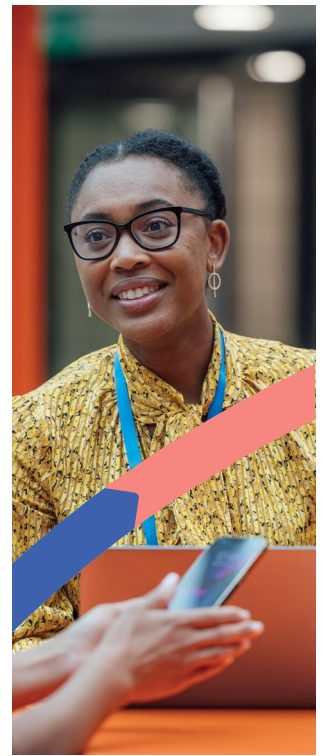




Making Skills Work:
**The Path to
Solving the
Productivity Crisis**





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Foreword

Kirstie Donnelly MBE, CEO, City & Guilds

Since the 2008 financial crisis, growth in productivity has stagnated in the UK, with the economy performing particularly badly relative to those of comparable countries. Productivity is the key factor which determines living standards, and the effects of this stagnation are being felt across the country - in lower living standards, reduced opportunities for individuals at all stages of working life, and a deepening of regional and nation-based disparities.



It has long been acknowledged that the UK faces a productivity crisis – and there are many complex and competing theories on how this ‘productivity puzzle’ can be solved. In fact, skills development is the only meaningful solution to this puzzle, and if present skills challenges are not addressed, then the productivity problem will always be a problem.

Our productivity research explores the link between skills and productivity and underlines the role that skills development can play in tackling the UK’s current productivity challenges – something we have always known to be true. As part of our productivity campaign to highlight this crucial link, we worked with the Lifelong Education Institute to produce this report, and commissioned research to inform this.

City & Guilds research polled 1,000 UK employers and 2,000 working-age adults. The findings include some troubling insights. Around half of employers reported an increase in the need for skills not currently held in the business over the past five years, and our responses revealed stark differences in the extent and availability of training in various key sectors – despite a broad consensus amongst employers that building employee skills is crucial for productivity.

Perhaps most concerning is that the research revealed a widespread pessimism among respondents, who believe that the current skills system is poorly equipped to prepare learners for embarking on a career of their choice. This is supported by feedback from members of the City & Guilds Young Learner Advisory Team (YLAT), whose experiences and perspectives inform how City & Guilds responds to workforce challenges, and influence solutions more widely as an important part of our role as a voice for skills.

Tackling the UK’s skills gap requires a coordinated approach to government, industry, and training providers, and so we welcome the formation of Skills England, the new Government’s central body which aims to deliver this.

This new institution must, of course, extend its scope beyond the confines of its current title and tackle regional and nation-based skills disparities. We know that talent can be found throughout the UK, but the same cannot be said for opportunity, and we need to put this right. Employers are now multinational - so skills strategy needs to extend beyond national boundaries. If developed in partnership with the skills sector, Skills England can play a decisive role in reversing the UK’s negative growth trends. Our research provides useful navigation points for its structure and priorities in the years ahead.

Fewer than half of working age adults (48%) feel that they left their time in education with the right skills to embark on their chosen career



Meanwhile, we will support this aim through building a wider understanding of the relationship between skills and productivity, and by promoting learning pathways that can show attributable productivity gains.

Our commitment to improving productivity through skills development in the UK includes promoting further integration of post-16 education and training and develop distinct pathways for 'pre-career' and 'mid-career' learning.

We will conduct further employer analysis to identify where investment in reskilling and upskilling is most urgent – to determine which industry sectors are capable of crossing the innovation frontier, and which are in danger of being 'left behind' by future challenges.

In addition, we shall formulate guidance for business and education providers on how to integrate more flexibility and inclusivity into working and learning conditions. Finally, we'll explore ways to integrate a national framework of skills classifications and occupational standards into the existing qualifications framework.

This report provides an important and detailed account of the past 60 years of skills and education policy, offering valuable insights for the new Government on how the mistakes of the past can be avoided, and how a successful future for Skills England can be achieved.

The benefits for the economy and society in taking a skills-based approach to the productivity question are self-evident. To meet both current and future skills challenges, we must nurture and develop existing workforce talent; while providing new generations of learners with the tools they need to build careers and fulfil their potential.

Foreword

The Rt Hon. the Lord Blunkett

As a former Secretary of State for Education and an advocate for skills, I've observed how the right approach to skills delivery and implementation can play a crucial role in creating future opportunities for UK companies, and wider society.



More recently, I've observed the negative impact of under-investment in skills, which is sadly all too evident. Since 2010, the government's investment in skills in England has been cut by £1 billion, while employers are investing 26% less in training per employee than in 2005. Adult qualification volumes have been in steady decline over the last decade - and we're now at risk of trailing other OECD countries in terms of entry level and intermediate skills.

In 2022, I launched the Learning & Skills report which set out 24 key recommendations that aimed to help to meet the skills challenges of the future, create a culture of lifelong learning, and promote growth and economic recovery.

Now, in 2024, the need for learning, skills, and education to be at the heart of government priority has never been more pressing. It's the most significant investment that the country can make in rebalancing the economy and giving us hope for the future.

The challenges facing the country – the drive for housing, tackling climate change, achieving net zero, AI and the changing nature of work – all depend on skills. Employers, in particular, must recognise the importance of upskilling for staff, and work to reverse the downward trend in year-on-year volumes of training days in the UK.

And individuals have a role to play - they must be adaptable, willing to embrace the creativity and innovation that the changing world of work will demand in the coming years.

The formation of Skills England, while familiar in its aims, represents a fresh opportunity to reformulate UK skills policy. It needs to hit the ground running immediately - to coordinate all the national stakeholders in order to effectively tackle the skills gap. It must identify where skills gaps lay, how to address these, and then devolve appropriately – not just to combined authorities, but to relevant sectors in our economy as well.

Organisations like City & Guilds, a leading voice for skills in the UK, will be critical to ensuring this success, providing insight into existing sector-based skills challenges along with its wider expertise on skills development. At an individual level, their qualifications help people enter employment, change jobs and progress, and will play a significant role in equipping people to meet the emerging challenges identified in this report, for instance, in green skills, technology, and AI.

This report sets out the parts that everyone can play in contributing to success, including at central and local level, education and training providers, and the business community - while evaluating previous policy attempts to tackle skills challenges in the UK.

“The challenges facing the country, including the drive for housing, climate change and AI, all depend on skills.”



City & Guilds' research, which forms part of this report, identifies acute skills gaps across many sectors, with some citing an alarming level of unreadiness for impending skills demands. There are stark regional skills disparities revealed too, expressed in a lack of confidence in having the skills required to enter the workforce among respondents from lower-income regions and nations of the UK.

This timely report provides a detailed and enlightening roadmap for skills policy - which complements the new Government's work to unlock productivity in the UK, and help the country meet the challenges ahead.

Organisations like City & Guilds will be critical to ensuring Skills England's success, providing insight into existing skills challenges along with wider expertise on skills development

Executive summary

Introduction

This report provides a critical assessment of the new Labour Government's proposal for Skills England as an institution to provide strategic coordination and oversight over the technical and vocational branches of the skills system in England. It places the plans for Skills England in the context of over five decades of policy change and puts forward recommendations to help Skills England solve the nation's productivity problem.

Policy context: The legacy of policy churn in skills and education

An examination of the long-range backdrop to the new Government's plans for skills and industrial strategy reveals a pattern of constant policy churn and institutional change. The overview begins with the introduction of the Industrial Training Boards in the 1960s, before the first step towards a national skills oversight with the Manpower Services Commission (MSC) in the 1970s–80s. It highlights how this phase of centralised state planning was abandoned in favour of a delegated market-led experiment, with the introduction of business-led QUANGOs - the Training and Enterprise Councils. The review tracks the emergence and subsequent decline of various successor bodies, including the Learning and Skills Council (LSC) and Sector Skills Development Agency (SSDA), and the UK Commission for Employment and Skills (UKCES).

The report draws attention to several key turning points and high-profile shifts in government policy in this area, shaped by deeper changes in the prevailing ideologies around the role of the state in the economy. These point to shifts between business-led and government-led models; centralised and decentralised approaches; and intermittent focus on sector specific and place-based strategies.

The period maps a shift from the third to the fourth industrial revolution, in which the

The UK's productivity performance has been weak since the financial crisis of 2008.

economy becomes more global, while the need to intervene and manage labour markets becomes more local. The role of the central state has been questioned and reinforced in this process with largely failed attempts to intervene and rescale towards localisation. The rhetoric of decentralisation, though forcefully expressed since the early 90s, has not been fully realised, as tensions between the central state and sub-national considerations have persisted. The relative importance of place-based and sectoral divisions within the UK economy and skills system has also shifted over time, largely - but not exclusively - in line with changes of government.

The introduction of Skills England represents a return to the role of the central state in workforce development, aligned to a national industrial strategy. In terms of recent history, we can see how this resembles the model of state planning in the 1960s and 70s.

The UK's productivity problem

The Government's stated mission is to achieve the "highest sustained growth in the G7" by the end of this five-year term. The UK's productivity performance has been weak since the financial crisis of 2008. In 2023, the UK ranked fourth highest out of the G7 countries, with the US ranking highest. The UK's productivity was around 18% below the US. In addition, the UK is one of the most unequal countries in the developed world, with a persistent productivity gap between London and the South East and the rest of the UK regions and nations. To improve national prosperity that can be felt across the whole country, policy will need to address the particular problems of lagging productivity in many cities outside of the Greater South East.

It is recognised that higher levels of education and skills are fundamental to productivity growth and improved living standards. However, the UK has a longstanding problem with skill utilisation. The Office for National Statistics (ONS) estimates that almost

one in three graduate workers are not in graduate-level jobs. While graduate education still serves as valuable protection against unemployment, the graduate wage premium is falling outside of London and in non-STEM industries, as general skills levels and the number of graduates rise.

A survey of employers, commissioned by City & Guilds, finds a worrying pessimism that the current skills system is poorly equipped to prepare learners for embarking on a career of their choice, and observes major divergence between several of the UK economy's key sectors in how successfully workers are being trained to meet the needs of the future. This suggests that the UK, presently, has a particular problem with skills mismatching, which is acting as drag on economic growth, but that there is a renewed opportunity now to redress this. Rebalancing the supply and demand for skills will be a central task for the new Government and Skills England.

New Institutional structures

Skills England aims to 'bring together the fractured skills landscape' and create a 'shared ambition to boost the Nation's skills, by better meeting employer demand for skills. It will be an 'arms-length' body that will work across government departments to:

1. Develop a coherent single authoritative picture of what national and local skills needs the country requires over the next decade
2. Develop a highly responsive training system
3. Ensure that national and regional skills systems work together effectively to meet those skills needs. A core function for Skills England will be to provide labour market intelligence and skills forecasting, and advise Government on the supply of post-16 vocational and technical skills.

A significant proportion of respondents lack confidence in the ability of the UK skills system

Key areas of future development for Skills England will include its strategic role in relation to the broader skills landscape, not least the wider role of higher education (beyond degree apprenticeships) and R&D institutions.

There is presently some overlap between Skills England and the Office for Students (OfS) in the development of higher level technical and vocational courses which will need to be resolved. Another institutional arrangement that will need to be established is the relationship between Skills England and devolved sub-national authorities, including Mayoral Combined Authorities, that would expect to be able to identify and meet their own skill needs.

The extent to which Skills England represents a step change towards integrating the English tertiary system and how much further it might go is also something that all interested partners will be keen to see take shape, and with due input from important actors on the ground that will be fundamental to successful implementation of any new model.

The following recommendations are aimed at addressing some of these, as yet, unresolved questions.

Recommendations for Skills England

1. Ensure that the Board of Skills England comprises government, business, education providers, learners, workers, and local communities
2. Skills England should be empowered to redirect resources to address needs and assess the productivity prospects throughout the country, intervening where necessary, and producing an annual report to promote transparency on how local productivity are being addressed.
3. Skills England's relationship with regulation needs clear definition. It should coordinate with existing bodies to ensure a more joined up system. It should make recommendations to government about how existing regulation should be streamlined to remove unnecessary duplication.
4. Skills England should co-advise with the Office for Budget Responsibility on all Budget measures, to ensure that public spending on skills is fully costed, and evaluated according to likely productivity returns.
5. Skills England should also co-advise with Office of Qualifications and Examinations Regulation (Ofqual), the OfS, Office for Standards in Education (Ofsted), and both the Quality Assurance Agency for Higher Education (QAA), and the Independent Schools Council (ISC), on how to boost the accessibility of skills training options, with a memorandum of understanding between the OfS and Skills England in relation to higher education (Level 4 and above).
6. Skills England should have oversight of the National Career Service. Improving access to quality careers advice for people in-work will be vital to driving productive growth through the take-up of skills training.
7. Skills England should play a key role in shaping vocational and technical education as part of a comprehensive post-18 skills system, through advising government on the balance of provision across all skill levels, aligned with an industrial strategy, including the relative volume of degrees in non-vocational and non-STEM subjects.
8. Skills England should have a convening role with Mayoral Combined Authorities, to develop a single picture of national and local skills needs, and make sure that national and sub-national systems are aligned.
9. Skills England should develop Regional Skills Observatories in partnership with MCAs and other local partners, to provide a valuable shared resource for all partners engaged in skills strategy and workforce development.
10. Skills England should prioritise the higher skill needs of the existing workforce to maximise productivity gains via investments in human capital, whilst recognising the importance of Level 2 and 3 qualifications in kickstarting careers, filling industry gaps and enabling progression into higher education.

Recommendations for Government

1.

Government should introduce a reformed version of the Lifelong Learning Entitlement to support upskilling and reskilling among the existing workforce, especially modular courses at Levels 4 – 6. The creation of an Individual Learning Account system, with co-investment between government, businesses, and individuals would enhance the flexible levy and enable more individuals to access training for the skills they need.

2.

Government should consider the availability of qualifications across all stages of learning. Key to this will be qualification reform, including scope for a sustainable, scalable model for T levels, and creating suitable availability for some degrees, on the advice of Skills England, to rebalance the supply and demand for skills, and assess resources for vocational qualifications that can more directly influence productivity growth.

3.

Government should establish a memorandum of understanding between the Office for Students and Skills England to steer cooperation and coordination of technical and vocational courses.

4.

Government should establish formal operating agreements between devolved areas and new entities like Skills England and the new Industrial Strategy Council. It should also encourage and facilitate greater inter-regional cooperation between combined authorities.

5.

Government should revive the Sector Skills Councils to oversee sectoral skills development in partnership with Skills England.

6.

Government should drive further integration of post-16 education, including integration of adult funding budgets, to achieve a single tertiary system.

Recommendations for City & Guilds

1.

City & Guilds should raise awareness of the relationship between skills and productivity, and promote courses that can evidence direct productivity gains.

2.

City & Guilds should promote further integration of post-16 education and training, and develop distinct pathways for 'pre-career' and 'mid-career' learning.

3.

City & Guilds should conduct further employer analysis to identify where investment in reskilling and upskilling is most urgent, including which industry sectors are capable of crossing the innovation frontier, and which are in danger of being 'left behind' by future challenges.

4.

City & Guilds should formulate guidance for business and education providers on how to integrate more flexibility and inclusivity into working and learning conditions.

5.

City & Guilds should extend their work to integrate a national framework of skills classifications and occupational standards into the existing qualifications framework.

Introduction

This report examines the new Labour Government's policy commitments to reform the post-16 skills landscape in England. In July 2024, the Government announced a Bill to establish Skills England, a new institution which is intended to play a leading role in developing future policy and strategy for skills development in England, to transform opportunities for higher skilled employment, and drive productive growth.¹

The aim of this report is to better understand the challenges that the Government will confront when designing the structure and determining the functions of Skills England, as well as to inform its development to transform future skills policy and provide lasting positive impact. The report offers a detailed overview of the UK's post-16 skills system since the 1960s. This focuses on the approaches to vocational and technical skills training, and how various policy initiatives and institutions have aimed to address the problems of skill shortages and gaps, as well the need to upskill and reskill across different industries and localities. It analyses how changes of government and shifts in the underlying political economy of education have led to increasing churn in the institutions tasked with overseeing skills improvement, especially since the early 2000s, and confusion about whether these processes should be business or government-led; national or sub-national; person-centred or sector focused.

By identifying the successes and failures of past approaches to give skills policy an institutional presence at the heart of government, the report sets out the key questions that Skills England will need to answer if it is to break the wasteful cycle of policy churn, duplication, and reinvention.

The report explores how Skills England can help address these concerns, including through a more pronounced focus on productivity and its individual and social impacts, by acting as a hub for 'joined-up' thinking on skills within government that remains sensitive to differences of place as well as sector, and by supporting reforms in post-16 learning focused on course design, funding oversight, and quality control.

