs and aspirations' (Scottish Parliament 2007).

There are, however, few indications of how policy makers might seek to engage with what is a new and certainly more challenging policy agenda. There is a brief reference to Scandinavian workplace development programmes, along with an acknowledgement that such activity is often a complex, slow and lengthy process (Scottish Government 2007a: 13). At the same time, the Scottish skills strategy shares with Leitch a concern to improve management and leadership skills (Scottish Government 2007a, p.31). There is very little else in terms of how government might address the challenge of helping employers to develop more skill intensive forms of work organisation.

Moving forwards

The challenge then is to develop new forms of policy intervention that work and build legitimacy over time. This will demand new innovative thinking on the part of policy makers and researchers as there are no 'ready-made' solutions that can simply be lifted down from the policy shelf.

Tackling job design

Take the issue of work redesign for example. In recent years, much attention has focused on the phenomenon of 'high performance working' – in effect, 'bundles' of management and work practices, aligned to business objectives, which are often *thought* to create an environment in which employees have the necessary scope, incentives and motivation to deploy their skills effectively to raise performance. However, while such concepts appeal to policy makers, they are far from unproblematic (Lloyd and Payne 2006). The idea that

there is a universal 'best-practice' model that can be disseminated across the business community has been seriously questioned. There are also real definitional problems and ambiguities in terms of both the range and nature of the particular practices that are thought to comprise a high performance approach. More worryingly, the evidence that such approaches yield positive gains *for workers* and improve skill levels remains, at best, mixed and uncertain, with some commentators finding decidedly negative effects in terms of downsizing, work intensification and a loss of control and autonomy.

Learning from abroad

In terms of addressing issues such as work organisation and job design, one starting point may be to examine the experience of other countries that have already developed public policy interventions in this area. The Finnish Workplace Development Programme, launched in 1996 and now in its third phase, provides one useful example (see Alasoini 2006). The programme funds the use of external experts (researchers and consultants) in various development projects which strive to bring about a 'holistic change' in an organisation's entire mode of operation (e.g. management approaches, work organisation, HR practices, skills and training). Projects are funded on the basis that they strive to improve both productivity and the quality of working life as well as involve the whole workforce in the development process.

Scottish policy makers might also find it useful to explore Australia's recent experiment with 'skill ecosystem projects' which represent an attempt to integrate skills policy within a wider business improvement and economic development agenda (Payne 2008). The projects offer public funding to 'networks' at regional or sectoral level, comprised of key stakeholders, industry representatives, trade unions and VET providers to look at what needs to change in order to develop sustainable approaches to skill development and utilisation. Again there are useful lessons coming out of the early evaluations of pilot projects in terms of how policy makers can identify the conditions under which such projects are likely to work and deliver results. Other countries are starting out on this process at the same time as Scotland. New Zealand, for example, has recently produced a skills strategy, based on a tripartite partnership between government, employers and trade unions, which explicitly aims to 'improve how we use and retain skills in workplaces' (New Zealand Government 2008: 8).

UK initiatives

There are also initiatives within the UK that Scottish policy makers may be able to draw upon. The National Health Service's Changing Workforce Programme, which operated in England between 2001 and 2005, sought to redesign job roles in order to improve patient

services and make better use of staff skills and capabilities (McBride *et al.* 2005). Although the programme has now ended, there are ongoing projects in this area, the lessons of which are worth exploring.

The Welsh Assembly Government's Workforce Development Programme (WDP) is also committed to working with employers to help them to develop the ways in which skills are used and to meet their subsequent training needs (see Keep 2008). At its core is a network of 100 Human Resource Development advisors (expected to reach 175 by 2008). The programme is admittedly under-funded (accounting for just less than 2% of the planned school VI form, FE college and work-based learning budget in 2007-2008) and has been subject to only limited evaluation. It is unclear at present how effective the network is, with much likely to depend upon the quality of individual advisors. Nevertheless, it does represent an attempt to design a programme that links skills and training issues to broader business improvement, while also offering a point of contact with another policy community committed to doing something about skill utilisation. It is important that Scotland reaches out and finds new partners, both at home and abroad, who can help them to take the new skills strategy forward and act as a 'sounding board' for new initiatives.

Constraints

While progress can be achieved, there is no denying that Scottish policy makers face real constraints. Many firms may be resistant to change, remaining wedded to low road strategies, aided by a lightly regulated UK labour market and low level minimum wage that does little to block off low wage, low cost options. Relatively high levels of income inequality and poverty (both in Scotland and the UK) also contribute to 'a thriving marketplace for goods and services sold on the basis of low cost and supported by low wages' (see Wilson and Hogarth 2003: xv). There is also the intense pressure on UK firms to maximise short-term shareholder value at the expense of long-term investment in technology, production systems and skills necessary to develop a 'high road' business approach.

Where financial market pressures have resulted in downsizing and job losses in the past, this too can undermine workers' trust in management and make it difficult to win their commitment to new ways of working. Policy levers that might be used to push firms away from 'low road' strategies, such as raising the level of the minimum wage, along with wider aspects of employment relations policy and labour market regulation, are reserved matters which lie outside the control of the Scottish government and remain firmly under the jurisdiction of Westminster.

Conclusion

Policy makers in England and Scotland are now explicitly pursuing what are, in effect, quite distinct and divergent 'strategic approaches' to tackling 'the skills problem'. While English policy makers are focused on boosting skills supply and matching overseas levels of qualification stocks, their Scottish counterparts are increasingly stressing the need for skills to be utilised effectively at work and are looking to integrate skills policy within a wider business improvement, innovation and economic development agenda. The result is a commitment to a 'new type' of skills strategy in Scotland, largely embryonic, the detail of which still needs to be fleshed out.

Finally, it is important to note that English skills policy is not immune from these 'external' policy developments. Indeed, the new UK Commission for Employment and Skills, established in April 2008, may have a significant role to play here. It is increasingly clear that commissioners who hail from Scotland inhabit a very different policy environment and 'assumptive world' to that which English policy makers are used to. Furthermore, the Commission will undertake a major research project on skills utilisation which will review the evidence base and explore ways of 'encouraging and supporting employers to make better use of skills' (UKCES 2008), with the Scottish Government leading the first phase of this project. There is the *potential* then for the Commission to act as a transmission mechanism for new ideas and approaches which may serve to challenge, or at least disrupt, the assumptions upon which English skills policy is based.

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For a more detailed exploration of these issues see J. Payne (2008) 'Divergent skills policy trajectories in England and Scotland after Leitch', SKOPE Working Paper, No. 82.

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Published at the ESRC Centre on Skills, Knowledge and Organisational Performance, School of Social Sciences, Cardiff University, Cardiff, CF10 3WT.