

Towards Ambition 2020: skills, jobs, growth

Expert advice from the UK Commission
for Employment and Skills

October 2009



Lead advisor to UK governments for skills and jobs

The UK Commission for Employment and Skills was established in 2008 to advise UK governments on the policies and strategies needed to achieve our ambition of being amongst the top eight countries in the world for skills, jobs and productivity.

We are specifically tasked to:

- Assess annually UK progress towards becoming one of the best countries in the world for jobs and skills;
- Advise the highest levels of Government on policies and delivery that will contribute to increased jobs, skills and productivity; and
- Monitor the contribution and challenge the performance of each part of the UK employment and skills systems in meeting the needs of employers and individuals, and recommend improvements in policy, delivery and innovation.

Earlier this year the UK Commission published *Ambition 2020*, our first annual assessment of the UK's progress towards becoming a world class leader in employment and skills. We found that there has been significant progress over recent years. The number of high skilled people has increased by a third, or more than 3 million people, in the last 10 years, while the number without qualifications has fallen by more than 1.5 million people.

Yet, on the basis of the latest international data available we have made little progress by international comparisons on skills. Our projections suggest that, without urgent action, the UK is unlikely to be in the top eight.

This is the UK Commission's expert advice to UK governments setting out proposals which we believe lay the foundations for transforming the trajectory of skills progression in the UK. Our aim is to establish cross-party, four nation consensus for these proposals, which will require ten years of consistent policy and determined implementation if we are to become world class by 2020.

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Foreword

In the grip of the 2008 global financial crisis, the advertising slogan of the Financial Times ‘we live in financial times’ had a degree of poignancy that no doubt far exceeded the expectations of those who coined it in 2007. The financial crisis gave way to global recession and, as we reflect upon its impact and the outlook for the future, I believe that our aspiration for the next decade should be to ‘live in human capital times’.

The UK’s wealth as a nation, and our ability to achieve a more inclusive society, are ultimately dependent upon employment and productivity: how many people are in work and how productive they are when they are working. Skills are essential to both. For individuals, skills increase the likelihood of being in employment and the wages they can earn. For businesses, they increase chances of survival and contribute to growth and productivity. In short, a strong skills base is pivotal for jobs and growth. Whilst improving on our own terms, the UK’s skills base is failing to keep pace with other OECD nations. Without a transformation in our current approach, the UK is unlikely to be in the top quartile of the OECD in 2020.

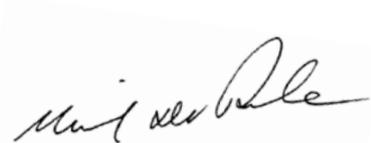
Moreover, with the inevitable downward pressures on public expenditure over the next economic cycle, the focus for this transformation must be to achieve more and better for less public investment. Going forward, it is essential that Government create a fiscal and social environment in which people are incentivised to work, and companies encouraged to invest, so we have a skills base which ensures our future success.

We have set out here our proposals to Government for achieving such a transformation of the UK’s employment and skills systems. These proposals are rooted in evidence from our and others’ research, from consultations with employers and many who work in the field, and from my fellow Commissioners.

From the outset of our work, Commissioners, and most other businesses we talk to, have also been deeply frustrated with the complexity of skills policies, and the labyrinth of skills initiatives and institutions, in England. Much of this complexity has been created through the cumulative impact of multiple well-intentioned initiatives going back many years. Government asked us to bring forward recommendations for radical simplification of the English skills system, and these recommendations are integrated with our broader strategic proposals. These are also separately listed in the last section of the paper.

We firmly believe that this report presents a platform from which we can transform our employment and skills landscape for the long term, and make a reality of an economy and society that truly lives in human capital times.

We look forward to working with you on the achievement of this vision.



Sir Mike Rake,
Chairman, UK Commission for Employment and Skills

Executive summary

The UK's future prospects – our route out of recession, our chances of a successful recovery, and sustainable economic progress thereafter – depend on the industries and jobs we are able to create, and on having the skilled workforce we need to do those jobs well.

As we seek to recover from recession, we need more people in work and more people in productive work. We need more businesses, and more successful businesses, offering more and better jobs. And we need more and better skilled people to get us there and keep us there. There is little that is more important than equipping ourselves with the skills we need, for the jobs we need, for the successful businesses of tomorrow. The recession also provides an unparalleled opportunity to reform our employment and skills systems – to ensure they are equipped to deliver the calibre of services that will make us world class.

What are the challenges to be addressed?