This includes clarifying what the structures of this new body should look like, where it should sit within government, and its relationship to other bodies tasked with skills improvement in various parts of the national economy. The report also examines how the remit for such an institution should be defined, including which parts of the education and skills system it should be responsible for, as well as the additional capabilities it will need to hold 'in-house' in order to successfully deliver on its strategic promise.

¹ <https://www.gov.uk/government/news/skills-england-to-transform-opportunities-and-drive-growth>



The Legacy of Policy Churn in Skills and Education

The creation of a government institution dedicated to skills policy and strategy carries long precedent in UK policymaking. Through considerable shifts in the composition, size, and structure of the UK economy, and in the prevailing assumptions of political economy, above all around the relative role of market forces and state intervention, skills policy has been subject to consistent revision. Further, since the late 1990s skills has become a devolved matter, with the transfer of legislative power for self-governance to Wales, Scotland and Northern Ireland, adding another layer of complexity to national strategy.



This chapter offers a comprehensive overview of the policy and institutional landscape underpinning the new Labour Government's planned introduction of Skills England. It traces the historical evolution of initiatives focused on skills enhancement across the UK, especially within England, spanning from the first large-scale strategies for labour force investment in the early 1960s to the present day. The chapter examines the continuities and discontinuities in skills policy and outlines the key questions they imply for the model of Skills England insofar as the details of its development are known at this stage.

Growing complexity in skills policy institutions

Any governmental body that aims to intervene in skills policy, whether in an advisory, analytical, or regulatory capacity, has to strike a careful balance between the precision and the breadth of its institutional focus.

It must be dedicated to formulating skills improvement, as a distinct area of policy development. At the same time, it also needs to be broad-based enough to act as a single framework of coordination, oversight, and strategic planning for all aspects of related education and industrial policy. The last five decades of skills strategy have seen the emergence of numerous approaches, which provide the context for any future form that Skills England will take.

Early developments in institutional skills oversight: State Planning

The period from the 1960s up to the 1980s represents a highpoint in centralised state planning in the UK. Various bodies had evolved over generations, including the Economic Advisory Council (1930), the National Production Advisory Council (1941), the Economic Planning Board (1947) and the Council on Prices, Productivity and Incomes (1957).

However, in 1962 the MacMillan Government established the National Economic Development Council (NEDC) an economic planning forum set up to bring together management, trades unions and government – a form of tripartism – in an attempt to address Britain's relative economic decline. It was supported by the National Economic Development Office (NEDO). These institutions were collectively referred to as 'Neddy' with Economic Development Committees (EDCs, known as 'Little Neddies' for particular industries.

These institutions remained an influential player across the 1960s and 70s and the Governments of Edward Heath, Harold Wilson and James Callaghan setting future strategy for UK business and industry. It was within this structure that decisions about national skills policy were taken. The Industrial Training Act 1964 enacted by Harold Wilson's Labour Government aimed to make better provision for training in industry and commerce and to ensure an adequate supply of trained workers. It established a number of Industrial Training Boards (ITBs) in sectors such as Construction, Engineering, Ceramics, Glass and Mineral Products, Printing and Publishing, Distribution, Gas Industries, Knitting, Lace and Net Industries.

1960–88

The boards were comprised of a chairperson (with experience in industry or commerce), an equal number of employers and employees, and a smaller number representing the education sector. Their main functions were:

- To provide or secure the provision of sufficient training courses and other facilities for employers in their respective industries
- To make recommendations about the length, nature, standard and content of training for different occupations
- To pay a grant to employers providing training of an approved standard; and
- To impose a levy on employers in their industry in order to carry out these functions.

However, in 1973 the Heath Conservative Government passed the Employment and Training Act² and introduced three new institutions: the Manpower Services Commission, the Employment Service Agency, and the Training Services Agency. Most of the responsibilities relating to the control of the activities of the ITBs were transferred to the new Manpower Services Commission.³

The MSC was originally conceived as a small central unit although it quickly took on dedicated responsibility for two divisions of the Department of Employment: the Employment Services Division and Training Division. The MSC had oversight of the Training Services Agency, operationalised in the regions via 53 government training centres, as well as the Employment Services Agency, administering benefits and operating jobs boards. Building on this function, by 1975 the MSC established a network of jobcentres, and in 1978 its functions were integrated by the Callaghan Labour Government.

The Manpower Services Commission (MSC) was the first example of a national body tasked with developing a comprehensive skills strategy for the UK. It was designed with two overarching purposes in mind, which brought together questions of work and human

capital investment. Firstly, to develop a single national 'manpower' strategy for the UK. Secondly to advise the Secretary of State. The MSC as a body comprised nine members and a chairperson, and exercised strategic oversight and responsibility for several of the key processes and structures that have become mainstays of policy development around the transition into work:



Given these areas of focus, the MSC reflected a received conception of skills training as above all a route out of unemployment for economically inactive members of the population, rather than as something those who are still in work should also take part in. The MSC also asserted the primacy of the central state in skills planning. Area Manpower Boards were established to advise the commission on the planning and delivery of its programmes at local level. Responsibility for decisions on these programmes rested with the commission and its staff, but it was not unknown for the chairman of the commission to overrule the recommendations of area manpower boards.

The Manpower Services Commission focused on skills training as a route out of unemployment for the economically inactive, and did not recognise the value of this for those in work

² <https://www.legislation.gov.uk/ukpga/1973/50>
³ https://en.wikipedia.org/wiki/Manpower_Services_Commission

1988–97

The Thatcher Conservative government introduced Training and Enterprise Councils together with Local Enterprise Companies to deliver skills and training in their local areas

The rise of market-led QUANGOs

Margaret Thatcher's Government represented a radical departure from national state planning. The National Economic Development Council was distrusted and left to wither on the vine with its meetings scaled down in frequency and importance before finally being abolished by John Major in 1992. Similarly, the MSC gradually fell out of favour with a government which was far more sceptical than its predecessors about the value and efficacy of government-led strategic economic planning. By 1987, the MSC's employment functions were merged with the Unemployment Benefit Service, and its remit steadily reduced to focus solely on training and vocational education for the unemployed rather than skills development as a whole. This was a prelude to a short-lived overhaul of the MSC: renamed the 'Training Agency' in 1988. With a much-reduced list of functions, it was dissolved in 1990.

In place of the MSC, the Thatcher Government introduced a series of Training and Enterprise Councils (TECs) in England and Wales, and broadly equivalent Local Enterprise Companies (LECs) in Scotland.⁴ These quasi-non-government organisations (QUANGOs) were first announced in the Employment for the 1990s white paper in 1988 and were an early attempt to decentralise and deregulate the training and skills system, to open this up to market forces and put employers at the helm of local workforce planning. They immediately swept away the statutory levying powers of the ITBs and the strategic planning role of the MSC.

From 1990, 82 TECs (75 in England, 7 in Wales) and 22 LECs in Scotland, were set up under contract to the Department of Employment, and later to the merged Department for Education and Employment. In 1992, the Welsh TECs were transferred from Employment to the Welsh Office, while the Scottish operations were restructured into Scottish Enterprise

and Highlands and Islands Enterprise. When the TECs were conceived unemployment had been gradually falling from its mid-80s peak. Unlike the MSC, their primary purpose was to address skill shortages and to remodel training programmes to meet the needs of local labour markets. Part of the ambition for TECs, shaped by neoliberal theory, was that they (by proxy the private sector) would help shape local economic development and bring about a structural increase in the levels of private investment in training, gradually shifting the burden away from government. It was envisaged that they would achieve a measure of autonomy and independence from central government. However, the unexpected and deep recession of the early '90s meant that by the time TECs were operational they were dealing with the rising tide of unemployment. The reality for TECs was that they quickly found themselves managing central government programmes for the unemployed on tight budgets.⁵

TECs and LECs were set up as private-sector companies limited by guarantee, with a non-executive board comprised mainly of local businesses with additional representation from strategic partners, including local authorities. Notably unions were not represented in this new arrangement in what would become an increasingly deregulated labour market and de-unionised workforce. The business-led boards were formed to take on responsibility for strategic planning around skills and training for their local areas. Operationally the TECs were responsible for identifying the resources needed to implement local skills plans and agreeing contracts with training providers (Further Education colleges, Independent Training Providers, and voluntary organisations) to deliver the plan's targets. This included oversight over adult and youth training largely for those without employment - a similar role at a local level to that previously played by the MSC at the national level. TECs and LECs also had a role in promoting enterprise (primarily through the

⁴ https://en.wikipedia.org/wiki/Training_and_enterprise_council; https://assets.publishing.service.gov.uk/media/5a7dd775e5274a5eaea66a8f/2ndInquiry_FullReport_Chap4.pdf

⁵ Jones, M. *New Institutional Spaces: TECs and the remaking of Economic Governance*, 1999.

Faced with stagnating UK productivity, Skills England must never lose sight of the connection between skills and labour.

administration of the business start-up scheme 'Enterprise Allowance' and the development of Small and Medium-sized Enterprises (SMEs) in their areas through the Investors in People programme.

From their inception, the TECs suffered from a systematic lack of accountability regarding both the development and implementation of their local skills and economic development plans, as well as a 'postcode lottery' of asymmetry in the complexity and financial stability of their operations. Partly to mitigate this, the Major Conservative Government restructured the administration of regional policy within England in 1994, introducing a network of Government Offices for the English Regions (GOs).⁶ Each of these RGOs was overseen by a single Regional Director answerable to the Secretaries of State for the various policy areas they covered and took over the day-to-day management of the English TECs alongside their other responsibilities, such as community regeneration, crime, housing, public health, and rural issues. Yet in part due to a lack of significant funding allocated to the GOs to help them take a more proactive role in

decentralising England's economic policy, this reform failed to bring about many substantive improvements in the TECs' activities. In 2001, TECs were abolished by the Blair Labour Government, followed by the abolition of LECs by the Brown Labour Government in 2007 and of GOs by the Cameron Coalition Government in 2011.

While TECs did manage to exhibit a degree of local variance within centrally defined parameters ultimately, they were unable to affect more than marginal local adjustments through a limited practice of 'programme bending'. They had no real financial resources to achieve their wider goals, with 90% of their funding coming from public-sector sources, as high as £32–38m p.a. on average by their latter stages of operation. They were unable to tackle the deep structural problems in the local economy or even address the practices of employers who persisted in poaching rather than training staff. TECs might have started out as an early form of public-private partnership with designs on a market led 'Skills Revolution' in the end they were no more than a subcontractor to central government. Ideologically driven and systemically flawed.

1997–2010

The proliferation of skills 'quangos' in England

The functions of LECs and of the Welsh TECs were taken over by bodies and administrative entities that were gradually subordinated to the new devolved Scottish and Welsh governments. In England, the 2000 Learning and Skills Act that abolished the English TECs also transferred their functions, along with those of the Further Education Funding Council, to a new national body, the Learning and Skills Council (LSC).⁷ Established in 2001, the LSC was intended to secure education and training provision for adults and young people, with the participation of both businesses and workers, as well as crucially a significantly enhanced budget—rising as high as £12.1bn in 2008–9. At the outset, it was accountable to (and sponsored by) the newly reorganised Department for

Education and Skills (DfES), shifting in 2007 to joint oversight by the Departments for Business, Innovation, and Skills (BIS) and Children, Schools, and Families (DCSF). The LSC effectively combined the policy remits of the MSC and TECs/LECs, expanded to cover equal opportunities, the educational needs of individuals with learning difficulties, and information, advice, and guidance service provision. In addition to a strict annual schedule of plans, reports, and strategy publications, the LSC had dedicated Young People's and Adult Learning Committees, as well as the power to create consultative LSCs at the local level. The LSC introduced several clear shifts to skills policy in England. It retained a focus on both adult and youth training, but unlike its precursor bodies treated them

⁶ <https://commonslibrary.parliament.uk/research-briefings/sn02126/>; https://www.local-government.org.uk/library/2020-David_Higham-What_can_we_learn_from_GOs.pdf;

⁷ <https://www.gov.uk/government/organisations/learning-and-skills-council>; <https://discovery.nationalarchives.gov.uk/details/c/F267842>; https://en.wikipedia.org/wiki/Learning_and_Skills_Council

as two separate policy areas, adding weight to a division between 'pre-career' education for 'club 16–25' pupils and students, and 'mid-career' education for 'adult', 'continuing', or 'mature' learners. The LSC adopted a clear steer towards involving not just businesses but also workers in the consultative and directive inputs to skills strategy development, giving the first institutional voice to the individuals who act as 'conduits' for skills from the supply side (education providers) to the demand side (businesses). Finally, the LSC was also the first institution of its type to give a clear impetus in favour of equality, diversity, and inclusion (EDI) measures, especially around making allowances for variation in cognitive and learning styles, against the background of a wider development of Special Educational Needs and Disability (SEND) provision within schools policy.

But the main policy criticism of the Learning and Act which created the LSC was that it represented a further step on the road from what was traditionally 'a national system of education locally administered' to a national system nationally administered.⁸ Ultimately, the LSC was brought down within only a few years by disastrous financial mismanagement connected with the irresponsible use of a Private Finance Initiative (PFI) model to invest in a UK-wide FE college-building programme. Although the scheme renovated over 50% of colleges in England, its collapse forced 144 college-building contracts to be cancelled and left many colleges facing sizeable financial penalties due to breach of contract with civil engineering companies. This imposed often insurmountable and unserviceable debts on FE colleges—including 23 whose debts totalled more than 40% of their annual income—which exacerbated the FE sector's later financial crisis.

As a result, the LSC was abolished in 2008, and its funding responsibilities were transferred in 2009–10 to two new agencies, the Young Peoples Learning

Agency (YPLA, accountable to DCSF) and the Skills Funding Agency (SFA, accountable to BIS).⁹ In 2012, the YPLA was folded into a new, enlarged Education Funding Agency (EFA), which was combined with the SFA in 2017 to form a single Education and Skills Funding Agency (ESFA) responsible for funding education from childhood to adulthood, with a vastly increased budget of up to £65bn in 2022.¹⁰ The LSC's remaining functions either dissipated or reverted to the reorganised Department for Education (DfE), leaving a strategic gap around skills policy coordination and oversight at the national level. It is important that the negative legacy of the LSC does not tarnish by association the principles on which and purposes for which it was built, so its best aspects can be repurposed for future policymaking.

Alongside the LSC, in 2002 the Blair Government introduced a series of Sector Skills Councils (SSCs), business-led organisations focused on specific industry sectors, designed to give employers a platform to voice their sectoral skills and productivity needs.¹¹ SSCs were a revision of the ITBs in the 1960s, designed with four goals in view:

Reduce skills gaps and shortages

Improve productivity and performance in business and public services

Enhance opportunities to boost skills and productivity for all workers in the relevant sector

Improve skills and learning supply, including through apprenticeships, HE, and National Occupational Standards (NOS).

The Blair Labour government deepened the regional dimension of UK policy devolution.

⁸ Ainley, P. From a National System Locally Administered to a National System Nationally Administered: The New Leviathan in Education and Training in England. *Jnl Soc. Pol.*, 30, 3, 457–476, Cambridge University Press, 2001

⁹ <https://www.gov.uk/government/organisations/skills-funding-agency>;

¹⁰ <https://www.gov.uk/government/organisations/education-and-skills-funding-agency>

¹¹ <https://fiss.org/sector-skills-council-body/>; <https://www.ssda.org.uk/list-of-sector-skills-councils.htm>; https://en.wikipedia.org/wiki/Sector_skills_council

Overall, SSCs were intended to bring together businesses, trade unions, and professional bodies to co-develop skills improvement and productivity growth strategies for each recognised industry sector. In effect, they kept the employer-led logic of TECs and LECs but shifted the primary focus away from (local) place and towards sectoral differentiations within the economy.

As independent bodies, the aim of SSCs was to foster dialogue between business and government, exert greater influence on industrial policy, forge stronger partnerships with education and training providers, and channel in significantly greater public investment. SSCs were licensed by the Secretary of State for Education and Skills, in consultation with ministers in the devolved nations, and together cover 85% of the UK workforce. Together, the SSCs comprised a 'Skills for Business' network, whose stated purpose was to boost the UK's productivity and profitability by addressing the skills gaps and shortages in various sectors—with the logic of ensuring that the right people with the right skills are available at the right time. In this purpose, the SSCs were initially overseen by a Sector Skills Development Agency (SSDA), responsible for providing them with funding, logistical assistance, and monitoring, and for overseeing industries that did not have a dedicated SSC (including helping businesses who were seeking to develop one to achieve their goal).

The third parallel innovation by the Blair Government was the introduction of Regional Development Agencies (RDAs) in 1998–2000, which accompanied the otherwise unsuccessful initiative to create elected Regional Assemblies for the nine English regions in the same way as for the devolved nations.¹² The RDAs acted, in effect, as part-supplements, part-replacements for the GOs, especially around the administration of UK and EU regional development funding, and significantly deepened the regional dimension of UK policy devolution and

decentralisation. They were designed to include as wide a range of voices as possible in future decisions over place-based political economy, including local authorities; businesses; trade unions and other workers' representatives; communities and residents; urban and rural representatives; and other relevant stakeholders.

