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ESRC ECONOMIC & SOCIAL RESEARCH COUNCIL

ISSUES PAPER 21

February 2010

Some Comments on *Skills for Growth*

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Summary

In producing their latest white paper, Skills for Growth (2009), the department for Business, Innovation and Skills (DBIS) (supplemented by a team drafted in from the Prime Minister's Strategy Unit) have aimed to do two things. The first is to provide an update of the original skills strategy (21st Century Skills – Realising Our Potential, DfES 2003), and to recontextualise policy within the new economic circumstances that we face. The original skills strategy was born in a time of boom, but now has to cope with a period of bust. The second is to provide a public response to a number of UK Commission on Employment and Skills (UKCES) documents and items of advice to ministers, in particular Ambition 2020: World Class Skills and Jobs in the UK (2009a) and Towards Ambition 2020: Skills, Jobs and Growth (2009b). This Issues Paper offers some initial thoughts on the white paper. There is not space to attempt to review every aspect of the document or to assess every policy recommendation. The aim is to highlight some of the most important points.

Evolution Not Revolution in Policy

Perhaps the first key point to note is that, despite some superficial changes, particularly in language and phraseology, *Skills for Growth* exhibits a strong line of continuity, especially in terms of its underlying analytical framework and repertoire of policy prescriptions. This is a revamp rather than a rewrite of policy and thus we get, as the new centrepiece for policy development, the traditional device of targets for skills supply and output. The 50 per cent higher education participation target is reaffirmed, the Leitch ambitions for 2020 (and the 2011 milestone targets thereunto) are endorsed, plus a new target is introduced that no less than three-quarters of the under 30 population should, by 2020, either be going through higher education or advanced (i.e. at least Level 3) apprenticeship or technician training.

The white paper does admit more fully than previously that:

> There is no automatic relationship between skills and productivity. Critically important is how businesses actually use the skills of their workforce; and how they use them in combination with the other drivers of productivity, such as investment, innovation and enterprise. (DBIS 2009: 20)

but it is apparent that the government is finding it difficult to know how to respond to the UKCES's argument that the UK's 'skills problem':

> … lies largely on the demand side. The relatively low level of skills in the UK; the limited extent of skill shortages; and the potentially relatively low demand for skills relative to their supply taken together, imply a demand side weakness. The UK has too few high performance workplaces, too few employers producing high quality goods and services, too few businesses in high value added sectors. This means that in order to build an internationally competitive economy, the future employment and skills system will need to invest as much effort on raising employer ambition, on stimulating demand, as it does on enhancing skills supply. (UKCES 2009a:10)

Issues of skill utilisation and demand are dealt with sketchily, though the fact that they are overtly addressed at all represents the early, tentative (and doubtless hotly disputed) signs of a shift in official thinking. The white paper's responses to demand and utilisation are either small scale and tentative or vague promises of future policy development to come. Thus, on skill utilisation, there is not yet any intention to

produce an English equivalent to the Scottish Government's skill utilisation programme. On stimulating demand, besides hopes that business advice can be made to play a larger role, the one major new response is to stress the role that public purchasing power can make, via building skill and training requirements into public sector contracts. This is an interesting development, not least since the authors of this Issues paper can recall being told by policy makers on a number of occasions over the last decade that any such use of public procurement policy was impossible under EU law. Where there's a will…

On the wider issue of how policy may try to deal with the issues of demand and utilisation, it is probably unrealistic to expect officials who have hitherto only been concerned with skills supply to get to grips with these new and complex fields very quickly. A period of reflection and small scale experimentation would have merit, and it may be possible that with skills policy now residing in a department whose remit also covers innovation, employee relations, and economic and business development, that wider pools of expertise can be tapped as new policy options are developed.

Progress: DBIS and UKCES Agree to Differ

In the white paper, DBIS rejects the UKCES's underlying analysis of where current skills policies trajectories will take us in terms of meeting the targets set by Leitch and endorsed by the English government. UKCES were extremely clear that current skills policies would not be sufficient to achieve the Leitch 'ambitions':

> We have assessed our likely progress and the prospects for achieving World Class standing in skills and jobs in the next decade. Our projections suggest that the UK's relative international position is unlikely to improve by 2020, let alone become World Class. Indeed, overall, it may deteriorate slightly… Overall, the international skills gap between the UK and the top countries is widening rather than closing. If we translate our international ambition to reach the top quartile of countries into what this means for UK skill levels, we have an equally troubling picture. Our projections suggest that, with the exception of high-level skills, we will not achieve our objectives. (UKCES 2009:7)

DBIS, using their own, rather different assumptions and projected trajectories for qualification supply, arrive at a much happier set of outcomes. All that we might add by way of comment on this clash of forecasts is that experience of the fate of earlier national skills targets linked to international benchmarking suggests a greater likelihood of failure than success, and that the Leitch Review was clear that its ambitions could only be achieved if both employers and individuals made a step change in their own investment in learning. The economic downturn may make this even harder to bring about than hitherto has been the case, though the white paper does have some suggestions about how individuals (via Learner Accounts) and employers (via government matching of their investment in some sectors) could help leverage greater non-governmental spending.