In *Ambition 2020*, the UK Commission for Employment and Skills set out a compelling analysis of the evidence relating to the UK's international position on productivity, employment and skills. Despite significant progress in skills over the last decade, the UK is not world class in skills, and not yet on a trajectory to be so by 2020. We identified three root causes of this:

- Relative to other industrialised nations, we have too few businesses in high skill, high value added industries, too few high performance workplaces and are creating too few high skilled jobs. Comparative to our ambition, we don't have enough employer demand for skills;
- Too many young people in the UK fail to gain the basic, employability and lower level skills needed to progress in work. As a result, too few adults possess the skills to succeed in tomorrow's labour market, or the motivation, confidence and opportunity to gain them;
- Current employment and skills systems in the UK are neither fully integrated, nor sufficiently aligned to labour market needs. They are also excessively complex because they do not empower customers to drive demand, performance or quality improvement.

These we believe to be long standing issues which will be compounded by considerable pressures, if not reductions, on public expenditure going forward; creating two challenges:

- We need to strengthen – not diminish – the quality of our frontline services; we must, therefore find innovative approaches in achieving more with less and by getting more resources to the frontline by eliminating intermediary organisations and all processes that do not add value;
- We must leverage, over the medium term, significantly more investment from individuals and employers if we are to improve services in order to meet our world class ambitions.

Our vision for the future employment and skills system

The UK is currently the sixth largest world economy, the sixth largest manufacturing nation, the sixth best place in the world for doing business. Our shared aim must be to ensure that the UK's employment and skills systems maintain and further strengthen our global competitiveness in all industries, and particularly in the emerging high-technology manufacturing and knowledge-intensive services of the coming decades. We believe this requires the creation of what we describe as a 'strategic, agile and labour market led' employment and skills system, in which:

- There is an active industrial strategy designed to ensure the UK improves its competitiveness in today's essential industries, and tomorrow's emerging high added value, high skill sectors;
- More UK businesses are ambitious to be world-leading in their industries, built upon excellent leadership and management and high performance working practices;
- Employers work collaboratively in sectors to identify future skills requirements and priorities, and ensure that UK employment and skills providers understand and rapidly respond to those needs;
- Individuals are inspired and motivated by the enhanced work and life opportunities that lifelong learning provides, have the confidence and skills to participate and succeed, and therefore invest more in their own learning and development;
- The content of learning and qualifications is shaped by the relevant sector, and up-to-date with emerging industry needs; whilst choice in provision is aligned to local labour market needs and informed customers drive supply, performance and quality;
- Government's role is principally to empower individuals, employers and providers to make the right decisions, 'nudging' the system to work better by providing information, pricing signals, incentives and strategic leadership to encourage a more skills intensive economy;
- Public funding is prioritised towards (i) basic skills, employability, lower level skills and those facing significant disadvantage in the labour market; and (ii) stimulating greater co-investment with employers and individuals in higher level and strategic skills;
- Providers' success is defined and measured in terms of the outcomes from their provision (progression in learning or work, wage gain, learning achievement, customer satisfaction and quality) and their responsiveness to their community's labour market needs;
- Colleges, universities and learning providers are more trusted, and have the responsibility and authority to understand and better serve the labour market needs of their communities, cities and regions directly, with less Government intervention, oversight and bureaucracy.

How can this be achieved?

Our advice to Government takes the form of nine strategic proposals brigaded under the UK Commission's three priorities of our 2009–14 Strategic Plan – increasing individual commitment to learning and development, raising employer ambition and investment in skills, and improving the responsiveness of the employment and skills system.

We need to maximise individual motivation and opportunity for skills and sustainable employment by:

1. Raising individual aspiration, confidence and commitment to lifelong learning and skills through promotion, evidence, high quality provision and progression.
2. Transforming the quality and availability of information, advice and guidance on career and learning opportunities, through high quality labour market intelligence and modern consumer technologies.
3. Empowering learners with real customer choice, support to access skills and learning when they need them, and the capacity to drive quality improvement in provision, through a system of full Personal Learning Accounts.

We need to raise employer ambition and innovation, and their engagement and investment in skills by:

4. Enhancing the capacity of more UK firms to be high growth, high skill, high value added businesses through the stimulation of new industries, greater innovation and better leadership and management.
5. Developing and deploying high quality labour market intelligence, enhanced by foresight on emerging strategic skills requirements, to inform industrial investment priorities, anticipate and better match the supply of skills to emerging demand, and thus enhance economic competitiveness.
6. Stimulate greater employer networking, collaboration and collective action on skills, within sectors, labour markets, and/or supply chains, to create more high skill, high performance workplaces and increase UK competitive advantage.