While they were not exclusively devoted to skills strategy as such, skills improvement played a central role in their broader remit of supporting business efficiency, industrial development, and economic sustainability, boosting employment, and improving the cultivation and application of locally and regionally relevant skills among the resident population. RDAs acted as the main institutions for subnational implementation of national economic policy until they were abolished by the Cameron Coalition Government in 2012.

With the introduction of the LSC, SSCs and the SSDA, and RDAs, all within the space of a few months in 2001–2, the Blair Government sought to put productivity and skills improvement at the core of its second term in office. But at the same time, the creation of so many new 'quangos' risked muddying the water in the national, sectoral, and regional dimensions of its skills policy aims, and diluting the overall effectiveness of strategic planning for growth and public investment. To overcome this fragmentation, the government set out a national skills strategy in the 2003 white paper *21st Century Skills: Realising Our Potential (Individuals, Employers, Nation)*.¹³ This presented skills improvement as one of the major factors in boosting productivity, alongside competition, enterprise, innovation, and investment, as well as a key ingredient in achieving organisational success in the private, public, and voluntary sectors, along with community participation, personal employability and fulfilment, UK-wide increases in living standards and prosperity.

¹² https://en.wikipedia.org/wiki/Regional_development_agency; <https://www.centreforcities.org/wp-content/uploads/2014/09/09-12-08-RDAS-The-facts.pdf>; <https://publications.parliament.uk/pa/cm200708/cmselect/cmberr/1054/1054.pdf>

¹³ https://assets.publishing.service.gov.uk/media/5a749939e5274a410efd0e49/21st_Century_Skills_Realising_Our_Potential.pdf

At the heart of the skills vision in the white paper was an urgent need for collaborative work and coordination between the various skills policy stakeholders currently in existence, framed as a UK-wide 'Skills Alliance'. This collaborative Skills Alliance was proposed to work on multiple levels:



National:

Linking up and coordinating work on skills issues between government departments, including DfES, the Departments of Trade and Industry (DTI) and Work and Pensions (DWP), and HM Treasury



Regional:

Implementing collaboration between the LSC and its local network, SSCs, RDAs, and their partners, as well as the Small Business Service and Jobcentre Plus, to form regional skills partnerships responsible for setting action priorities on productivity and skills, and linking regional skills needs to funding for training providers



Sectoral:

Encouraging all employers within each sector to work together to improve skills training and ensuring that all new SSCs would have trade union representation on their boards to give workers direct input into developing sector skills agreements.

The overall aim of these integration proposals was to form a social partnership for skills development, involving government departments, agencies, businesses, and worker representatives, and working with key delivery partners to raise UK productivity for the common good.

The question of how to integrate employment and skills services was also one of the main objectives of the 2004–6 Leitch Review, which was tasked with examining the UK's long-term skills needs, and identifying the optimal skills mix to enhance economic growth, productivity, and social justice across the UK. The Review laid the foundations for several of the enduring priorities of later skills policy, such as the need for the UK skills system to invest decisively in management training, to increase the focus on skills among the working-age adult population, and to come to terms with the effects of rapid shifts in the global economy, an ageing population, and migration flows on skills supply and demand. It also recommended raising the age up to which all young people should be required to stay in full or part-time education or training from 16 to 18, in order to foster improved literacy and numeracy skills among individuals who leave formal education at the end of their schooling.

The Leitch Review shaped the priorities of much skills policy that followed, including its focus on the global economy and the impact of migration flows

For skills strategy as a whole, the Leitch Review proposed streamlining the skills system by placing businesses at its core and reducing the number of bodies involved in skills planning and delivery, in order to simplify business engagement and clarify the roles of the remaining organisations. It set out concrete plans for how to realise an effective new partnership to address the UK's skills challenges, focused on a tripartite model of co-investment:



Government:

Target investment increases towards the least skilled, ensure the education system produces highly skilled workers, and create a framework that aligns skills training with economic needs. Investment and regulation should address market failures and achieve concrete skills goals.



Business:

Boost investment in all workers' skills to enhance organisational productivity, support low-skilled workers to reach at least a full Level 2 qualification, and consider sectoral measures like levies.



Individual workers:

Raise their aspirations and assume greater responsibility for supporting their own skills self-development, demanding more from both them and their employers.

Overall, the Leitch Review's recommendations aimed to promote a rejuvenated culture of learning at all ages and career stages, and energise individuals through specific new support measures, including a universal adult careers service and a clearer financial support for learners.

One of the main outcomes of the Leitch Review's recommendations was the abolition of the SSDA in 2008—with its functions split, somewhat ironically, into two successor institutions. The first of these, the Federation for Industry Sector Skills and Standards (FISSS), took over responsibility for managing the certification of apprenticeship frameworks in England, Scotland, and Wales. Its aims are to:

Promote professional practices among sector-based organisations that set and maintain skills standards

Manage the standards of those employer-led partnerships that maintain these standards to ensure high quality

Provide insight, intelligence, and ideas flow between the governments of the UK and the devolved nations and the SSCs.

In practice, this meant that FISSS took over the SSDA's support role for SSCs as well as for a range of other parallel skills collaboration bodies: certification bodies and issuing authorities, industry training boards, National Skills Academies (NSAs), as well as non-SSC sector skills bodies and organisations. As of 2024, FISSS and the SSCs remain formally in existence, but their activities have largely fallen into abeyance since

2020. At the same time, many of their FE and apprenticeship-facing responsibilities have been taken over in practice by the Institute for Apprenticeships and Technical Education (IfATE) since 2017, including the development of sectoral and subject-specific occupational standards.¹⁶

The second successor institution in 2008 was the UK Commission for Employment and Skills (UKCES), which aimed to provide strategic coordination and leadership on skills and employment issues for both the UK Government and the devolved administrations.¹⁷ Its main role was to advise on policies and practices related to workforce development, ensuring that the UK's labour market remained competitive and responsive to changing economic demands. This included producing labour market intelligence and insights, with the aim of providing targeted information to help boost business investment in skills: conducting research, gathering data, and analysing trends to identify areas for improvement in skills and productivity. By collaborating with businesses, education providers, and policymakers, UKCES sought to bridge the gap between learning and work, facilitating smoother transitions for individuals entering the workforce and supporting lifelong learning initiatives. To that end, oversight over UKCES was jointly shared by BIS, DfE, and DWP. Among UKCES's key functions was overseeing allocation of funding for skills training, including targeting resource investments towards areas with the greatest need and highest impact potential, and promoting best practices in workforce development, including EDI initiatives.

Viewed from the perspective of strategic planning, UKCES acted as a policy and research-focused, part-advisory, part-consultative hybrid of previous institutional functions that would have resided with the LSC (and MSC). However, it did not take over direct responsibility for either industrial strategy or skills policy and had control over only a comparatively modest budget of around £63.5m (2011–12). As a result, UKCES faced criticism for its perceived lack of effectiveness and efficiency, and in 2015 the Cameron Conservative Government defunded UKCES in order to mitigate £360m of planned expenditure cuts across the wider adult skills budget and partially protect funding for adult learning participation. Some of its areas of work were migrated elsewhere within UK Government activity, including UK-wide employer research (e.g. the Employer Perspective Survey and Employer Skills Survey) and standards, qualifications, and frameworks development, or spun out into independent entities (e.g. Investors in People). Other areas were discontinued after 2017 or left to the discretion of business and other stakeholders, including projects around employer ownership, industrial partnership, and the UK Futures Programme.

By collaborating with businesses, education providers and policymakers, UKCES sought to bridge the gap between learning and work, facilitating smoother transitions for individuals entering work.

¹⁶ https://en.wikipedia.org/wiki/Institute_for_Apprenticeships_and_Technical_Education

¹⁷ https://en.wikipedia.org/wiki/UK_Commission_for_Employment_and_Skills; <https://www.gov.uk/government/organisations/uk-commission-for-employment-and-skills>

2010–24

The Cameron Coalition government's 'Skills for Sustainable Growth' white paper expanded on the Leitch Review's model of skills as an area of synergy between government, business, individual learners and workers

The proliferation of government units and earmarked funds

The transition from the Blair and Brown Labour Governments in 2010 to a succession of Conservative-led administrations, starting with the Cameron Coalition Government, took place before the latest raft of institutions geared towards offering strategic advice on employment, productivity, and skills policy had become fully embedded. What has followed since 2010 has been a partial echo of the shedding of state functions that took place under the Thatcher Government, along with a similar move to leave skills development strategy to place-based (local) bodies that gave the lead role to businesses over other stakeholders. Where more recent Conservative Governments have differed is in their increasing recognition that breaking the UK out of its long stagnation in productivity growth requires a coherent national industrial strategy that gives a prominent role to skills improvement.

The first statement along these lines came in the 2010 white paper Skills for Sustainable Growth, which underscored the guiding principle that has shaped much subsequent skills policy: that government is not in a financial or logistical position to address the UK's skills challenges by itself.¹⁸ Instead, the white paper set out a range of new initiatives that built on the Leitch Review's understanding of skills as a necessary area of co-investment and co-responsibility between government, business, and individual learners and workers. These included:

A new all-ages careers service

Lifelong Learning Accounts for adults, providing access to personalised upskilling and reskilling information, including grant funding and learning opportunities

New FE loans for intermediate and higher-level skills, to be repaid only once borrowers earn above a certain threshold

Full funding for literacy and numeracy programmes, as well as other skills and qualifications needed for employment, career progression, and active participation in society

Reducing the regulatory burden on SMEs restricting workers' access to skills support

Creating a flexible vocational qualifications system to meet the UK's economic needs, using the SSCs to update NOS for businesses, and relying on qualification awarding bodies to use these NOS to revise existing qualifications and develop new ones for emerging sectors.

The 2010 white paper was relatively light on strategic commitments, especially around creating any new national or devolved skills policy institutions. However, the Cameron Government's 2014 and 2015 progress updates began to tighten and flesh out the expectations for where the onus for strategic planning should lie. This included a refinement of the Leitch Review's tripartite model:

**Government:**

Invest in education, support adults and businesses with training, ensure vocational education meets high standards

**Business:**

View their workforce as an asset, invest in training, collaborate with education providers, contribute financially to apprenticeships and collaborate with government on funding

**Individual workers:**

Take responsibility for their career success, invest in their futures.

To help achieve this, the government updates noted the importance of improving school achievement, enhancing apprenticeship pathways, and increasing sub-degree options. In practice, the emphasis fell especially strongly on apprenticeships as a central plank of the technical and vocational education landscape. This involved co-development with businesses of new apprenticeship standards, to be implemented across several sectors and extended to degree and postgraduate levels, and business-led funding to replace direct government payments to training providers, with additional funds to support SMEs and new industries.

At the same time, the 2014–15 progress updates also saw the first recognition by the Conservative administration of the need for targeted prioritisation of skills in key industries, including technical sectors (advanced engineering, rail) and future-facing growth or strategic sectors (advanced materials, big data, coding, nuclear, robotics). In the first instance, the government placed the burden for doing so on business, in the form of a new programme of industry-led National Colleges and Skills Academies that would align curricula and training provision closely with sectoral needs. But in 2015, these were supplemented by more elaborate and fine-grained sectoral strategies targeted at 11 key industries, including aerospace, automotive, and life sciences. These nascent strategies expanded the policy in two main directions. Firstly, by intensifying the link between advanced research (especially at research-intensive HE institutions) and industry through introducing Catapult centres to foster innovation and support advancement in critical areas, such as high-value manufacturing, offshore renewable energy, transport systems, and the connected digital economy. Secondly by improving business access to finance with schemes such as Funding for Lending and the Enterprise Finance Guarantee, a new Business Bank, and increased funding for SMEs.

The Cameron Government's other major innovation was to reorient subnational economic policy away from the regional level towards the sub-regional level by creating Local Enterprise Partnerships (LEPs) in 2011 as a direct prelude to abolishing the RDAs.¹⁹ LEPs were constructed as collaborative frameworks involving local authorities and local businesses, which were tasked with attracting central government funding, determining economic priorities, and co-leading growth projects and job creation for a series of smaller subregional geographies—eventually rising to a total of 38 by 2017. While, again, they were not primarily designed to focus on skills development, their geographic reach and their construction as business-led place-based organisations made them effectively a return to the logic of the earlier TECs and

¹⁹ https://en.wikipedia.org/wiki/Local_enterprise_partnership;

<https://www.gov.uk/government/publications/transfer-of-local-enterprise-partnership-lep-core-functions-to-combined-and-local-authorities>

¹⁸ <https://assets.publishing.service.gov.uk/media/5a78f520ed915d07d35b3c0c/10-1274-skills-for-sustainable-growth-strategy.pdf>;

<https://www.gov.uk/government/publications/investing-in-skills-for-sustainable-growth-strategy-document>

LECs. Although this policy inheritance was typically more indirect than explicit, LEPs also soon exhibited many of the same asymmetries and limitations—largely because they were voluntary bodies that did not clearly align with established local authority areas and were never awarded dedicated and sustained sources of public funding. As a result, LEPs failed to establish themselves as dominant stakeholders in place-based skills policy, and in 2024 they were wound down under the Sunak Conservative Government, with their functions migrated to local authority control.

The May Conservative Government signalled a major shift in approach in its 2017 Industrial Strategy: Building a Britain fit for the future.²⁰ Framing the UK's economic situation as shaped by a number of 'Grand Challenges' (AI and the data revolution, the move to clean growth, the future of mobility, and an aging society), the government presented its strategy in terms of creating favourable conditions for business growth and long-term investment across the UK. This shift towards more active planning largely took the form of a significant allocation of c. £45bn in government funding to new investments, specifically in industries of strategic value that relied on supporting partnerships with government to establish themselves. This increased R&D investment to 2.4% of GDP by 2027 and R&D tax credit to 12% alongside additional measures to improve skills including maths, digital, and technical education to address STEM skills gaps.

This considerable expansion of government activity to support skills improvement reflected a quiet admission that, even if government was not in a position to address the UK's skills challenges by itself, business was no better placed to do so on its own either. If this was a sufficient prompt for the state to step back (at least partly) into its responsibility for skills development, then it would need a healthy evidence base to inform its investment decisions. Initiatives such as the 2015 Science and Innovation Audit consortia, education–business partnerships designed to identify local and regional R&D strengths and weaknesses, revealed the barriers to businesses' ability to develop truly complex investment and talent-attracting ecosystems—including limitations in skills access, knowledge, and innovation capacity. This encouraged the May Government to pursue a wider approach of using data analytics to better understand place-based and sectoral skills demand, supported by a range of Skills Advisory Panels, local Digital Skills Partnerships, and an industry-led AI Council partnered with a new government Office for AI.

To ensure the longevity of this Industrial Strategy, the May Government also established an Industrial Strategy Council (ISC) in 2018 as an independent body to assess its progress, commission evaluation projects, access the relevant government data, and provide recommendations to the government for future refinements to its strategic approach.²¹ In the first instance, the ISC's aim was to track the impact of the policies outlined in the Industrial Strategy from their implementation through to their effects on the UK economy, in particular on pay and productivity. But the ISC soon expanded its remit to put forward concrete strategic suggestions in its annual reports, specifically on regional strategy in 2020 and sectoral strategy in 2021.

The May Conservative government's skills strategy was predicated on favourable conditions for business growth

²⁰ Industrial Strategy: building a Britain fit for the future (web-optimised PDF) (publishing.service.gov.uk)

²¹ <https://industrialstrategyCouncil.org/>; <https://www.gov.uk/government/groups/industrial-strategy-council>

On regional skills development, the ISC advocated a granular approach of tailoring skills policies towards the root causes of regional disparities, with a particular focus on underdeveloped areas. It emphasised the need for comprehensive, consistent, long-term place-based planning, taking into account a number of key factors:



Regional

Place-based fundamentals:

Local factors such as culture, geography, governance, infrastructure

Agglomeration economies:

The benefits of clustering specialised businesses and labour becoming self-sustaining

Spatial sorting:

Observing that labour and capital tend to concentrate in areas with similar skills levels and financial opportunities.

On sectoral skills development, the ISC advocated defensive interventions geared towards achieving greater domestic capacity and resilience in key sectors and essential goods, in order to complement (if not outright replace) global supply chains. Beyond that, it proposed targeting strategic interventions at sectors that have a high potential for future productivity and living standards improvements, categorised according to:



Sectoral

Sector share:

Prioritising sectors that already contribute strongly to UK employment and output

Catch-up potential:

Focusing on sectors that lie far behind international 'best practice' and have a high potential for productivity gains

Future growth:

Investing in sectors with the potential to drive future technological advances and productivity growth.