Another topic raised by UKCES, the danger of an over-supply of skills, is not confronted at all. UKCES argued that:

> … the growth in our numbers of high skilled people significantly exceeds the growth in our numbers of high skilled jobs. The growth in high skilled jobs is also occurring at a slower rate than in other countries. (UKCES 2009a:9)

To this point, DBIS make no response, though the addition of a new and ambitious target for increasing the supply of technicians and advanced apprenticeships suggests an implicit rejection of the dangers of over-qualification. It is to this new target that we next turn.

Creating a New 'Technician Class'

The new 75 per cent of the age 18-30 cohort going through either higher education or apprenticeship or technician training (at Level 3 or above) target is slightly surprising, since the general thrust of policy over the last decade had given the impression that government saw a mass high quality apprenticeship system that could deliver intermediate (i.e. Level 3 and above) skills as a lost cause outside of a few sectors such as engineering, and had instead decided that expanded higher education and foundation degrees would more readily fill this gap. The espoused aim of this new policy is to go beyond the Leitch Level 3 aspiration and to achieve nothing less than the creation of a 'new technician class' (whatever that might be taken to mean).

As with the original Leitch targets, this one appears to be tied more to international benchmarking of qualification stocks than to forecasts of actual demand in the English/UK labour market, and like the 50 per cent participation in higher education target, carries with it the suspicion that the appeal of a 'nice round number' (in this case three-quarters) over-rode any calculation of actual need. The main justification for expansion of Level 3 vocational provision is a belief that the 'industries of the future' (bioscience and low carbon technologies) will need masses of technicians.

There are a number of problems with this approach to target setting. First, it is far from clear that, at least to date, demand for vocational Level 3 qualifications and

for craft and technician workers is particular high in the UK (Lloyd & Steedman 1999), and, as Crouch, Finegold and Sako (1999) pointed out, high tech industries (like aerospace and pharmaceuticals) tend to employ relatively small number of workers, so while meeting the skill needs of these sectors may be important for the economy, it may not necessarily mean massive numbers of trainees. Moreover, as Dickerson and Vignoles (2007: vi) noted:

> In just under half of SSCs [sector skills councils], the return to level 3 vocational qualifications is essentially zero. Clearly, on the basis of this evidence, there is no national shortage of vocational level 3 skills. Both supply and demand for level 3 vocational qualifications appear to be relatively low. The issue therefore, appears to be more one of low demand compared to our international competitors, which arguably needs to be stimulated if skill levels are to be on a par with those abroad, and the aspirations of Leitch to be achieved.

Outside of manufacturing, construction and science, the number of Level 3 jobs in large swathes of the service sector that now dominates UK employment are either quite limited (there are relatively few technicians in retailing or hospitality), or represent supervisory posts rather than specialist, higher level technical skill roles (a W H Smiths assistant manager is not really a craftsperson or technician in the traditional sense).

Moreover, although overall apprenticeship numbers in England have been growing, the proportion of advanced apprenticeships (i.e. at Level 3) is actually quite low being about 34 per cent of all apprenticeship places, and the new target, which initially entails the government in trying to double the number of post-16 advanced apprenticeships, with an additional 35,000 places over the next two years, is ambitious. The government admits that employer willingness to produce extra places will be vital to the success of this measure. The fate of Level 3 provision for adult workers within Train to Gain (T2G) is not particularly encouraging. The Learning and Skills Council's (LSC) own evaluations of T2G note that at Level 3, despite the original intention that employers should contribute 50 per cent of the cost of provision, in reality 48 per cent of T2G places have had to be 100 per cent funded through government subsidy. One reading of this would be that employer demand for vocational Level 3s is limited.