We need to build a more strategic, agile and labour-market led employment and skills system by:

7. Increasing the trust in, and authority to, learning providers, through the use of an outcome-based public quality and performance framework of course labelling and institutional scorecards, which empower customers and communities to drive provider responsiveness, quality and continuous improvement.
8. Simplifying and prioritising public funding (through Personal Learning Accounts for individuals) towards developing economically valuable skills, increasing employer and individual co-investment and improving value for money.

9. Creating a modular and flexible qualification system in which only employer recognised and accredited learning and qualifications that meet industry requirements are eligible to receive significant public funding.

In addition, the UK Commission proposes a comprehensive set of proposals to simplify the skills system in England, in response to such a request from the UK Government. These simplification recommendations are dependent upon the acceptance and implementation of our strategic proposals set out above, and are designed to achieve the following:

1. Offering lighter touch regulation, simpler and more flexible funding, and single account and contract management arrangements to providers in exchange for their use of the public quality and performance framework of course labelling and institutional scorecards.
2. Simplifying public funding and budgets, and increasing flexibility for providers to meet local labour market requirements.
3. Reducing monitoring and audit requirements to the absolute minimum necessary for maintaining public confidence.
4. Improving the relevance, currency, and responsiveness of industry and occupational qualifications, and radically reducing the timeframes for qualification development.
5. Simplifying and 'de-cluttering' the skills organisational landscape by reducing, by potentially 30 or more, the number of publicly funded organisations involved in employer engagement, planning, funding, performance management and quality improvement.

Towards Ambition 2020: Skills, jobs, growth



The world we have created is a product of our thinking;
it cannot be changed without changing our thinking.

Albert Einstein



1. Introduction

We are living and working in unprecedented and unpredictable times. The current recession is likely to have a lasting impact on the economic and social fabric of the UK. The UK's future prospects – our route out of recession, our chances of a successful recovery, and sustainable economic progress thereafter – depend on the industries and jobs we are able to create, and on having the skilled workforce we need to do those jobs well.

If good times are to replace tough times, we need more people in work and more people in productive work. We need more businesses, and more successful businesses, offering more and better jobs. And we need more and better skilled people to get us there and keep us there. There is little that is more important than equipping ourselves with the skills we need, for the jobs we need, for the successful businesses of tomorrow. The recession also provides an unparalleled opportunity to reform our employment and skills systems – to ensure they are equipped to deliver the calibre of services that will make us world class.

This is not the undertaking of one industrial sector or one Government department. It will require a serious and sustained effort that brings together the resources and expertise of all employers in the public, private and voluntary sectors, working with Governments across the UK. It will require joint investment and development by organisations responsible for economic and industrial strategy, for jobs and employment services, for education and skills provision. And it will require active engagement with education and training providers, committed to ensuring success for employers and individuals in their local communities.

2. The state of employment and skills in the UK

In May 2009, the UK Commission published its report *Ambition 2020: World Class Skills and Jobs*, which was its first analysis of the progress the UK is making to becoming a world leading nation in productivity, employment and skills by 2020.

On both jobs and productivity – the two key drivers of prosperity – we are within touching distance of being world class, if we take that to mean in the top 8 countries in the world. We rate 10th on our employment rate and 11th on productivity levels. To edge into the top 8, we need to increase our employment rate by close to 2% points and our productivity levels by nearly 13% points. Every 1% point increase in each is worth around £10 billion a year, in perpetuity – so the prize for success is enormous!

A better skilled workforce is a more employable and more productive. The employment rate among those with Level 2 qualifications is half as much again (75% compared to 50%) as those without qualifications. And a 1% point increase in the proportion of employees trained is associated with an increase in productivity of 0.6% points. Indeed, the improvements in workforce skills that we have already achieved account for a fifth of our economic growth since the 1970s.

We have made much progress, over the last decade in particular. For example, more than 3 million more people are qualified to Level 4 and above – that's 44% more than just 10 years ago. And, 1.5 million fewer people are without qualifications – that's a quarter less than 10 years ago. We are a more skilled nation than ever before.