In both cases, the ISC stressed the importance of fully considering the possible drivers of prosperity and productivity, including not only the narrow factors of infrastructure, innovation, and skills, but a full spectrum of human, natural, and social capital factors, as well as their effects on social welfare. All of these feed into a comprehensive labour market strategy, coordinated across government, and co-developed with business, trade unions, and education providers. In this respect, the ISC has in effect resurrected the MSC's focus on labour as a key factor of production, now explicitly combined with the SSDA's aim to target productivity improvements towards the common good of UK society.

In the wake of the collapse in UK economic output caused by the Covid-19 pandemic, the Johnson Conservative Government embarked on a programme of 'resets' and updates for policies and Whitehall bodies to help kickstart the UK's recovery. An early case of this was the creation of the DfE's Skills and Productivity Board (SPB) in 2020, which was intended to gather evidence and offer analysis to help address urgent gaps in government intelligence and understanding of the UK labour market.²² Its remit was centred on informing innovative approaches to reskilling/upskilling as a route to boosting productivity, including by improving higher technical education provision.

The ISC recognised the importance of human, natural and social capital factors as potential drivers of prosperity and productivity

²² <https://www.gov.uk/government/groups/skills-and-productivity-board>; https://assets.publishing.service.gov.uk/media/628ccf93d3bf7f1f41a08e91/How_can_skills_and_the_skills_system_promote_productivity_growth.pdf

This remit was expressed through three priorities:

- Examining which areas of the economy face the most significant skills mismatches or growing skills needs
- Identifying the changing skills needs of priority economic areas over the coming 5–10 years
- Evaluating how the skills system can foster productivity growth in economically underperforming areas of the UK.

The SPB put out a series of research reports and policy discussion papers that included quantitative, qualitative, and taxonomic analysis of skills matching in the UK. In 2022, to build on this work, the SPB was replaced by an expanded analytical and research unit within DfE, the Unit for Future Skills (UFS), designed to enhance the quality, quantity, and accessibility of skills and jobs data, and serve as a centre of expertise on UK skills.²³ Its remit echoed that of the SPB, with the difference that the UFS undertook a far more extensive collaboration programme with government analysts, data experts, and external stakeholders, with the aim to:

- Enhance the timeliness and coverage of jobs and skills data
- Link and map education and job data at the local level
- Provide insights and foster discussions on skills data
- Organise communications and events to profile its expertise on the UK labour market.

At the time of writing, the UFS is still working to fill out its capacity to meet this remit, but it has already developed insights to help UK skills investment align with business needs. It has developed dashboards for career pathways and local job advertisements, forecasts for future skills demand, and a UK-specific skills taxonomy, all informed by gathering user feedback to shape its initiatives.

The creation of the SPB acted as the evidential core to support the Johnson Government's larger scale 'refresher' of UK industrial strategy, outlined in two white papers in early 2021, *Skills for Jobs: Lifelong Learning for Opportunity and Growth* and *Build Back Better: Our plan for growth*.²⁴

Both focused above all on overcoming the UK's skills gaps and global lag in higher technical professions (e.g., engineers, health and social care staff, technicians) as a key requirement for addressing the UK's ongoing social and economic challenges. Its overall strategy emphasised FE as the sector best able to equip workers with technical skills for the jobs the economy needs—and to do so throughout their lives, wherever they happen to be based. With this in mind, the white papers introduced a raft of new measures to achieve 5 key aims:

1. Involve business more closely in the education system
2. Establish higher technical qualifications as alternatives to university
3. Ensure flexible access to learning and training
4. Reform and simplify funding to boost accountability and autonomy
5. Improve FE teaching quality.

These measures included:

- A Lifetime Skills Guarantee to ensure that every individual can acquire necessary skills at any life stage, and a Lifelong Loan Entitlement (later Lifelong Learning Entitlement, LLE) to provide 4 years' worth of post-18 education funding
- A Strategic Development Fund (SDF) with a total value of £92m in 2021–22 to help colleges align with local labour market priorities
- A £2.5bn National Skills Fund to support adult upskilling, including £95m in 2021–22 for Level 3 qualifications
- A UK Shared Prosperity Fund to promote regional equality and provide targeted employment and skills support based on local needs
- College Business Centres and Institutes of Technology to align FE (and HE) course development with place-based and sectoral business needs, foster entrepreneurial talent development, and help businesses invest in innovation, skills, and technology
- Improving access to education and training for all career stages through 12–16-week bootcamps, free qualifications for adults without a full Level 3 (A-level equivalent) qualification, and continued rollout of the new T-level technical qualifications

Local Skills Improvement Plans recognised the value of systemic coordination between skills policy stakeholders

Alongside these reforms, these two white papers also reinforced the local level as the primary geography for place-based skills development strategy. One significant aspect of this was a renewed focus on strengthening city-regions in order to ensure that every UK region and devolved nation has at least one globally competitive city—a way to align the Johnson government’s productivity growth strategy with the ‘metro mayor’ side of its devolution and ‘levelling up’ agenda. But the main vehicle for this was the creation of Local Skills Improvement Plans (LSIPs), effectively an overhaul and update of the local place-based dynamic of LEPs, implemented over broadly the same 38 geographical areas. Unlike LEPs or RDAs, the LSIPs were not meant to provide a whole system plan. Rather the intention was for to include employers in the task of identifying gaps in local skills provision and how this might be addressed by local providers. LSIPs aimed to:

Give businesses a greater say in skills development

Foster higher-level technical skills provision

Provide a flexible lifetime skills guarantee

Simplify and reform funding and accountability for education providers

Boost teacher training.

Although designed to be ‘business-led’ in the same way as LEPs, LSIPs reflect the growing recognition of the value of systematic coordination between skills policy stakeholders. This takes place, via the creation of LSIP Boards, on two levels. Firstly, among businesses, tasked with giving a unified voice to the local business perspective (via appointed Employer Representative Bodies - chambers of commerce in most instances). Secondly, between the supply and demand sides of the local skills economy, through a ‘tripartite’ involvement of local businesses, local government, and local education providers.

LSIPs were given access to funding required to implement their strategic recommendations, with up to £2.75m of SDF capital and programme funding available per LSIP area. In 2023, the SDF was converted into a dedicated Local Skills Improvement Fund (LSIF) with a total value of £165m available in 2023–25 for equipment and facilities investment, new course and curriculum development and delivery, and improving governance, leadership, and teaching delivery across the local FE sector.

²³ <https://www.gov.uk/government/groups/unit-for-future-skills>

²⁴ https://assets.publishing.service.gov.uk/media/601980f2e90e07128a353aa3/Skills_for_jobs_lifelong_learning_for_opportunity_and_growth__web_version_.pdf;

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/968403/PfG_Final_Web_Accessible_Version.pdf

²⁵ <https://www.gov.uk/government/publications/identifying-and-meeting-local-skills-needs-to-support-growth/local-skills-improvement-plans-lsips-and-strategic-development-funding-sdf>

Emerging Labour policy on skills improvement

What emerges clearly from the historical context of the new Labour Government's ambitions for future skills policy is a conviction that intervening (above all, investing) in the skills system holds the key to unlocking the UK's GDP and productivity growth, mitigated by profound indecision about how such interventions should be undertaken, where they should be targeted, who should lead them, and who should oversee them.

The result is a frankly overwhelming array of competing skills initiatives, marked by overlaps, reduplication, a lack of 'joined-up' policymaking, and accelerating churn of cancellations and reintroductions, mergers and splits, and multiple cases of 'reinventing the wheel'. Time and again, institutions and policies have been introduced only to disappear again a few years later, before they have had time to bed in, and well before they have been given the chance to do anything other than fail to live up to their promise. In that light, the most important ask for Labour is to put an end to this confusion, tidy up the half-moribund remainders of previous skills initiatives, and put in place a lasting, streamlined set of procedures and structures to take skills policy forward.

“Labour’s task is to install a workable set of procedures and structures to take skills policy forward”

Labour Party policy statements

Labour's policy documents developed in the lead-up to the 2024 General Election shed some insight into what these procedures and structures might look like. The 2022 Blunkett Report, drafted by the Labour Party's Council of Skills Advisors—a form of 'shadow' SPB—acted as a preliminary statement of the party's skills policy aspirations. Its core premise was that learning and skills can and should be a major pillar of any programme to foster the UK's economic recovery, as well as to create a more cohesive, more equal society that supports personal self-development and collective adaptability. The Report proposed a series of measures to achieve this, designed to be implemented gradually after a future Labour election victory:

- Create a National Skills Taskforce bringing together business, trade unions, government bodies, and education providers to develop skills policies, and enhance interdepartmental coordination between DfE, DWP, and the Department for Business, Energy, and Industrial Strategy (BEIS)
- Decentralise decision-making and spending on skills to regional and subregional levels
- Foster greater cooperation on the skills supply-side and demand-side through tertiary integration between FE and HE providers, and collaboration between business and education providers
- Implement a high-quality national all-age careers advice, information, and guidance (CIAG) service in partnership with Jobcentre Plus, create regional Careers Hubs to offer place-based mentorship, and embed trained Careers Leaders in every school
- Broaden the apprenticeship levy into an Apprenticeship and Learning Levy, and support SMEs by introducing a skills tax credit as well as initiatives to share apprenticeships with larger businesses
- Develop Individual Learning Accounts (ILAs) to share training costs between business, government, and individuals (i.e., implement the Leitch Review's tripartite co-investment model), and introduce a Learning and Skills Passport to help learners accumulate and update their skills profiles over their career
- A range of proposals to encourage individuals to upskill, including mandating upskilling clauses in employment contracts, adding flexibility and training/volunteering support to the DWP's Access to Work programme, and introducing a Right to Retrain to give adults greater access to free higher-level qualifications.

Ultimately, all of these measures were designed to support productivity growth across all parts of the UK, reinforced by a commitment to ensure that productivity gains should always be fully accounted for in cost-benefit analyses when allocating resources to public spending projects. The Report was also careful to pair the push for productivity with an equal weighting towards greater inclusion in the economy, as well as a deliberately broad understanding of which sectors would contribute to future growth—above all, emphasising arts, social sciences, and humanities alongside STEM as central to the UK's excellence in R&D.

The Blunkett Report's recommendations played a significant role in shaping Labour's election-facing skills policy commitments, outlined in its 2024 Plan for Business²⁶ as well as its election manifesto. Some were adopted more-or-less unchanged, such as the pledge to reform the apprenticeship levy into a Growth and Skills Levy and the pledge to convert FE colleges into Technical Excellence Colleges specialising in particular sectors. But the main strategic commitments were to:

- Establish the Industrial Skills Council as a statutory body to provide consistent accountability and advice, bringing together expertise from academia, business, and trade unions.
- Create Skills England as a government unit to address UK-wide labour and skills priorities, boost training opportunities, and align skills policy with broader economic goals. This would coordinate with UK government departments and skills agencies across the devolved nations, as well as the new ISC and the Migration Advisory Committee (MAC), to identify and meet national and local/regional skills shortages, encourage business investment in skills and technology, and align skills policy with a points-based migration system designed to meet the UK's workforce needs.

In both cases, Labour has clearly embraced the need for long-term planning in industrial strategy and skills policy, with stable institutions to provide monitoring and oversight. This would allow the UK to foster a distinctive economic approach founded in a competitive national business environment, with investment support for infrastructure and skills development targeted towards specific sectors as well as local and regional geographies—including sector strategies for key industries (e.g., aerospace, AI, automotive, creative industries, defence, financial services, and life sciences). Overall, this approach would aim to strike a balance between openness and ensuring the UK's overall economic security in a context of 'deglobalising' supply chains and other emerging international risks.

The 2023 Blunkett Report placed learning and skills policy at the heart of Labour's plans for the UK's economic recovery

²⁶ <https://labour.org.uk/updates/stories/report-of-the-council-of-skills-advisers/>

²⁷ <https://labour.org.uk/updates/stories/labours-business-partnership-for-growth/>

²⁸ <https://labour.org.uk/change/>

Since Labour's election victory, Skills England has become the flagship policy for the new Government's approach to skills development. Yet despite a high-profile launch in late July 2024, further information on what form Skills England as an institution will take remain comparatively thin. In addition to the details outlined in Labour's pre-election documents, the Government has announced a Skills England Bill, along with a 9–12-month phased process for establishing the institution itself:

Setting up Skills England in 'shadow' form within DfE

Embarking on an assessment of future skills needs and cultivating business relationships

Appointing a permanent board, Chair, and CEO

Transferring the functions of IfATE to oversee business-led skills training design into Skills England

Drawing up and maintaining a list of training eligible for funding under the new Growth and Skills Levy to ensure value for money and alignment with UK skills needs.

The roster of Skills England's intended collaboration partners remains broadly the same as that of the National Skills Taskforce put forward by the Blunkett Report, namely national and Local government (in particular mayoral authorities), Businesses, Trade unions, and Education providers (universities, colleges, as well as other training providers).

The Government has also signalled that it will set out a wider post-16 education strategy at a future point, aligned with measures to improve individual access to social opportunity, upskill and reskill the UK workforce, and develop an effective industrial strategy.

Challenges and expectations for Skills England

The Government has presented the creation of Skills England as a historic opportunity to implement a wholesale step-change in the formulation of UK skills policy. Yet despite its ambition, Skills England is quite simply not a new idea. It follows in a long tradition of Westminster and Whitehall exercising some degree of directive input into skills development across the UK, leading from the MSC via the TECs, LSC and SDAA, the FISSS and UKCES, to the ISC and UFS. As a prospective national skills oversight body, it is also being placed on a direct collision course with several decades of oscillation and unresolved competition between sub-regional areas (TECs/LECs, LEPs, LSIPs) and regions (GOs, RDAs) on the question of which geography should be prioritised for strategic decentralisation.

This presents the Government with both a negative and a positive challenge. On the negative side, it has to work out how to avoid Skills England simply reinventing the wheel and reintroducing the MSC in all but name. On the positive side, it must find a way to draw meaningful lessons from the past five decades of accumulated skills policy experience and ensure that Skills England not only builds upon but actually progresses beyond the 'best practice' of its institutional precedents.

Skills England must progress beyond the 'best practice' of institutional precedents

These challenges can be presented as a series of questions that Skills England has to answer, relating to the institutional aspects of how it is to be constructed, and the procedural aspects of how it will confront the ongoing problems in UK skills policy. Taken together, these include:

- How Skills England can avoid wasteful duplication and limit friction between national, regional, and local priorities which limit integration
- How to avoid any further proliferation of Whitehall units with responsibility for some aspects of skills policy, and use Skills England to improve 'joined-up thinking' in skills policy development
- How Skills England can unify the many disparate pots of ringfenced, 'siloesed' skills funding
- How to connect Skills England's remit with the Government's 'national mission' to boost UK-wide productivity, as well as with criteria of social justice, inclusion, and the common good
- How to overcome skills mismatches between the UK's growth sectors, and the current capabilities of those on the margins of the UK labour force
- How to improve the overlap between places where future-facing work can be found and places marked by high underemployment or joblessness
- How to use Skills England to forecast and steer future industry and labour market developments, and support more accurate sectoral and place-based targeting of skills investments
- How to move past the limitations of existing approaches to joining up the requirements for both sectoral and place-based industrial strategy.

Providing convincing, detailed answers to all of these questions is the only way to make sure that Skills England has the intellectual foundations and the structural resilience to make a lasting positive impact on UK skills policy.

At its core, Skills England is premised on the Government's belief that it is time for the state to return to play a more active role in determining the UK's economic direction. In line with its push to significantly wind back outsourcing and reliance on external consultancy, much of the new Government's policy positioning speaks to a felt need to move away from 'arm's length' technocratic hiving-off towards 'hand-in-glove' technocratic integration. In that respect, Skills England reflects an integrally related ambition to rebuild state capacity on skills policy and industrial strategy, as part of a wider-ranging rediscovery of the activist, entrepreneurial state.

Back to the future

This chapter has examined the long-range policy backdrop to the new Government's planned introduction of a new Skills England body. It reveals a pattern of constant churn over the past 60 years of skills policy in the UK. This highlights:

- The primacy of centralised state planning – NEDC and MSC
- Ideological abandonment of state planning and the failed experiment in neo-liberal business-led agencies and quasi-localism – TECs
- Devolution to the nations and the continuation of regionalised 'arm's length' vehicles for the delegated administration of centrally driven policy programmes in England – LSCs and RDAs
- The proliferation of agencies and policies, particularly in England, designed to improve the skills system including sector bodies (SSDA/SSCs) funding (LSCs/ Apprenticeship Service) and advisory agencies (UKCES)
- The burning of the quangos – ambitions for a smaller central state and the modest shift to localism and devolution in England. The fall of regions and rise of sub-regional institutions LEPs, MCAs and LSIPs.

The period maps a shift, from the third to the fourth industrial revolution, in which the economic becomes more global while the need to intervene and manage labour markets becomes more local. The role of the central state has been questioned and reinforced in this process with largely failed attempts to intervene and rescale towards localisation. The rhetoric of decentralisation, since the early 90s, has been stronger than practice, as tensions between the central state and sub-national considerations have persisted. The relative importance of place-based and sectoral divisions within the UK economy and skills system has also shifted over time, largely but not exclusively in line with changes of government.