The final concern has to be with the resources available to support this centrepiece policy. All that can be assigned in the current straitened circumstances is £17 million in 2010-11, rising to £115 million by 2014-15, with this coming in the first instance from the existing T2G budget. Such sums are possibly not enough to kick start the creation of a new social class or occupational strata. In a sense, this illuminates a key lesson from the white paper – that a supply-led skills strategy, particularly one being promulgated in the context of a voluntaristic, deregulated labour market, rapidly runs out of steam when the ambitions it embraces expand beyond the capacity of the public purse to throw more subsidy at the ambitions being assayed. In other words, in an era of constrained public spending, a supply-push strategy has very little future. There is also the interesting question as to whether this new target is inconsistent with the pre-existing higher education target. One possibility, hinted at in some of the government literature, is that the higher education sector will in fact find itself furnishing much of the provision for this new technician class.

An End to Planning?

The demise of planning mechanisms within English education and training and a move to a wholeheartedly demand-led, market-driven system has been mooted since the Leitch Review. Although the white paper is at pains to echo this rhetoric it is noticeable that on closer reading, under the aegis of the Skills Funding Agency and the Regional Development Agencies, quite a lot of planning is still anticipated, though now sometimes labelled as 'skills activism' and involving a reduced cast of walk on policy players.

Simplification

The UKCES has secured a considerable success with its recommendations (UKCES 2009b) for the simplification of the English post-compulsory education and training system, many of which find endorsement in the white paper. A cull of agencies and quangos is now scheduled to ensue. Some new quangos will emerge to replace the deceased, but the likelihood is that there will be fewer of them and less money spent on them. While much of this seems extremely sensible, the one recommendation that makes remarkably little sense (and which emanates from government not the UKCES) is the idea that the number of sectoral employer skills bodies can be reduced from the current 25 to ten or so. The curse of the 'nice round number' and an official obsession that 'fewer is better' seems to be at work here. New Zealand (a far smaller economy) is widely acknowledged to be home to one of the most successful sets of sectoral employer training organisations, yet has more than 80 of them. Some of the current UK SSCs already struggle with 'sectors' that are extremely diverse and often scarcely connected. This problem is likely to be worsened by the proposed 'reform'. Moreover, the proposal yet again betrays the difficulty that officials have in recognising that if the skills system as a whole, and sectoral bodies in particular, are meant to be employer-led, then it is surely up to employers and their representatives, not officials, to try to determine their optimum number and configuration.

Performance Management for Further Education

This is another area where UKCES's recommendations have had a significant impact. The white paper follows UKCES thinking (see UKCES 2009b) in proposing a new 'traffic light' style Performance Management System for further education (FE) and training providers, which it is hoped will offer students far better information on the levels of student satisfaction, completion rates, inspection reports, and labour market outcomes for individual courses within individual institutions or providers. The broader aim is to move beyond an almost total reliance on qualification achievement as a measure of success, and to try to count what the white paper terms 'real world outcomes'. Once this new system is in place, colleges and providers, particularly those who perform well, will be afforded somewhat greater freedom than at present to make their own decisions about patterns of provision.

The proposals suggest that within two years or so colleges and providers will be able to generate information (for each course they offer) on the resultant labour market outcomes that are generated – in terms of employment rates and wage prospects. It is unclear where this information will come from. At present, the bulk of FE provision does not even generate first destination statistics of the kind that are common in higher education, and age data is not collected by colleges. How this gap is going to be filled will prove interesting, though if and when the data are available, they will offer some fascinating and potentially rather depressing insights into the wage premia generated by lower level vocational qualifications.

The other issue is the way in which these data are used to judge college and provider performance. Employment rates and age premia may be more powerfully influenced by the shape and state of the local labour markets than by anything institutions themselves can directly affect. The traffic lights may be useful to prospective students but their ability to reflect college performance in any meaningful sense may be limited.

Final Thoughts

The points dealt with above are all issues clearly signalled in the white paper. The final one discussed here is not. It relates to the way in which the white paper reflects the arrival of the UKCES as a body independent of government, whose advice carries weight with ministers. When the UKCES was established in the wake of the Leitch Review it was unclear whether it would be substantially different from the Sector Skills Development Agency that it replaced, and which in policy terms could best be described as relatively uninfluential. It is now plain that it is, and that for the first time since the demise of the Manpower Services Commission a body, at least semi-independent of government, is in a position to exert a fairly substantial influence on official thinking and policy formulation.

The contrast with the soon-to-be-abolished LSC is instructive. The LSC may have been (in spending terms) Europe's largest quango, but its ability to exert influence on government policy was extremely limited. It funded and delivered policies designed elsewhere. The UKCES, besides being the guardian of the Leitch Review's ambitions, is also a transmission mechanism for policy across the four UK national governments (for example, it has championed the priority placed on skill utilisation by the Scottish government within England), a growing source of labour market and other forms of skills information and research, and a body charged with offering advice to government. Given the hitherto extreme centralisation of skills policy formation in England (Keep 2009), this is an important development.

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