Yet international comparisons raise very real concerns about the extent to which we are keeping pace with our key OECD competitors. While UK skill levels have been improving, so have the skills of other countries and, in too many cases, significantly faster than ours. If aspiring to be 'world class' means, as the UK Commission has recommended, being one of the Top 8 countries in the world, then on skills we are simply not close enough. In 2006, the latest date for internationally comparative data, we were ranked 12th on high level skills, 18th on intermediate and 17th on low level skills – and the latter two were declining over time.

Our detailed analysis of the supply of skills in the UK suggests that we have a 'dumb-bell' skills profile. By global standards, we have too many low skilled and unskilled people, too few skilled and qualified at intermediate levels, but a relatively good proportion of people with high level skills.

One in eight adults still have no qualifications; more than a quarter are not qualified to Level 2; and almost 50% are not qualified above Level 2. Our literacy, and particularly our numeracy skills, are often severely wanting.

Poor levels of intermediate level skills – craft, technician and associate professional skills – has been a challenge for the UK for many decades, and have too often led to the loss of high end science and technology based businesses to other nations where intermediate skills are better matched to the supply of graduates and post-graduates.

Disturbingly, the good progress we have made over the last 15 years in increasing the proportion of people who have completed university or higher level further education has not been accompanied by an associated increase in the number of high skilled jobs. Although this could imply a degree of over-skilling and over-qualification, our research suggests that the principal problem lies in the fact that too few UK employers are innovating or pursuing high skill, high growth strategies and, consequently, we are failing to effectively utilise the skills we are creating. In the one area where skill levels are improving, we are not getting the full economic benefits that high level skills should bring.

If recent trends continue at their existing rates, in our own country and overseas, we are unlikely to improve our relative position in economic competitiveness or skills over the next decade. The rate of improvements in too many other OECD nations will continue to outpace our own. Incremental improvements will simply not be enough. If we keep on doing what we've always done, we'll keep on getting what we've always got! We can, and must, do better.

In summary, despite significant progress in skills over the last decade, the UK is not world class in skills, and not yet on a trajectory to be world class in skills by 2020. The UK Commission has identified three underlying causes of this:

- **Individual aspiration:** Too many young people in the UK fail to gain the basic, employability and lower level skills needed to succeed and progress in work. As a result, too few adults possess the skills needed to succeed in tomorrow's labour market, or the motivation, confidence and opportunity to gain them.
- **Employer demand:** Relative to other industrialised nations, we have too few businesses in high skill, high value added industries, too few high performance workplaces and are creating too few high skilled jobs. Comparative to our ambition, we simply don't have enough employer demand for skills.
- **Responsive provision:** Current employment and skills systems in the UK are neither fully integrated and consistent, nor sufficiently aligned to labour market needs. They are also excessively complex and do not empower consumers (employers and learners) to drive demand, performance or quality improvement.

In addition, Ambition 2020 highlighted a number of other factors which need to be taken into account in developing proposals to improve our employment and skills performance across the UK:

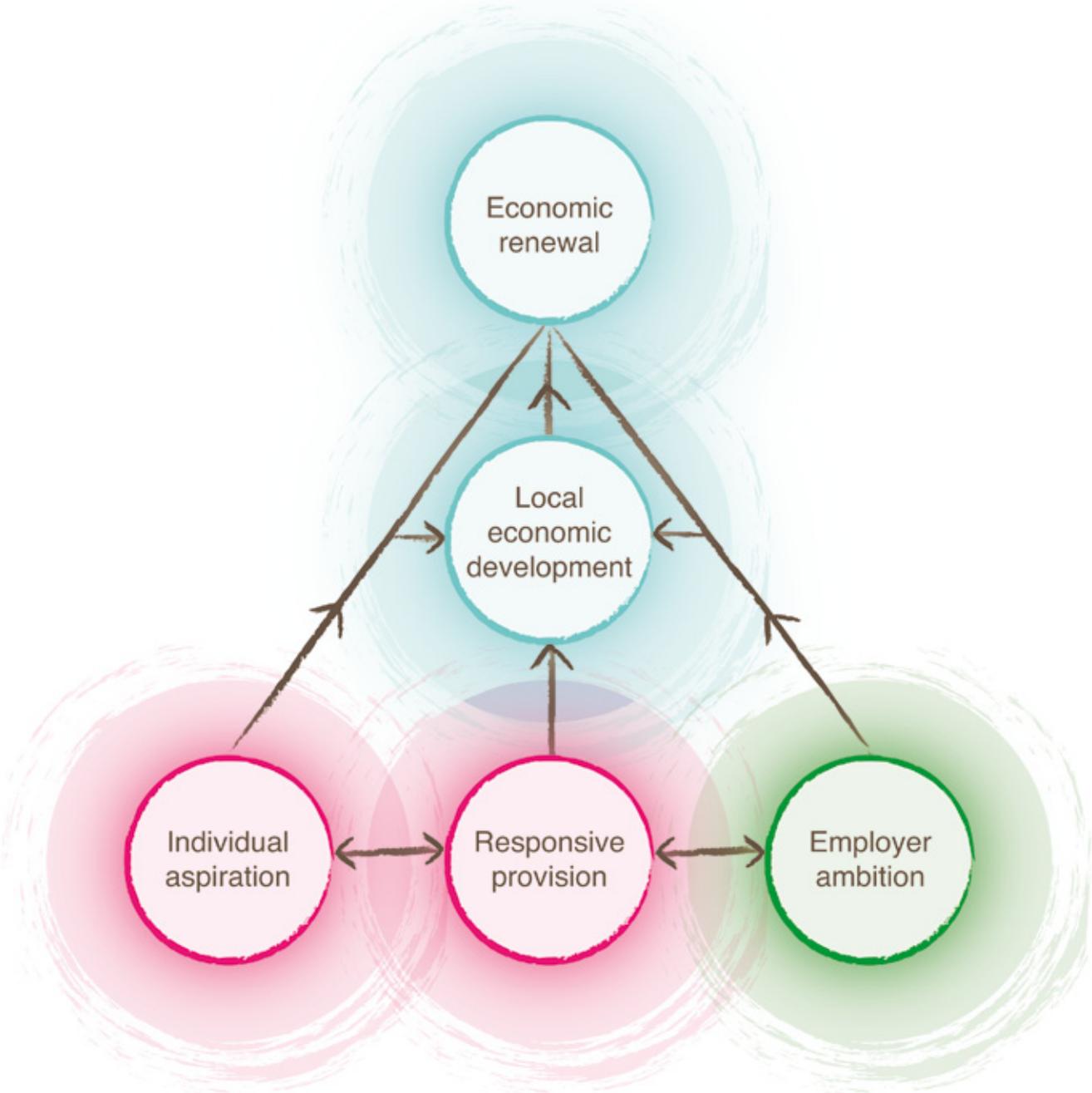
- **Geographic inequality:** There are substantial differences between and within the nations and regions of the UK, relating to productivity, employment and skills. Productivity in London is over 40 percentage points higher than that in Wales. Employment in the South East of England is 8 percentage points higher than in Northern Ireland. The prevalence of higher level skills across the English regions varies by as much as 19 percentage points; the gap between individual parliamentary constituencies can be as great as 45 percentage points. Most labour markets are local, and this needs to be recognised in both policy and practice.

- **Joined-up policies:** The UK faces the complex challenges of raising productivity, employment and skills to unprecedented levels, whilst simultaneously narrowing the gaps between individuals and between the nations and regions of the UK. This requires a strong alignment of national industrial, skills and economic development policies; and more effective integration of UK and national policy with regional/local strategies and action.

We believe these to be long standing issues which could be compounded by the considerable pressures on, and likely reductions in, public expenditure going forward, creating two further challenges:

- **Limited public funding:** It seems inevitable that, in the coming years, we will have less public resource available to invest in the skills of our people and our businesses, as the fiscal deficit puts pressure on public education and training expenditure. We must find innovative approaches to achieving more with less and eliminating processes, structures and costs that do not add real value.
- **Co-investment:** Public funding will be more restricted over a period in which we need to increase both the volume and level of workforce skills. We must therefore leverage significantly more co-investment from individuals and employers, alongside public expenditure, if we are to achieve our world class ambitions.

Figure 1: The UK Commission's Strategic Model



3. Our vision for the future employment and skills system

The UK is currently the sixth largest world economy, the sixth largest manufacturing nation, the sixth best place in the world for doing business. Our shared aim must be to ensure that the UK's employment and skills systems maintain and further strengthen our global competitiveness in all industries, and particularly in the emerging high-technology manufacturing and knowledge-intensive services of the coming decades. We believe this requires the creation of what we describe as a 'strategic, agile and labour market led' employment and skills system, which displays the following features:

- There is an active industrial strategy designed to ensure the UK improves its competitiveness in today's essential industries, and tomorrow's emerging high added value, high skill sectors;
- More UK businesses are ambitious to be world-leading in their industries, built upon excellent leadership and management and high performance working practices;
- Employers work collaboratively in sectors to identify future skills requirements and priorities, and ensure that UK employment and skills providers understand and rapidly respond to those needs;
- Individuals are inspired and motivated by the enhanced work and life opportunities that lifelong learning provides, have the confidence and skills to participate and succeed, and therefore invest more in their own learning and development;
- The content of learning and qualifications is shaped by the relevant sector, and up-to-date with emerging industry needs; whilst choice in provision is aligned to local labour market needs and informed customers drive supply, performance and quality;
- Government's role is principally to empower individuals, employers and providers to make the right decisions, 'nudging' the system to work better by providing information, pricing signals, incentives and strategic leadership to encourage a more skills intensive economy;
- Public funding is prioritised towards (i) basic skills, employability, lower level skills and those facing significant disadvantage in the labour market; and (ii) stimulating greater co-investment with employers and individuals in higher level and strategic skills;
- Providers' success is defined and measured in terms of the outcomes from their provision (progression in learning or work, wage gain, learning achievement, customer satisfaction and quality) and their responsiveness to their community's labour market needs;
- Colleges, universities and learning providers are more trusted, and have the responsibility and authority to understand and better serve the labour market needs of their communities, cities and regions directly, with less Government intervention, oversight and bureaucracy.

In summary, our ambition is to build a more innovative, responsive, and yet simpler and effective system, in which:

- success is measured in terms of outcomes, and impact at the community level;
- individual and employer customers are informed and empowered to shape quality, supply and performance; and
- providers are trusted and given more authority and autonomy to work in collaboration to better serve the needs of their community's labour market.

In a time of increasing pressure on public expenditure, Government's policy intent for funding must be to maximise the proportion of public investment that actually reaches front-line teaching and learning (whilst simultaneously reducing the bureaucratic burden on providers and consumers). Helping to make the skills and labour markets work better, reducing the overall levels of planning, intervention, oversight, administration and bureaucracy, simplifying the system, and rationalising organisations, systems and procedures will all help in this goal.

The UK Government, in setting the 2009/10 priorities for the UK Commission, also asked us to bring forward proposals that will: 'fundamentally simplify the underlying programmes and structures, and ensure a much more employer-responsive system that integrates employment and skills services in the most effective and sustainable way'.

We believe that transforming our current system to one with the features described above will enable such a fundamental simplification of the skills system in England, and this paper therefore also includes the UK Commission's next set of proposals to achieve that. Whilst many of the specific recommendations on Simplification relate solely to England, the UK Commission believes that many of the ideas and principles that underpin the proposals are potentially of wider application.