The introduction of Skills England represents a return to the role of the central state in workforce development, aligned to a national industrial strategy. In terms of recent history, we can see how this resembles the model of state planning in the 1960s and 70s. This focus on 'manpower' has largely faded from the policy discussion, in a deregulated labour market where the employment status of many workers in an expanding 'gig economy' is opaque and where the practice of importing skills has displaced the culture of in-work training. But it acts as a salutary reminder of what upskilling and reskilling are ultimately meant to achieve—namely, boosting the capacity, the efficiency, and the output of labour as a factor of production. This is a key 'common denominator' that unites the many approaches to skills policy in terms of human capital, inclusion, or self-development. While learning cannot simply be reduced to the ways it supports productivity gains, in a context of stagnating UK productivity growth Skills England must never lose sight of the connection between skills and labour. Reskilling and upskilling are a live concern for both businesses (as 'skills consumers') and workers (as 'skills endowments'), which makes them an increasingly important aspect of future negotiations over employment terms and conditions

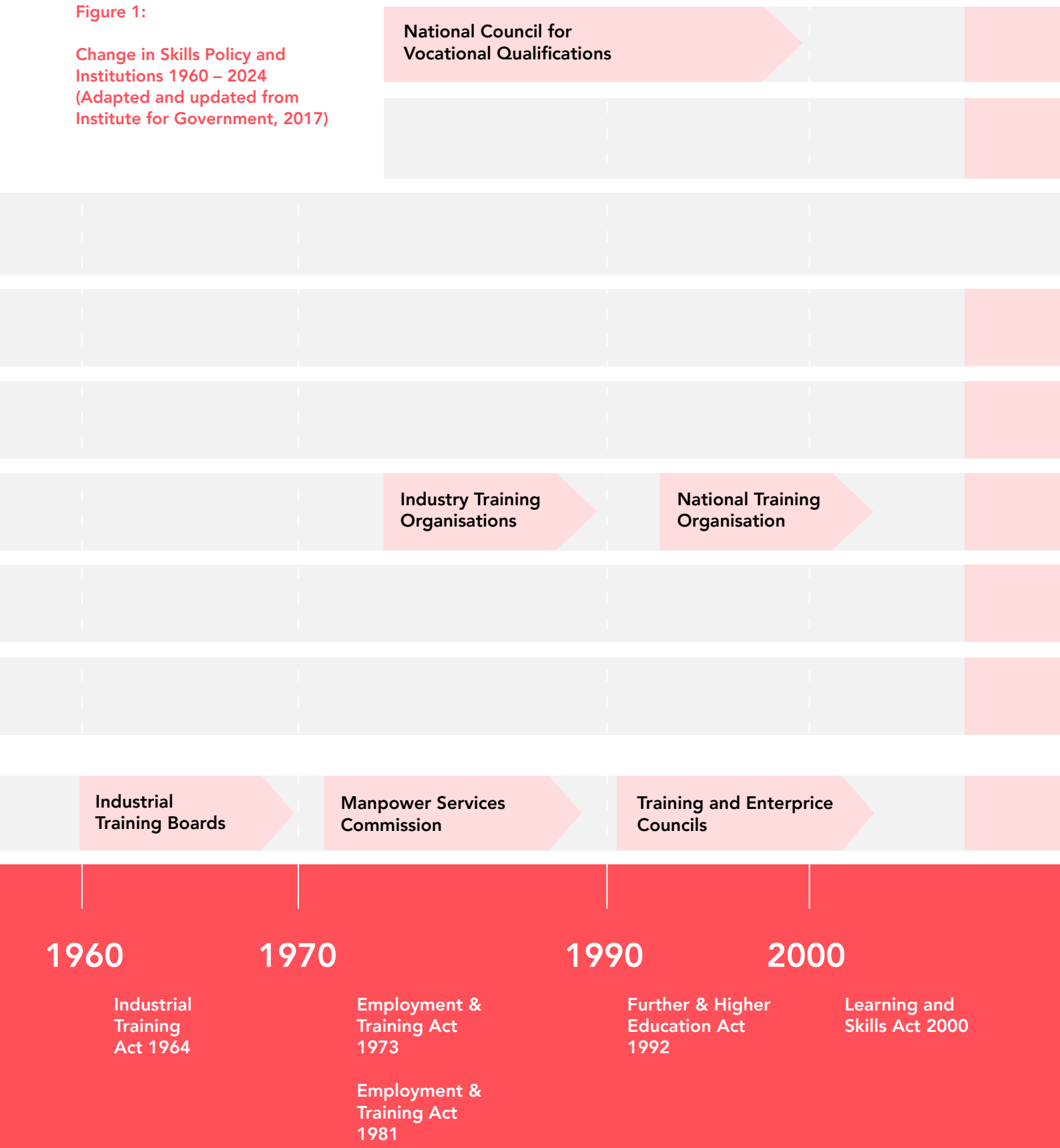
Figure 1 below summarises the churn of skills policy and institutional arrangements across the decades. The effects of this continuous change have been to destabilise the skills market and frustrate growth. There is now the opportunity to review, refine and address skills policy to enable skills development to flourish in the years ahead.

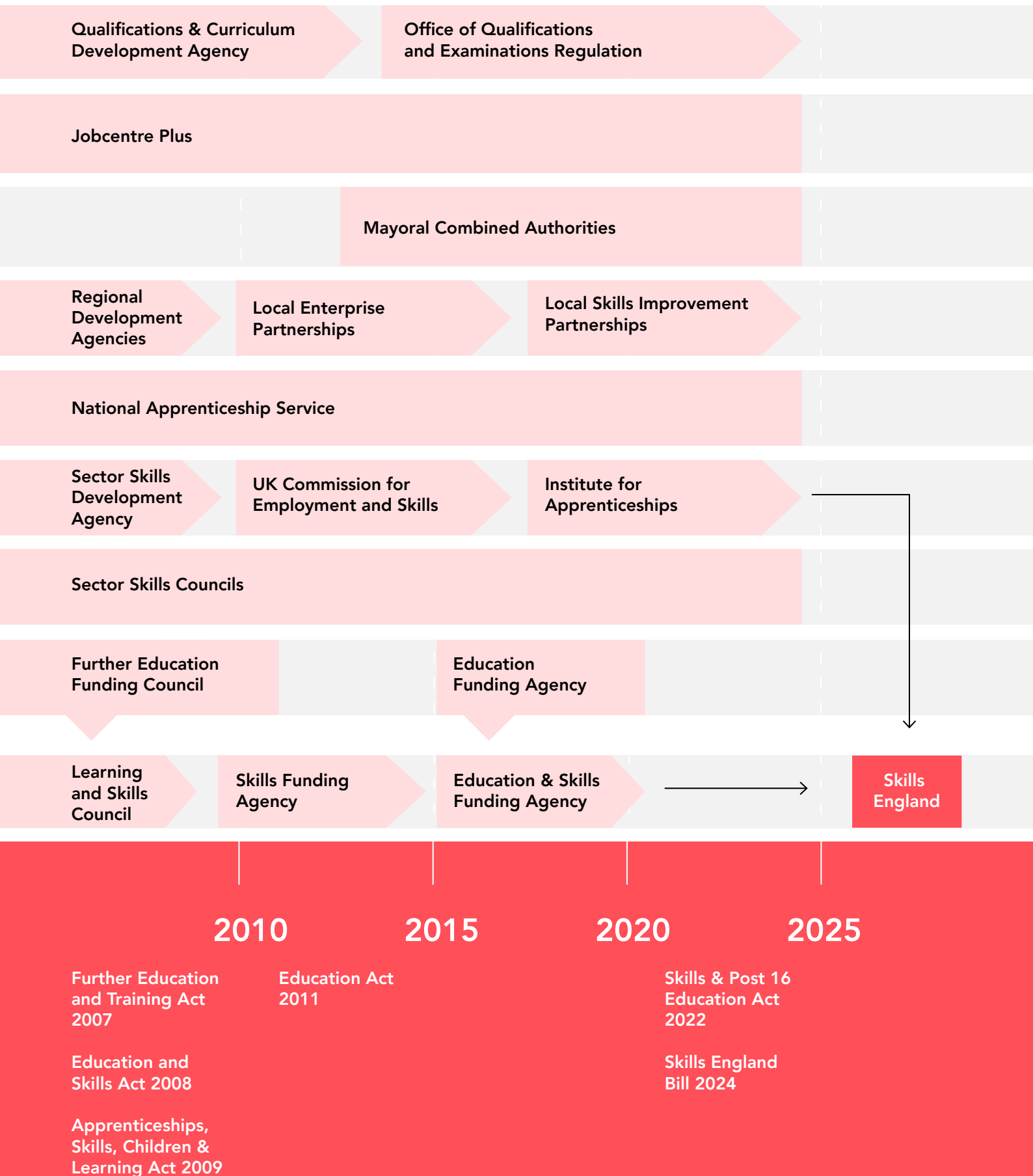


Skills England represents a return to the role of the central state in workforce development, resembling the state planning model prevalent in the 1960s and 70s.

Figure 1:

Change in Skills Policy and Institutions 1960 – 2024
 (Adapted and updated from Institute for Government, 2017)





²⁹ All Change: Why Britain is so prone to policy reinvention, and what can be done about it. Why policy reinvention leads to huge waste and little progress. 2017

A Skills Strategy to Drive Productivity in England

The primary task of the new Labour Government is to kick start economic growth to achieve its first mission - the “highest sustained growth in the G7” by the end of this five-year term.³⁰ Addressing the stubborn problem of flat-lining growth and productivity levels that continue to lag and fall further behind leading nations is the biggest challenge facing the country. Central to this mission is the role of skills and the new body, Skills England, which will be responsible for bringing together a fractured skills landscape and creating a shared national ambition to boost the nation’s skills.³¹

The UK’s productivity problem

The UK’s failing productivity performance has long been recognised. In the three decades prior to the financial crisis of 2008 the average annual productivity growth rate (output per hour worked) was around 2.1 per cent. This declined to 0.2 percent between 2007 to 2019.³² The trend of sluggish productivity growth has continued post-pandemic. As of Q2 2024, productivity was estimated to be 0.1% lower compared with a year ago (Q2 2023), according to the latest ONS flash estimate.³³

Over the long-term productivity matters because it is the most important factor in determining living standards. If productivity had continued to grow at two per cent per year in the last decade, it would have meant an extra £5,000 per worker per year on average.³⁴ Productivity growth is vital to the virtuous circle of increasing tax revenues to fund improved public services that can provide a healthy and skilled population with what it needs to contribute to and benefit from the economy.

In terms of international comparisons of GDP per hour worked, the UK ranked fourth highest out of the G7 countries in 2023 with the US highest and Japan lowest. UK productivity was around 18% below the US.

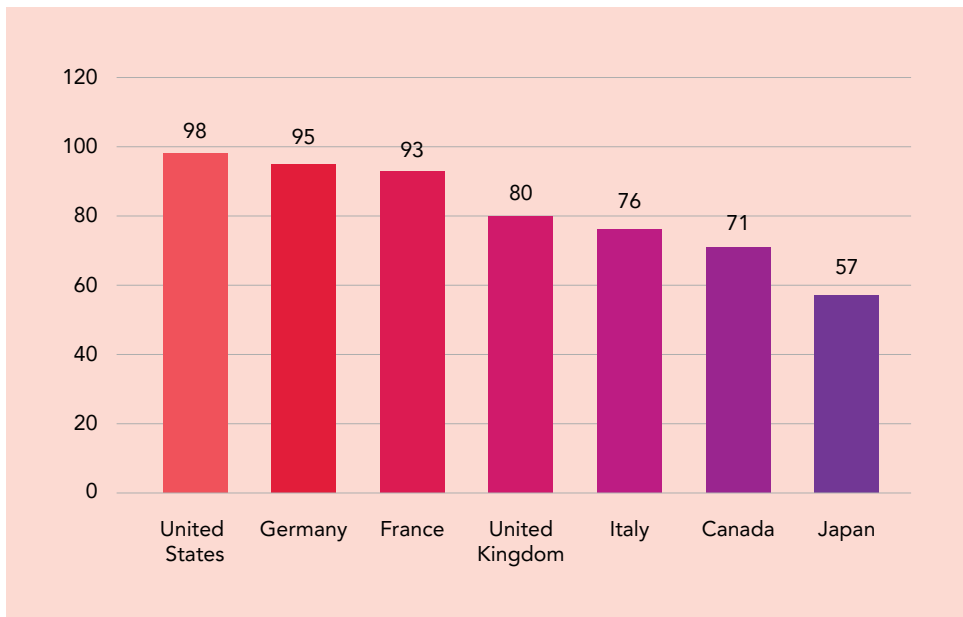
³⁰<https://labour.org.uk/wp-content/uploads/2023/09/Mission-Economy.pdf>

³¹<https://www.gov.uk/government/news/skills-england-to-transform-opportunities-and-drive-growth>

³²<https://www.niesr.ac.uk/publications/productivity-uk-evidence-review?type=uk-productivity-commission>

³³ ONS, Productivity flash estimate and overview, 2024

³⁴ ONS evidence submitted to the UK productivity Commission

Figure 2: Productivity (GDP per hour), 2023, US\$ (purchasing power parity)

Source: OECD, G7 labour productivity levels, updated August 2024

In addition to the gap between the UK and the leading G7 nations there has also been increasingly uneven growth across the country. There is a persistent gap between London and the South-East and the rest of the UK regions and nations. Productivity in London is about 40% higher than the UK as a whole. This has led to widening inequality, making the UK one of the most inter-regionally unequal countries in the developed world.³⁵

While the overall industrial structure of the UK differs in some respects to other leading nations, for example the UK has lower levels of manufacturing than Germany, this is not the primary reason for shortfalls in productivity. The balance of industry composition can make one nation more productive than another but the difference within industries is also significant, where one country has higher productivity in the same industry. The prevailing view is that productivity growth has been held back by 'laggards' in the long tail of UK firms with relatively low levels of productivity.³⁶ This was first expressed by Andy Haldane when he was the Bank of England's chief economist. According to this analysis more productive firms are located in places and sectors where human capital is highly concentrated such as London and the broader South-East. Another view is that the gap between high and low productivity firms has not increased substantially since the financial crisis. Rather, it is frontier firms, which often export, that have struggled to bounce back and boost productivity growth. Since the global credit crisis, the drop off in financial services has been the biggest contributor to the productivity slowdown in the UK, followed by manufacturing.³⁷

³⁵ <https://uk2070.org.uk/wp-content/uploads/2019/01/01-McCann-UK-Regional-Inequality-Debates.pdf>

³⁶ Haldane (2017) 'Productivity Puzzles'. <https://www.bankofengland.co.uk/speech/2017/productivity-puzzles>

³⁷ <https://www.bankofengland.co.uk/-/media/boe/files/speech/2018/the-fall-in-productivity-growth-causes-and-implications>

Although these various explanations are not mutually exclusive, they do have different policy implications. One approach would suggest targeted interventions in world class sectors in which the UK has a comparative advantage – such as financial services, life science, creative industries, green technologies and artificial intelligence. This was the position taken by the Resolution Foundation as part of the Economy 2030 Inquiry.³⁸ In thinking about how to situate a national skills strategy with a national industrial strategy the Inquiry suggested that investments in human capital in these sectors would provide more productive and inclusive growth. Supporting the expansion of these strategic sectors where the proportion of employees holding a university degree is almost twice as high as the rest of the economy and where wages are higher, and career trajectories are steeper, would provide more opportunities across the country. These are also industries where the demand for higher skilled workers is outstripping supply.

However, growing high value sectors in parts of the country where they are not particularly developed or sufficiently concentrated represent a challenge on an altogether different scale. This requires a wider and longer-term economic strategy to address structural weaknesses in local economies to attract inbound investment, strengthen links between business and research institutions, create favourable conditions for indigenous business growth alongside a sustained upgrading of the skills system and the local workforce. The other option for growth outside the most productive places and industries would be to focus on the ‘long tail’ or improvement to the foundational economy which employs over 40% of the workforce and provides the universal basics like food, housing, healthcare, education, utilities and transport.³⁹

Skills policy needs effective local institutions, greater decentralisation and better long-term coordination to mitigate the effects of policy churn

The argument here is that tackling low productivity firms – or firms with the potential to adopt new techniques and innovate – will create employment opportunities and ultimately be more inclusive since, productivity - especially with automation, will often lead to fewer jobs. This is a horizontal marginal gains strategy which attempts to improve productivity performance across a range of sectors, lifting most if not all businesses. The concern with this approach is that it might never achieve the gains needed to address the UK’s underlying productivity problems and lift many local economies out of a low-skilled low-waged equilibrium. Improvements in the performance of exporting businesses will be necessary to achieve this. The reality is that both approaches are required and strategies to raise skills will be needed across the full spectrum of high and low skilled occupations.

To improve national prosperity that can be felt across the whole country, skills policy will need to address the particular problems of lagging productivity in many cities outside of the Greater South East. This will need effective local institutions, greater levels of decentralisation, and better coordination over the longer term to limit the negative effects of policy churn.

³⁸ <https://economy2030.resolutionfoundation.org/reports/learning-to-grow/>

³⁹ <https://foundationaleconomy.com/introduction/>



Productivity in Practice

Sharing in Growth

Business transformation specialists and Princess Royal Training Award recipient.

Specialising in support to enhance the skills and capability of UK suppliers in the aerospace, renewables, defence and industrial sectors, Sharing in Growth's interventions have resulted in clients winning or retaining £8 billion in customer contracts - helping organisations realise a 3:1 return on investment.

“Our ethos is centred around improving productivity in the UK, which we achieve through leadership development and cultural change.

Across a range of high-value manufacturing sectors we see that people development and skills are often only considered once a problem has been identified. But having the right people and skills are essential for organisations to fulfil their growth aspirations and are equally important as having the right machinery or infrastructure.

Skills development is a way of safeguarding the future – and manufacturing organisations need to think longer-term in order to thrive.”

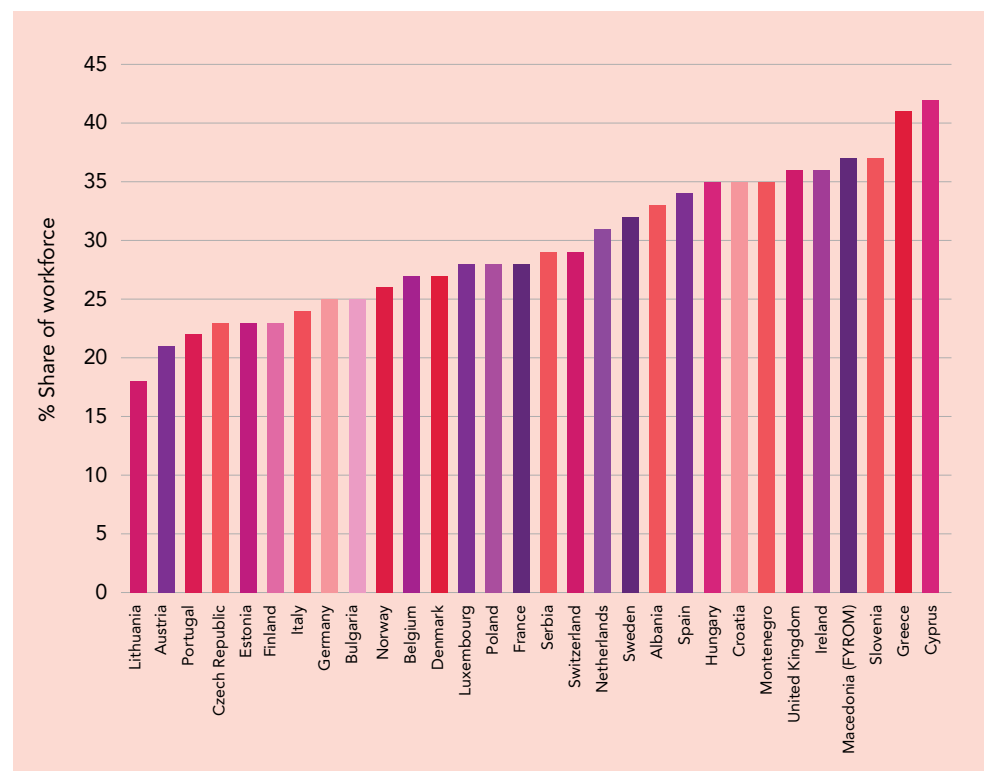
Malcolm James, CEO, Sharing in Growth

The role of skills in boosting productivity

It is an established orthodoxy that higher levels of education and skills are fundamental to productivity growth and improved living standards, although the relationship is complex and non-linear.

The UK has a longstanding problem with skill utilisation⁴⁰ compared to other European countries – standing currently at joint fifth among 30 countries – with more than one in three workers (36%) self-reporting as having skills to cope with more demanding duties than those they are currently expected to fulfil. Other countries with comparable levels of GDP per capita have smaller shares of underutilised workforce skills, closer to one in four.

Figure 3: Skill underutilisation, UK compared to European countries



Source: Rafferty (2020), pooled 2010 and 2015 EWCS data⁴¹

This low level of utilisation is explained as an effect of high skill demand lagging behind high skill supply, as the increase in graduates through university expansion has effectively been absorbed resulting in a growing disconnect in the last decade. This position has given rise to debates about the problems of credentialism and arguments (Keep 2020) that expanding higher education in England wrongly became the 'default policy position' because of a repeated failure over years to engage employers in training the workforce, and a relative underinvestment in vocational and technical education.

⁴⁰ According to one definition used by Scottish Government, skills utilisation is about ensuring the most effective application of skills in the workplace to maximise performance through a number of key agents (e.g. employers, employees, learning providers and the state) and the use of a range of HR, management and working practices. Effective skills utilisation seeks to match the use of skills to business demands/needs.

⁴¹ The Productivity Institute Working Paper No.006, 2021

The ONS estimates that almost one in three graduate workers (31%) were overeducated in 2017, while the Skills and Employment Survey (SES) finds no significant change in the share of jobs requiring graduate level qualifications (Henseke et al. 2018).

Figure 4: Trend in the share of UK workers defined as 'overeducated', 2006-17



Source: ONS data, April 2019⁴²

The UK is particularly affected by skills mismatches, which reinforce persistent regional inequalities. Demand for graduates is highly concentrated in some of the most productive regions in the UK, notably the 'golden triangle' (London and the Oxford–Cambridge arc). One consequence is the migration of skilled graduates from less to more productive areas, where wages are higher, leaving firms in other regions with skills shortages in some key industries, and an over-skilled graduate workforce in sectors with weak productivity performance.

While graduate education still serves as valuable protection against unemployment, the skills mismatch is acting as a drag on economic growth by limiting the employment and earnings opportunities of individuals and impacting on firm performance and productivity. The average wage for graduates remains higher than for non-graduates, particularly in strategic sectors.⁴³ However, the graduate wage premium is falling outside of London and in non-STEM industries as general skills levels and the number of graduates rise.

⁴²The Productivity Institute Working Paper No.006

⁴³Learning to grow: How to situate a skills strategy in an economic strategy, The Economy 2030 Inquiry, October 2030

Not all local economies are endowed with a concentration of high-value industries, and most places and industries have more graduates than they need.⁴⁴ At the same time, UK firms continue to report that ‘real time’ access to the right skills is critical to their competitiveness. Reskilling the existing workforce – at all levels – with relevant education and training will be the major challenge between now and the end of the decade.⁴⁵ This will have policy implications for an education and skills system that can:

- Bring together different parts of a fragmented skills system to minimise unnecessary duplication – this will require a more integrated and better coordinated institutional architecture
- Facilitate lifelong upskilling for workers to acquire new skills throughout their career – this will require a system of flexible and modular provision at all levels
- Provide the right skills in the right places to drive growth more evenly and address regional disparities – this will require greater levels of devolution in the skills matching process
- Develop a sustainable and equitable funding system to invest in skills that can raise productivity and living standards – this will require greater levels of cost sharing between the individual, business and state.

Employer perceptions on skills and productivity

In June and July 2024, City & Guilds commissioned Opinium to carry out a national survey with employers and employees to explore their perceptions on the role of skills in driving productivity performance. Some of the headline findings are summarised below.

The role of skills

A sizeable majority of business-owners (74%) identified building their workforce’s skills as a key factor in boosting productivity. This included solid support (roughly 50%) for the idea of bringing in skills from outside their business or their wider sector, with business-owners across multiple sectors identifying skills needs that could not be met from within their organisations’ existing skills reserves over the prior 5-year period. There was particularly strong support among business-owners (76%) for investment in ecological, environmental, sustainability, and other ‘green skills’ as key to boosting both short- and long-term productivity.

Employees noted a strong link between acquiring skills and the career choices they were able to make, not just in terms of career entry but also later career development and career transitions. But what stands out especially powerfully is how negatively they framed this link in their own experience. Across the age spectrum from 18 to 60, fewer than half the respondents (48%) felt that they left their time in education with the right skills to transition into a career of their choice—a proportion that only rose for higher age groups. The survey also found that a large minority (40%) of respondents are still not confident they have the skills now required to enter the workforce, which implies that the proportion of adequately skilled personnel lies around 60% of the workforce.

Taken together, this suggests that over the course of workers’ careers and life cycles, programmes of adult and continuing education, vocational learning, professional development, and workforce training only upskill an extra 12% of the eligible population. It is not difficult to see this as a direct result of declining investment by both business and government in upskilling, and its cumulative effects on both new labour market entrants as well as established workers.

⁴⁴ Tackling the UK’s regional economic inequality: Binding constraints and avenues for policy intervention | Harvard Kennedy School <https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp198>

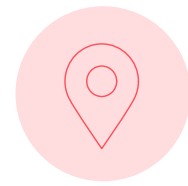
⁴⁵ UK Skills Mismatch in 2030, Industrial Strategy Council, Research Paper, October 2019

Regional insights

There is a pronounced place-based dimension to confidence around skills levels and reskilling/upskilling opportunities. Lower-income regions and nations of the UK were acutely affected by a lack of confidence around the skills required to enter the workforce, including the West Midlands (47% of respondents), Wales (also 47%), East Midlands (>50%), and Northern Ireland (71%). Meanwhile, respondents in the South West reported particularly low confidence around the skills needed to change career (47%). These same regions include those that reported the greatest decline in productivity over the last 5-year period (c. 25% of respondents in the East Midlands and South West), the regions where respondents felt most acutely that they lacked the skills to overcome the evolving challenges in their industries (Wales and West Midlands, as well as the North West), and the regions where respondents reported the strongest link between lack of skills and stagnating career progression in their current workplace (East Midlands and Wales, alongside London).

Sector insights

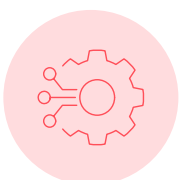
Different sectors range widely in employers’ diagnosis of the aggregate skills profile of their workforce when faced with the expected skills challenges due to emerge in the next 10 years, set against their intention to invest in reskilling or upskilling over the next 12-month period. This is shown in the table below.



Lower-income regions and nations of the UK report a lack of confidence regarding having the skills required to enter the workforce

	Most employers DO intend to invest in reskilling/upskilling	Most employers DO NOT intend to invest in reskilling/upskilling
Workforce generally HAS necessary skills to meet future challenges	Engineering	Building and property (including real estate)
Workforce generally LACKS necessary skills to meet future challenges	Energy IT	Construction Entertainment, leisure, and hospitality

This suggests that UK skills improvement policy is confronted by four very different approaches as the ‘majority mindset’ among businesses, depending on the industry sector at stake. The engineering sector represents a ‘leaning in’ approach, where businesses acknowledge that investing in skills is the way to keep pace with evolving sector needs. The energy and IT sectors recognise that their workforces have more catching up to do and are taking a ‘we’re on it’ approach to make up for current skills deficits. Building and property reflect a degree of ‘everything is fine’ complacency, which explains away the lack of spending on skills improvement as a marginal concern that has little role to play in future-proofing the sector. Finally, the construction and entertainment/leisure/hospitality sectors exhibit a ‘head in the sand’ hesitation, verging towards obstinacy, where they recognise that there are already skills gaps in the workforce, but have yet to undertake the strategic rethink and financial commitments needed to fill them.



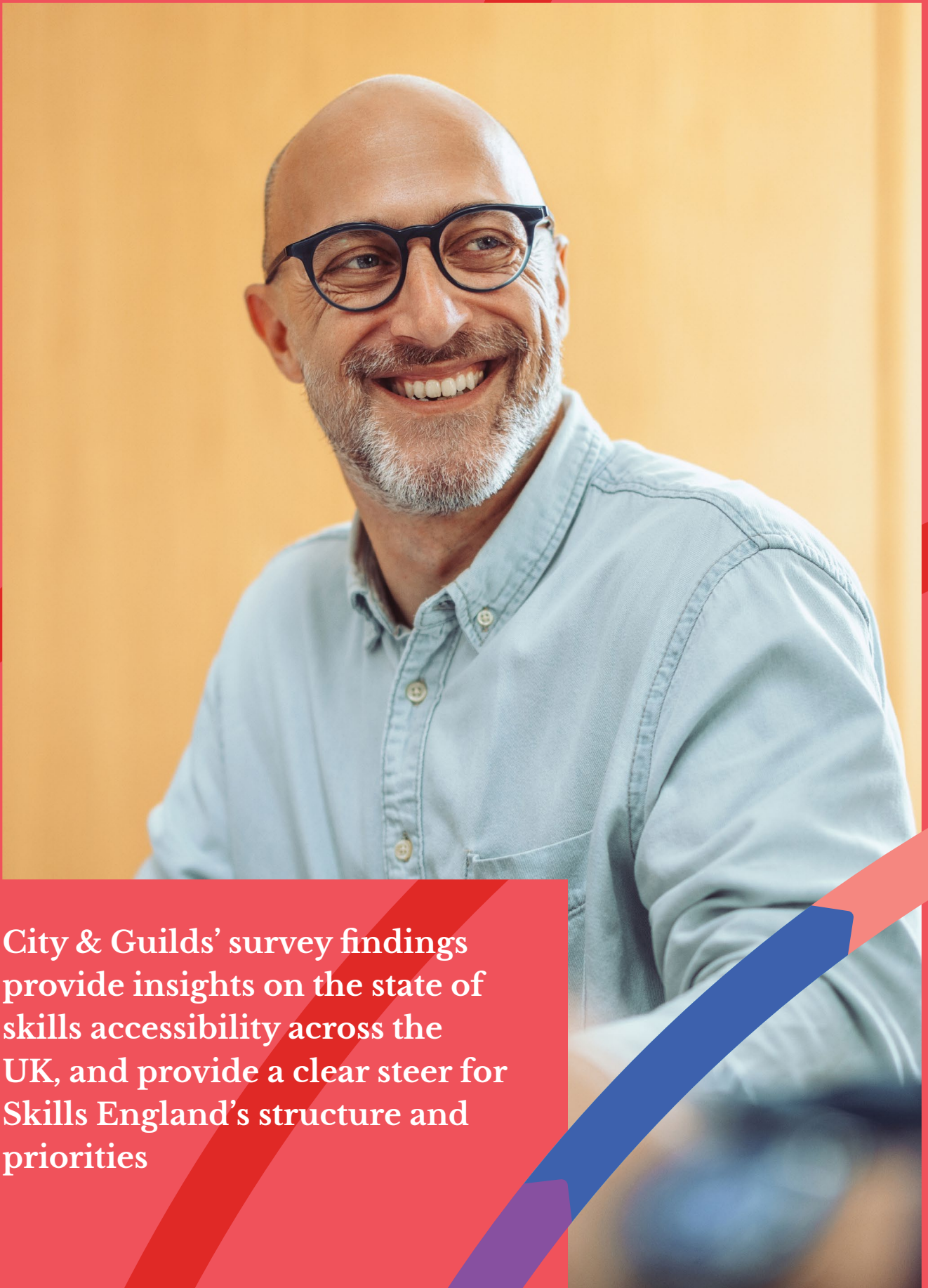
Some sectors tend towards complacency regarding skills development. Others have recognised existing skills gaps, but have been slow to tackle these

Breaking these down in more granular terms, business-owners in several sectors identified particular skills deficits among their workers that are in need of targeted investment in reskilling and upskilling.

Sector	Skills deficits
Building and property (including real estate)	Employability, environmental/social issues and regulation, management, new/emerging technical skills
Charity	AI tools and techniques
Construction	AI tools and techniques, environmental/social issues and regulation, industry-specific regulation, management, new/emerging technical skills, time management
Government	AI tools and techniques, time management
Healthcare	Cultural knowledge, language skills

The summary of survey findings provides insight into the state of skills accessibility and expected skills acquisition across the UK, which in turn offer a clear steer for the structure and priorities that Skills England or any equivalent institution will need to take on. This can be broken down into a number of key areas. Foremost among them is a pervasive sense of concern with the skills level of the UK workforce as a whole, alongside specific concerns with the multiplier effects of underskilling, the role of curriculum redesign, and regional variation. There are notable cross-sectoral differences in the picture of skills availability and skills readiness, which suggest that sector-by-sector solutions will be the only effective way forward. Finally, there are wider questions relevant to lifelong education in particular, which cover questions of mobility, the 'lifelong means lifelong' aspect of post-16 learning, and the intersection between flexibility and diversity among learners and workers.