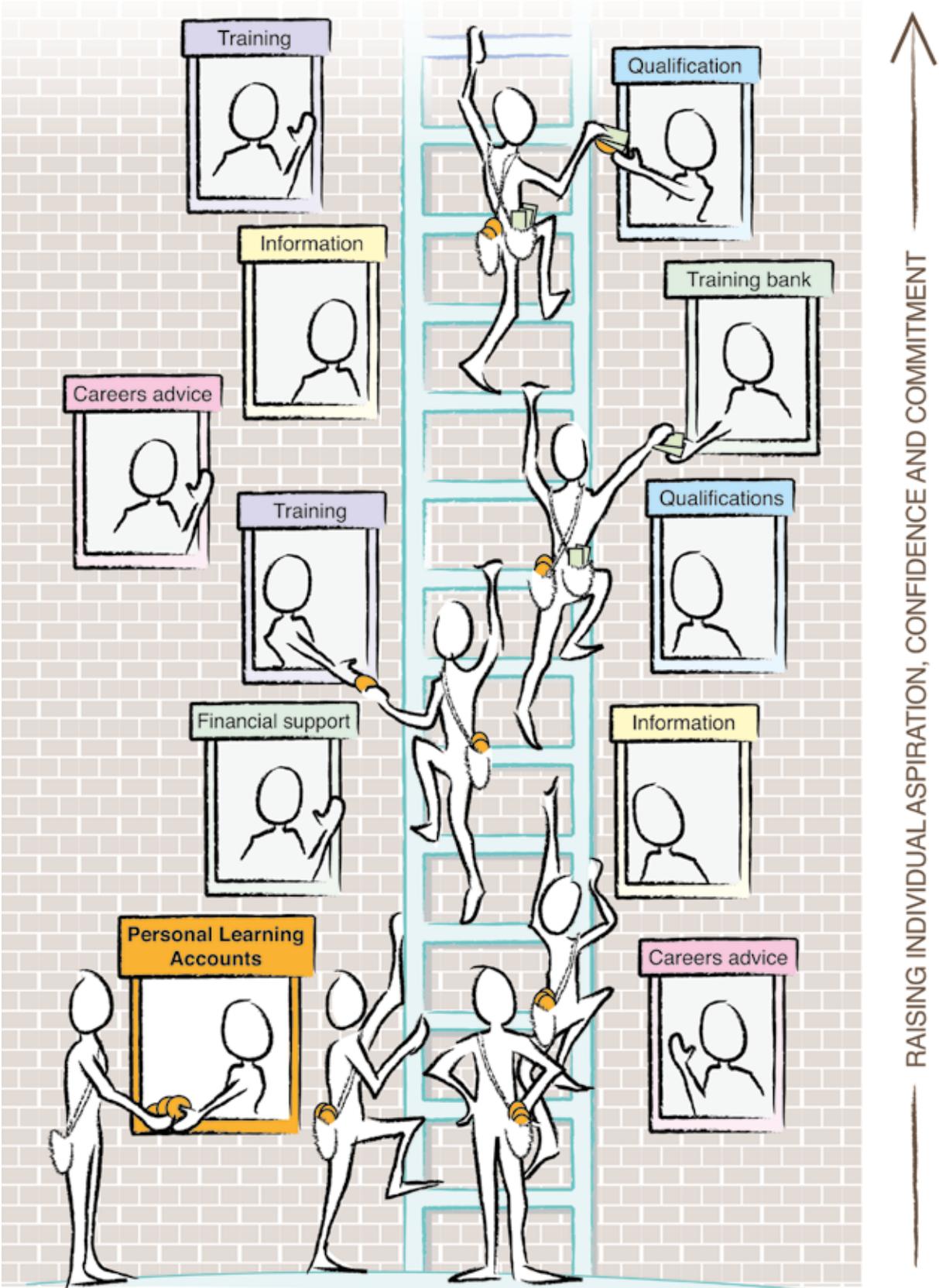
The UK Commission's collective strategic recommendations and significant simplification proposals are brigaded together below under the three key headings which also drive our own 2009–14 Strategic Plan:

- 1. Maximising individual motivation and opportunity for skills and sustainable employment**
- 2. Increasing employer ambition, engagement and investment in skills**
- 3. Building a more strategic, agile and labour market responsive employment and skills system**

The full set of proposals for the Simplification of the skills system in England are then listed separately in the special section at the end of this report (p30).

We believe it is essential that Government acts across the full range of proposals in our report. There is no value in creating an employment and skills system which is better able to respond to customer needs if employers and individuals are not sufficiently motivated and ambitious to make full use of it. Equally, there is no value in raising the employer ambition and individual aspiration if providers are not sufficiently aligned, engaged and resourced to meet these needs. Whilst individual propositions in this paper may clearly not pass appraisal and thus not be selected for implementation, we believe Government must take action across the full range of the priorities and challenges set out here.

Figure 2: Maximising individual motivation and opportunity for skills and sustainable employment



4. Maximising individual motivation and opportunity for skills and sustainable employment

To develop a world class workforce, we must transform individual aspiration, confidence and capability for learning – maximising the opportunity for all people to develop their talents for personal and professional success. The lack of basic skills and/or any work-related qualifications can provide a substantial barrier to individual engagement and success, as such individuals too often lack both the confidence and competence to even consider education or training. There is an urgent imperative on society to help reach and persuade those people of the value of skills to them, and raise their confidence to participate and succeed.

For all young people and adults, if they are to make the most appropriate career and learning decisions, and be effective customers driving a more responsive skills system, it is essential that they have the information and understanding to make informed choices about their future. Effective markets need informed customers. Yet careers information advice and guidance in the UK remains poor in quality and coverage, and has singularly failed to exploit the potential of technology to help shape informed choice.

All individuals should have the confidence, desire, the necessary intelligence and the resources to better navigate the labour market, and access the skills and qualifications they require to get and progress in work as and when they need to. To facilitate this, the UK Commission believes a future skills strategy should include the following elements:

a. Raise individual aspiration, confidence and commitment to lifelong learning and skills through promotion, evidence, high quality provision and progression

There is significant research evidence to show high levels of reluctance, and even resistance, to participation in further learning and skills by adults who have poor skills and are disengaged from the labour market. But no nation in the 21st century can afford to have a significant cohort of adults whose lack of skills increasingly exclude them from the labour market. There is real evidence of successful outreach programmes to low skilled individuals over the last decade though adult literacy campaigns, community and family learning programmes, and a variety of trade union activities and interventions.