City & Guilds' survey findings provide insights on the state of skills accessibility across the UK, and provide a clear steer for Skills England's structure and priorities

New institutional structures

The UK faces an ongoing challenge to build more effective policy frameworks and institutional structures that can help raise productivity and living standards in all parts of the country. It is, however, not without irony that having observed (in Part One) the negative effects of short-term and continuous policy churn across many decades, that England is once again about to experience another post-election cycle of policy and institutional change.

The introduction of Skills England, the Government's flagship policy in this space, represents a return to the role of the central state in workforce development. The Prime Minister, Sir Keir Starmer, has vowed to personally chair a new committee to sit atop the "mission delivery boards" and to "put into action" Labour's manifesto commitments.⁴⁶ In terms of recent history, we can see how this structure resembles the model of state planning in the 1960s particularly the tripartite approach taken by Neddly. In this context, Skills England appears as the renewed counterpart to the long-defunct MSC, offering an informative parallel to the current Labour Government's ambitions to use the skills system to drive productivity growth.

The role of Skills England

Skills England aims to 'bring together the fractured skills landscape' and create a 'shared ambition to boost the nation's skills' by better meeting employer demand for skills.⁴⁷ It will be an 'arms-length' body that will work across government departments. Most obviously this will include the Department for Education, and the Home Office with reference to the Migration Advisory Committee and the aim to reduce the requirement to import labour from overseas. The opportunity here is to consider how skilled migration can be supported whilst also creating opportunity for the domestic workforce. For a cross - government approach to work, it will need to include all other departments with a skills interest including the Department for Work and Pensions, the Department for Business and Trade, the Department for Communities and Local Government, the Department for Culture, Media and Sport and the Department for Energy and Net Zero, with their interest in green jobs.

Skills England will also bring together central and local government (including Mayoral Combined Authorities), businesses, training providers and unions to meet the skills needs of the next decade across all regions, providing strategic oversight of the post-16 skills system aligned to the Government's, soon to emerge, Industrial Strategy.

Skills England aims to meet employer demand for skills, working across the Department of Education and the Home Office, and will explore ways to balance skilled migration with the domestic workforce

⁴⁶ <https://www.times-series.co.uk/news/national/24435380.starmer-says-will-chair-mission-delivery-boards-meet-manifesto-pledges/>

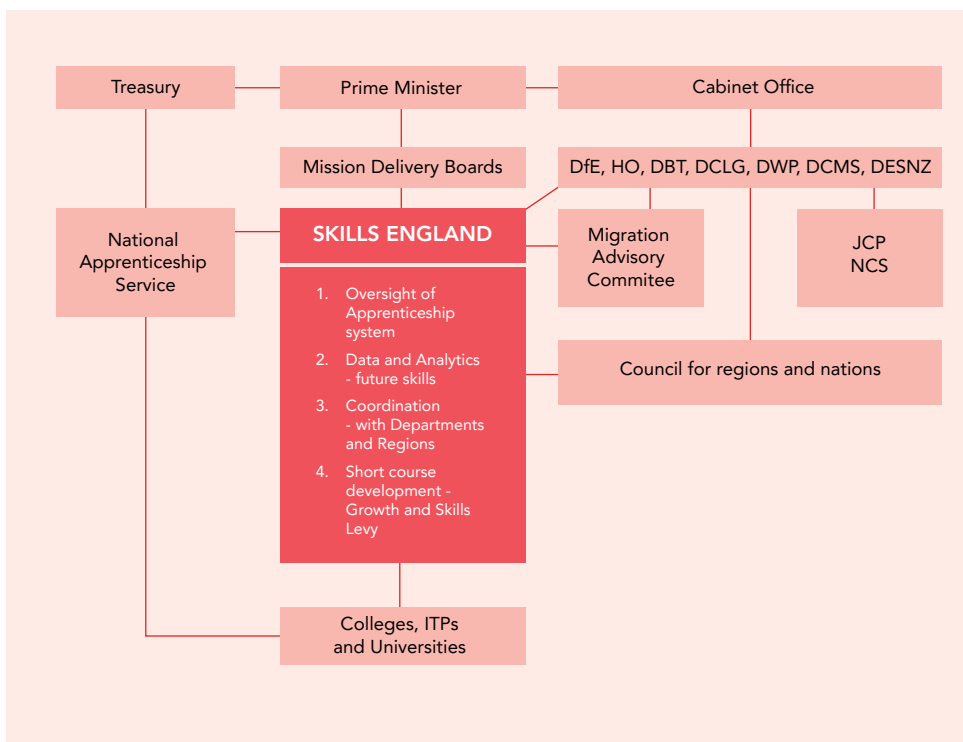
⁴⁷ <https://www.gov.uk/government/news/skills-england-to-transform-opportunities-and-drive-growth>

The functions currently sitting with the Institute for Apprenticeships and Technical Education (IfATE) will transfer to Skills England, as part of the new organisation's broader remit. It will have oversight over the national apprenticeship system, as well as large parts of adult learning and vocational training programmes. It is also expected to incorporate capabilities around skills data and labour market intelligence, skills funding (via the new Growth and Skills levy), and quality assurance and standards, as well as to facilitate tailored course and programme development for place-based economic conditions and needs. It will aim to:

- Develop a coherent single authoritative picture of what national and local skills needs the country requires over the next decade
- Develop a highly responsive training system, part of which is that Skills England will hold a list of eligible training that can be funded through the Growth and Skills Levy
- Ensure that national and regional skills systems work together effectively to meet those skills needs.

The diagram below summaries these functions and imagines the institutional relationships that will be needed to make this work.

Figure 5: Outline of the potential administrative relationships for Skills England



This can be seen as an attempt to better integrate the strategic functions of the post-16 skills system within the heart of government, although it is hardly a simplification of the existing arrangements. Neither will it reduce the number of quangos, at best providing a one-in, one-out transfer of functions from IfATE, notwithstanding the fact that the scope of this new entity will be more extensive.

A core function for Skills England will be to provide labour market intelligence and skills forecasting building on the role of the Skills and Productivity Board and its successor, the Unit for Future Skills. Skills England will not be able to manage or steer strategy in a meaningful way without the data and analysis to understand the detail of supply and demand for skills. This means generating 'in-house' labour market intelligence and insights to boost government, business, and education provider investment, by:

- Conducting and/or commissioning research
- Gathering data (in conjunction with the ONS and other government information bodies)
- Analysing trends to identify areas for improvement in productivity and skills
- Mapping productivity gains onto specific 'units' of skills acquisition
- Examining the effects of demographic change and identity on skills acquisition and application.

Skills England can help intensify the link between advanced research and industry by providing businesses and education providers with core information about place and sector. This would allow research-intensive institutions to make better-informed decisions about which areas of impact and knowledge exchange to prioritise and help overcome business limitations in their immediate access to skills.

The focus for Skills England will be post-16 vocational and technical skills for those in employment as well as the unemployed, both young and old, as well as new job entrants and experienced workers across all sectors of the economy. There are, however, a number of outstanding questions. These include:

- How Skills England will fit with the broader skills landscape not least the wider role of higher education (beyond degree apprenticeships) and R&D institutions
- How this new centralised approach to skills and industrial strategy will relate to devolution and sub-national arrangements, whether local or regional
- How Skills England will relate to other constitutive or subsidiary bodies in skills policy space, including sector bodies
- How Skills England can contribute to a single integrated tertiary system in England.



Constitution and role within Government

The Government has yet to clarify the proposed governance framework for Skills England, although as a non-governmental department it is expected to bring together representation from central and local government, businesses, training providers and unions. Its board membership should comprise an even representation from each of the following stakeholders:

- 
Government: Director-grade civil service staff from DfE, DBT, DSIT
- 
Business: The British Chamber of commerce, CBI, FSB
- 
Education providers: UUK, GuildHE, AoC, AELP
- 
Awarding organisations, including City & Guilds
- 
Learners: Student bodies - Charities, NUS
- 
Workers: Trade unions bodies such as TUC, NEU, UCU
- 
Local communities: Mayors, regional leaders.

It looks unlikely at this stage that Skills England will be seeking to absorb or replace other institutions. Rather, it will work more closely with existing departments, agencies and existing bodies in an arm's length capacity to better integrate and direct vocational and technical skills, rather than the system as a whole. Its funding role, if any, will be limited to the reformed growth and skills levy. Government has announced that the ESFA will be abolished in March 2025 and its functions absorbed within the Department for Education. The Student Loans Company will remain unaffected by the creation of this new body. One of the lessons from previous skills institutions is that they are largely ineffectual without the powers to influence policy and funding in a meaningful way, to address market failures in the skills economy. Skills England will need more than a transactional relationship with places and industry if it is to have a transformative effect on productivity.

Its regulatory role will be non-existent with the Office for Students, Ofqual, Ofsted, Quality Assurance Agency for Higher Education, the Standards and Testing Agency, and Teaching Regulation Agency (TRA) all remaining intact. This has clear implications for its mission to connect skills with productivity at every level of the skills system which will inevitably rely on amending or creating regulatory frameworks that explicitly align training schedules and teaching curricula with the specific needs of the UK economy. However, while there are strong arguments for simplifying the regulatory framework, giving Skills England a direct regulatory function would be a distraction. Instead of taking on regulatory duties Skills England should coordinate with existing bodies. As part of this, and as early in its existence as possible, it should make recommendations to Government regarding how the existing network of regulators should be harmonised and streamlined to remove unnecessary duplication. This would help reduce the heavy burden of regulatory bureaucracy that

currently falls on education providers whose provision straddles the highly different regulatory regimes.

The role of awarding bodies, such as City & Guilds, should also remain unaffected by the introduction of Skills England. Universities will continue to operate their degree awarding powers although there are many different organisations responsible for the creation and management of qualifications below degree level. The number of awarding bodies in the UK has been a topic of discussion over the years and there have been efforts to streamline and improve the qualifications system. Ofqual has worked on simplifying and clarifying qualifications and ensuring that awarding bodies meet high standards. Skills England will be expected to influence the emergence of new qualifications and potentially credit transferring systems for flexible, modular study. However, qualification frameworks should aim to address some of the issues related to complexity and potential overlap between different bodies.

Alongside this, Skills England also has a clear advisory function to play in its relationships with government departments and other public bodies. The headline case here is for Skills England to co-advise with the OBR on all Budget measures to ensure that public spending on skills are not only fully costed but also evaluated explicitly according to their likely productivity returns.

Skills England should also co-advise with Ofqual, the OfS, Ofsted, and QAA, as well as the ISC, on how to boost the accessibility, flexibility, and inclusivity of working options and learning and training options. This should include providing institutional guidelines and 'helper packs' for how to achieve:

- Modularisation of course provision and qualification accreditation
- Recognition of prior learning (RPL)
- More options for 'compressed course' learning and 'compressed hours' work
- Online and hybrid learning and work options
- Part-time (evening, weekend, day-per-week) learning and work commitments
- Balancing remote with on-site requirements (residential learning, in-office work).

The aim here is to reorient institutional resources decisively away from the current predominance of 'on-site' and 'multi-year' learning frameworks. This would help encourage businesses and education providers to develop a greater variety of options for parallel learning and work as central pillars of their organisational strategies, opening up 'mid-career' upskilling to a much greater proportion of the population.

Careers information advice and guidance is another aspect of the current system that might be better situated within the remit of Skills England. The decision to merge the National Careers Service with Jobcentre Plus signals that this is a service for the unemployed and economically inactive. Improving access to quality careers advice for people in-work will be vital to driving productive growth through the take-up of skills training.

The Government has placed Skills England on a statutory footing as it has pledged to do for the new incarnation of the Industrial Strategy Council. Little is known about the powers this council is intended to wield, or how it will relate to other parts of government including education and skills policy.

Skills England will need to develop reciprocal channels across a range of government departments to ensure joined-up policy delivery. It would be more effective for all skills functions to be moved from other departments and placed within Skills England which can then relate to departments about skill needs relevant to business, transport, net-zero etc.

Aside from government departments, Skills England also has to settle its distinctive policy remit and areas of cooperation with the UK's skills-relevant executive agencies, non-ministerial departments, advisory groups, and other public bodies.

The role of higher education in Skills England

Universities, colleges and independent training providers currently deliver a range of higher-level qualifications above Level 3. Skills England will have a role to play in advising on the type and funding of Level 4-7 apprenticeships and short courses at higher levels, via the Growth and Skills Levy, which may include the continuation of Skills Bootcamps.

However, the relationship of Skills England to wider degrees and vocational qualifications including foundation degrees, HNDs and HNCs, and HTQs is unclear. Degrees (level 6+) and sub-degree qualifications at Levels 4-5 are regulated by the Office for Students (OfS) and funded through loans managed by the Student Loan Company as are Advance Learner Loans which fund Level 3-6 qualifications for adults (aged 19+). A comprehensive, integrated tertiary skills system in England cannot be achieved if these forms of higher learning remain out of scope for Skills England.

The aim to more effectively connect higher skills and productivity raises a question about which part(s) of the skills and education system Skills England intends to focus on. As it stands, technical and vocational capability and workplace development lies heavily with the UK's FE sector, and to a lesser extent with independent training providers, while universities are increasingly delivering higher volumes of degree apprenticeships.

The new Government will introduce specialist technical colleges and reform the apprenticeship levy to allow greater access and opportunity. Apprenticeship starts have fallen since 2017 when the levy was introduced while higher level apprenticeships have increased proportionally to lower-level apprenticeships, traditionally viewed as the vocational route for school leavers. Rebalancing the system while increasing overall uptake will be challenging, not least since 50% of the levy will now be allocated to other forms of in-work training. But this is a move which could provide a welcome boost to the further education sector, while taking a relatively narrow view of the whole skills system.

Lifelong Learning Entitlement

The development of stand-alone modular courses in the regulated higher education system is particularly unclear at this time. Increasing numbers of higher education institutions are moving into and expanding their apprenticeship and vocational offerings, not least by pioneering the development of microcredentials and other short course offerings. These forms of learning provide a way to revive adult participation in education and training which has halved in the last decade, allowing employees to upskill as occupational and industry standards demand, but also providing a means for continued training and credit accumulation towards full qualifications. Skills England will advise on the type of provision that will be available via the reformed levy. However, the future of the Lifelong Learning Entitlement, the loan guarantee that was intended to facilitate this skills revolution, remains uncertain.

There are compelling arguments for the new Government to introduce a reformed version of the Lifelong Learning Entitlement to support upskilling and reskilling among the existing workforce, especially modular courses at Levels 4 – 6, although where this fits in the new institutional arrangements would need to be defined. The creation of an Individual Learning Account system, with co-investment between government, businesses and individual learners and workers would enhance the flexible levy and enable more individuals to access training for the skills they need. The LEI have previously made the case for an Adult Skills Account, administered through an auto-payroll enrolment system akin to national insurance or pension contributions.⁴⁸

⁴⁸ Making Lifelong Education Work: Skills Accounts for Bite-Size Learning, LEI, 2024

Further, by pooling existing public funds for adult learning into a single integrated pot Skills England could more easily direct resources in terms of what is available for: businesses (levy payers and non-levy payers); individuals; education providers; and local government.

Planning and regulation of skills in England

We can expect Skills England to play a key role in shaping vocational and technical education as part of a comprehensive post-18 skills system. This should involve the balance of provision across all skill levels, to meet the aims of an industrial strategy, including the relative volume of degrees in non-vocational and non-stem subjects.

The relationship between Skills England and the Office for Students is critical to this endeavour. Both organisations will have a role in addressing skills shortages and shaping wider skills policy. Meeting the employer and workforce demands of the economy will be central to Skills England but this needs to be balanced with meeting the needs of students and learners. If the Government is to prioritise skills that can drive productivity a more joined-up approach between higher level skills and the skilled worker route will be needed. As Professor Martin Jones, VC for Staffordshire University, has suggested in his recent article a memorandum of understanding between the Office for Students and Skills England would be a good start.⁴⁹

The role of place and industrial sectors

The relationship of Skills England to other parts of the country, particularly the devolved Mayoral Combined Authorities will also need determining. The King's speech introduced a Devolution Bill to create an "ambitious standardised" framework to speed up and simplify the process of transferring powers to new combined authorities. Existing devolution deals already include, albeit modest, control over adult skills, while the Bill references the intention to move towards more advanced settlements.

Rachel Reeves has previously said that, in England, Labour "**will give more power to regional leaders to ensure the training provided in their area meets their local needs. They will work in coordination with a new expert body, Skills England, to make sure that across our nation we have the skills we need to thrive**".⁵⁰

Skills England will have a convening role with Mayoral Combined Authorities to develop a single picture of national and local skills needs, and make sure that national and sub-national systems are aligned. In this context it is important that places are able to develop local industrial and skills strategies that work towards national aims, but which reflect local priorities. This must be a bottom-up approach geared towards narrowing the productivity gap between and within English regions. It must consider and have control over local economic geography to develop local labour market intelligence and plan for skills provision to meet the needs of the local workforce.

The Prime Minister has already announced that he will hold regular meetings with Mayors and has announced the creation of a new Council of Regions and Nations. But with the expansion of devolution deals and the creation of new Mayors this relationship may require formal operating agreements between devolved areas and new entities like Skills England. It also suggests the need for greater inter-regional cooperation between combined authorities, without recreating the regional institutions that have been a feature of the recent past.

⁴⁹ https://campaign-for-learning.org.uk/Web/CFL/What-we-do/Policy-Folder/Policy-Views-Folder/Skills_England_big_deal_HE.aspx

⁵⁰ Labour Together, A New Business Model for Britain, 25 May 2023 ([A New Business Model for Britain — Labour Together](#))

The regional dimension of devolution and governance in England is a circle to be squared. There is an argument for a meso level, above combined authorities, and in line with the administrative English Regions. However, skills strategy should not be regionalised - as experience with RDAs and LEPs has demonstrated that regional strategy can be too remote from local need leading to duplication, fragmentation and complexity. Skills and Industrial Strategy should be aligned with local labour markets and travel to work areas. However, other functions of economic development relating to infrastructure investments (e.g. transport, energy) and which are vital to productivity growth will need meso level arrangements between central and local government.

The variable geometry of devolution in England might suggest the need to strengthen the regional coordination of place-based skills development. This could bring together devolved authorities with those that have yet to agree deals, as well as Local Skills Improvement Plans, should these continue to play a role in the future. There may also be some utility in formalising regional networks for education providers. The development of Regional Skills Observatories would provide a valuable shared resource for all partners engaged in skills strategy and workforce development.

Another area of concern for Skills England is the relationship with other bodies that have responsibilities for sector skills development. This must also strike a balance between place-based and place-blind sectoral approaches. Companies working within the same sector usually have similar skills needs and can often be clustered in the same part of the country.

For example, the automotive industry is highly concentrated in the West Midlands, although there are other parts of the sector and its supply chain operating in other regions. While localised education and research institutions take on a sectoral focus in dealing with industry workforce needs there is a clear set of stakeholders that come together at the industry level to address their specific skill requirements. Skills England will need to adopt sectoral approaches to help focus attention on shared needs, which includes understanding and analysing the skills required for the successful development of a specific sector, and taking action based on the shared evidence. Where there are systemic problems in education and training provision, sectoral approaches can provide an entry point for system reform for developing solutions that can serve as pilots for improvements to the system as well as addressing the skills challenges facing the sector.

Skills England will need to identify the key strategic sectors, in which the UK has a comparative advantage, and which are most capable of delivering productive growth and improved living standards. It must identify and prioritise the sectors in which skill needs are most acute by taking a more granular, systematic approach to the UK's industrial strengths and weaknesses. The most viable approach here is to revive the Sector Skills Councils from their current semi-moribund abeyance to oversee sectoral skills development. In thinking about new emergent industries Government should also consider creating new SSCs where they do not currently exist.

The national industrial strategy will be expected to drive the sectoral focus of Skills England. However, decisions at the national level can be too general to tackle skills issues that maybe be site specific. Identifying productivity gaps within existing sectors and firms with the capacity to cross the innovation threshold will need closer levels of cooperations with sector bodies and local institutions. This ultimately means developing a hybrid 'sub-national-sectoral' approach to UK skills policy and productivity growth.



In focus:

Productivity in the North West

The North West is one of several regions whose respondents to City & Guilds' survey felt they lacked the necessary skills to meet challenges faced by their industry. The region is in the middle ranges in terms of average productivity levels in the UK, although its productivity growth rate is poor.

It has seen growth in service sectors such as health and social care, business & professional services, and hospitality & tourism, but these are typically less productive than manufacturing.

And while there are emerging clusters linked to leading edge R&D capabilities in sectors such as life sciences, chemicals, digital industries, and nuclear energy, these have yet to translate into more broad-based prosperity. Much focus has been placed on this as part of the Local Industrial Strategies in areas like Greater Manchester which highlights and encourages the growth of these "frontier" sectors.

“Challenges around workplace capability, confidence and aspiration in the region cannot be addressed solely by the skills education system; these call for improved regional connectivity and a coordinated approach which includes digitalisation, health, transport, housing, employer engagement and labour market flexibility.

The Local Skills Improvement Plans produced by the Chambers of Commerce have become a central part of the evidence base for place-based policymaking and skills programme design. However, much of the publicly funded provision which already exists is focused on essential skills at relatively low levels, while employers are often reluctant to invest in higher level skills themselves.”

Joe Crolla, Principal Skills Manager – Employer Engagement & Insights, Greater Manchester Combined Authority

Productivity as an overarching purpose

Skills England cannot be a 'silver bullet' that will solve all of the UK's skills and productivity problems. Boosting productivity is the outcome of many factors, including investments in research & development, infrastructure, technology and human capital. The Government has tied skills policy closely to its mission to boost the UK's productivity, so it is important to ask how Skills England will connect these two aspects of its remit, and what wider goals or purposes it will serve as a new institution in the UK policy space.

In the first instance, it will need to define 'skills development' or 'skills improvement' in terms of 'productivity gains' or 'productivity growth'. This is a crucial way of narrowing down what Skills England aims to achieve. Success can only be evidenced if 'skills endowments' have led to a quantifiable increase in gross national product per hour worked. This suggests that the impact of investment in skills will need to be accounted for more routinely in cost-benefit analyses and that methodologies will need to be devised to enable this.

Skills England will also have a role in developing and promoting courses that are likely to result in better economic outcomes for businesses and learners and workers. Those investing in skills must have a better idea of the likely return on their investment, especially where employees are taking on loans. This means:

- Putting the individual at the heart of the mission to boost productivity
- Placing productivity and skills at the centre of a collective mission – a social partnership steering the economy towards social justice and the common good.

It also means recognising that learning cannot be reduced solely to how it supports production. It must acknowledge that an entrepreneurial state is also a state that acts as an active, conscious social investor. This should form the basis of a new social contract between employers, employees and the state to enshrine the 'right to lifelong learning'. One measure of this 'right' will be the access to provision by a growing workforce engaged in the gig economy and operating with few labour rights or social protections.

Towards an integrated tertiary system

The Government has signalled its intention to create an integrated tertiary system across higher education, further education and work-based learning in England. Models for this already exist in the devolved nations and to a lesser degree in parts of England. However, Skills England is not the vehicle for achieving whole system integration. Its policy intent is to plug the skills gap and drive productivity through vocational and technical skills training delivered by universities, colleges and independent training providers, at all levels from the bottom (entry level) to the top (Level 8) of the UK's qualifications framework. In this sense it can help to achieve a level of horizontal and vertical integration across an important but nevertheless partial aspect of the wider education and skills system. As such it falls a long way short of enabling the kind of single tertiary sector envisaged by the AoC in their recent report.⁵¹

The drive for further integration will need to treat all post-16 education as a single policy area, to reflect the rise of FE/HE partnerships, as well as the proliferation of new forms of 'HE in FE' and 'FE in HE' teaching. The extent to which Skills England can influence the balance of skills training in the wider system and prioritise areas of intervention may be critical to achieving the aims of productivity growth. Skills England will need to make choices between adult and youth training, between training for the employed and for the unemployed, and between pre/early career and mid-career training. A far greater focus on the higher skill needs of the existing workforce will be needed if Skills England is to make a serious contribution to productivity gains via investment in human capital.

⁵¹ <https://www.aoc.co.uk/news-campaigns-parliament/aoc-newsroom/reform-tertiary-education-and-kickstart-the-great-british-recovery>

Conclusions and Recommendations

This report has examined the policy landscape that shapes the new Labour Government's proposal for Skills England. It traces the complex evolution of the skills landscape and the relentless churn that has come to characterise skills policy in the UK.

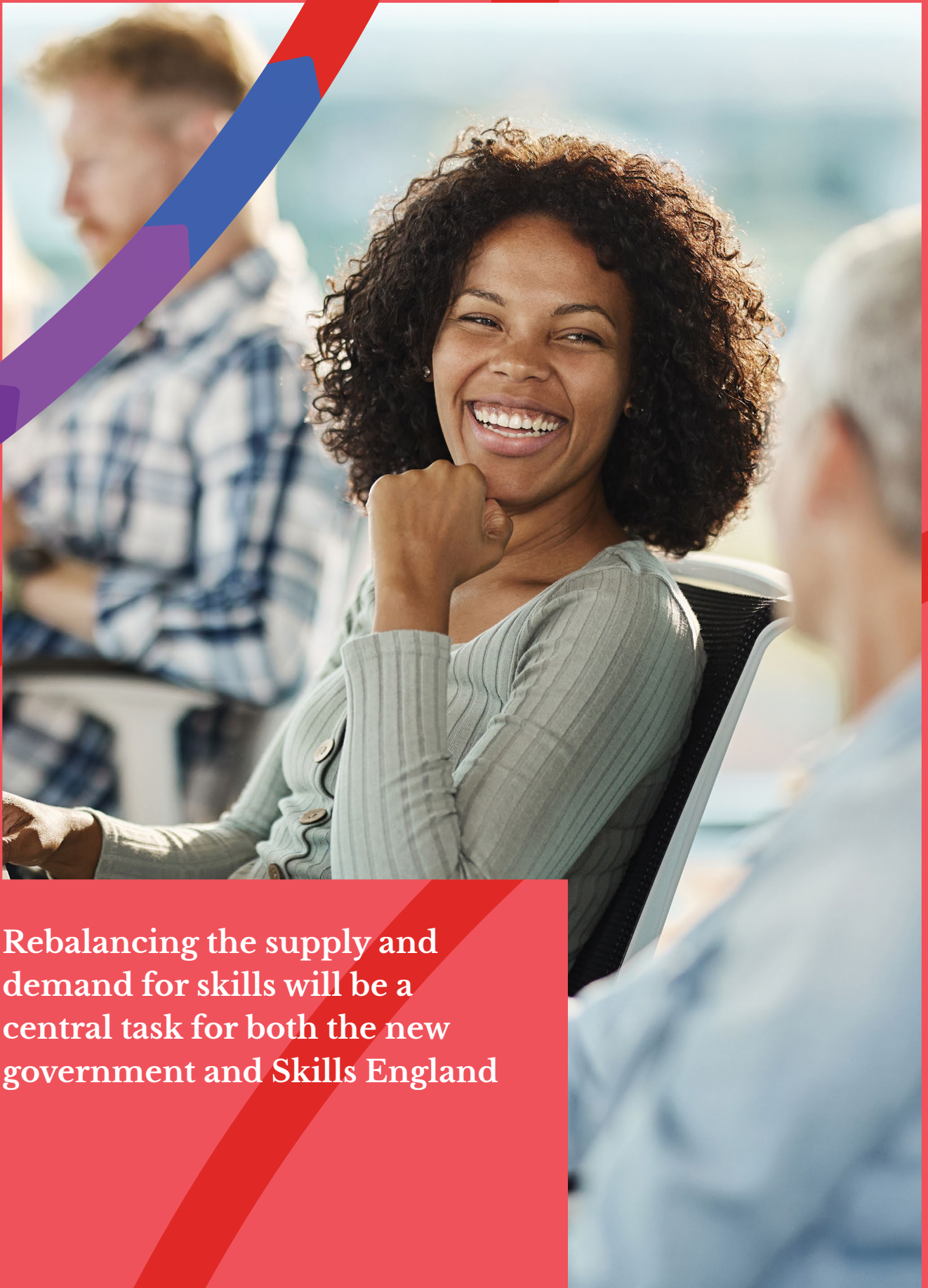
It identifies a return in the Government's policy intent to centralised state planning, aligning workforce development with a national industrial strategy. It argues that this Government has a historic opportunity to rebalance the supply and demand for skills, in line with an economic purpose to raise levels of productivity in England, by putting place-based and sectoral strategies at the heart of its approach.

The UK's productivity problem is underpinned by a skills puzzle. Higher qualifications are important to productive growth. Yet, while the UK is becoming higher skilled relative to competitor nations, productivity is not improving. This relates to a longstanding problem with skill utilisation and the high proportion of graduate workers who are not in graduate level jobs. The graduate wage premium is falling outside of London and in non-STEM industries, as general skills levels and the number of graduates rise. This suggests that the UK has a particular problem with skills mismatching which is acting as drag on economic growth. Rebalancing the supply and demand for skills will therefore be a central task for the new Government and Skills England.

An employer survey commissioned by City & Guilds also finds a worrying pessimism among respondents that the current skills system is poorly equipped to prepare learners for embarking on a career of their choice - and observes major divergence between several of the UK economy's key sectors in how successfully workers are being trained to meet the needs of the future.

The report uses these insights to inform how Skills England might begin to integrate vocational and technical skills training in England, by prioritising key strategic sectors and focusing on upskilling the existing workforce. Skills England must mark the point at which the Government finally starts to join up the various parts of the central and local state with businesses and employees to deliver an integrated and coherent technical and vocational skills system.

The report argues that Skills England needs to strengthen the link between skills improvement and the Government's national mission of restoring the UK to productivity growth, and the positive effects this can have on improved living standards. Finally, the report argues that Government should go further to integrate the whole skills and education system in England, with transformative interventions in the availability of higher skills training, funding, and regulation.



Rebalancing the supply and demand for skills will be a central task for both the new government and Skills England

Recommendations for Skills England

1. Ensure that the Board of Skills England comprises government, business, education providers, learners, workers, and local communities
2. Skills England should be empowered to redirect resources to address needs and assess the productivity prospects throughout the country, intervening where necessary, and producing an annual report to promote transparency on how local productivity are being addressed.
3. Skills England's relationship with regulation needs clear definition. It should coordinate with existing bodies to ensure a more joined up system. It should make recommendations to government about how existing regulation should be streamlined to remove unnecessary duplication.
4. Skills England should co-advise with the Office for Budget Responsibility on all Budget measures, to ensure that public spending on skills is fully costed, and evaluated according to likely productivity returns.
5. Skills England should also co-advise with Office of Qualifications and Examinations Regulation (Ofqual), the OfS, Office for Standards in Education (Ofsted), and both the Quality Assurance Agency for Higher Education (QAA), and the Independent Schools Council (ISC), on how to boost the accessibility of skills training options, with a memorandum of understanding between the OfS and Skills England in relation to higher education (Level 4 and above).
6. Skills England should have oversight of the National Career Service. Improving access to quality careers advice for people in-work will be vital to driving productive growth through the take-up of skills training.
7. Skills England should play a key role in shaping vocational and technical education as part of a comprehensive post-18 skills system, through advising government on the balance of provision across all skill levels, aligned with an industrial strategy, including the relative volume of degrees in non-vocational and non-STEM subjects.
8. Skills England should have a convening role with Mayoral Combined Authorities, to develop a single picture of national and local skills needs, and make sure that national and sub-national systems are aligned.
9. Skills England should develop Regional Skills Observatories in partnership with MCAs and other local partners, to provide a valuable shared resource for all partners engaged in skills strategy and workforce development.
10. Skills England should prioritise the higher skill needs of the existing workforce to maximise productivity gains via investments in human capital, whilst recognising the importance of Level 2 and 3 qualifications in kickstarting careers, filling industry gaps and enabling progression into higher education.

Recommendations for Government

1.

Government should introduce a reformed version of the Lifelong Learning Entitlement to support upskilling and reskilling among the existing workforce, especially modular courses at Levels 4 – 6. The creation of an Individual Learning Account system, with co-investment between government, businesses, and individuals would enhance the flexible levy and enable more individuals to access training for the skills they need.

2.

Government should consider the availability of qualifications across all stages of learning. Key to this will be qualification reform, including scope for a sustainable, scalable model for T levels, and creating suitable availability for some degrees, on the advice of Skills England, to rebalance the supply and demand for skills, and assess resources for vocational qualifications that can more directly influence productivity growth.

3.

Government should establish a memorandum of understanding between the Office for Students and Skills England to steer cooperation and coordination of technical and vocational courses.

4.

Government should establish formal operating agreements between devolved areas and new entities like Skills England and the new Industrial Strategy Council. It should also encourage and facilitate greater inter-regional cooperation between combined authorities.

5.

Government should revive the Sector Skills Councils to oversee sectoral skills development in partnership with Skills England.

6.

Government should drive further integration of post-16 education, including integration of adult funding budgets, to achieve a single tertiary system.

Recommendations for City & Guilds

1.

City & Guilds should raise awareness of the relationship between skills and productivity, and promote courses that can evidence direct productivity gains.

2.

City & Guilds should promote further integration of post-16 education and training, and develop distinct pathways for 'pre-career' and 'mid-career' learning.

3.

City & Guilds should conduct further employer analysis to identify where investment in reskilling and upskilling is most urgent, including which industry sectors are capable of crossing the innovation frontier, and which are in danger of being 'left behind' by future challenges.

4.

City & Guilds should formulate guidance for business and education providers on how to integrate more flexibility and inclusivity into working and learning conditions.

5.

City & Guilds should extend their work to integrate a national framework of skills classifications and occupational standards into the existing qualifications framework.

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