But this is not just an issue for those with low skills. In a global economy, where industries, occupations and skills are in constant evolution, every adult needs to re-skill or up-skill regularly. The UK Commission believes we should:

- Investigate, document and widely disseminate the benefits to individuals of investing in skills, and the contribution skills and other personal and professional development activities can make to individual opportunity and career progression;
- Continue to publicly promote literacy, numeracy and basic employability skills for all adults, and make public investment in basic skills and employability a key priority until such time as the number of low skilled adults in the UK is reduced to the level of our key international competitors;

- Build on the high level of public and employer support for Apprenticeships, by ensuring the wider availability of high quality and multi-level Apprenticeship Frameworks for all occupations and in all sectors for which they have value, and increasing the volume of provision for both young people and adults at Level 2 and particularly at the higher Levels 3 and 4;
- Work with employers, further education providers and universities to maximise opportunities for progression from school through all forms of technical and professional education to higher education – agreeing UCAS points for Level 3 and 4 Apprenticeships and other Level 3/4 technical and professional provision should merely be an immediate first step.

b. Transform the quality and availability of information, advice and guidance on career and learning opportunities, through high quality labour market intelligence and modern consumer technologies

There is strong support for the development of much more learner/employer responsive provider system in the UK, but effective customer choice requires well informed customers, and that is not what we have today in learning, skills and careers. Every employer organisation and every trade union in the UK is now calling for a fundamental transformation of careers information advice and support. The quality, organisation and breadth of provision does vary significantly across the UK, and employer groups are most critical of current provision in England.

Ufi/Learndirect has made a significant contribution over the last decade, but there is still no universal high quality service available to either young people or adults. Most young people today, and an increasing proportion of adults, take technology – such as eBay, Amazon, Facebook, MySpace, Twitter, Tripadvisor, Horsesmouth and other social networks and portals – for granted in shaping their views and decisions on a wide variety of issues. Yet there is an astonishing dearth of high quality and reliable on-line support for career and learning choice in the UK – where is ‘MyWork’ or ‘JobAdvisor’? The UK Commission believes it is essential to:

- Support SSCs and the UK Commission to continually improve the quality, reliability and understanding of sectoral labour market intelligence and occupational standards and requirements – and commission the translation and dissemination of such intelligence so that it can be easily understood, accessed and appreciated by young people, parents, education and training providers, and employers;
- Create a leading edge 21st century universal Information, Advice and Guidance (IAG) system for young people and adults, incorporating options for web, telephone or face-to-face support. Such a system should utilise high quality, up-to-date and forward-looking labour market intelligence, set out clearly the labour market and skills requirements of sectors and occupations, providing both information and inspiration on job opportunities and career progression and incorporate opportunities for social networking and mentoring, and link directly to job and learning opportunities;
- Create better links between external careers support and careers teachers in schools, and require schools to ensure that every young person in primary and secondary schools has full access to the on-line service, and every young person in secondary education has genuine opportunities to receive impartial and comprehensive careers advice as required;

- Continue to support and encourage the expansion of unionlearn and other trade union learning-related activities, in order to increase adult confidence and participation in learning, especially in relatively low skilled sectors.

c. Empower learners with real customer choice, support to access skills and learning when they need them, and the capacity to drive quality improvement in provision, through a system of full Personal Learning Accounts

One of the most lasting impacts of this recession, like others before it, will be a legacy of permanent change in the industrial and occupational structure of the UK. The jobs of the future will be different from the jobs of the past. Some occupations will decline or disappear, whilst others appear in their place. Skill-sets will evolve and change. Economic recovery will offer transformation and renewal, but it will be essential that both new and existing workers have the opportunity to understand these changes, and improve their own prospects for future success.

In addition to having access to high quality information and advice, individuals should also feel able to up-skill or retrain to find their new place in the economy and workplaces of tomorrow. In order to support this, we believe Government should:

- Create a new system of full ‘Personal Learning Accounts’ – which offers the following features, extended to all UK adults over time:
 - access to careers information, advice and guidance, including counselling support where the need is greatest;
 - their entitlements to full cost or partly subsidised learning, expressed as a ‘credit’ for learning in cash terms – e.g. for those most disengaged from the labour market, this is likely to include basic skills and full learning support to achieve their first Level 2 qualification;
 - the opportunity to ‘Save to Learn’, net of tax, to create a fund to contribute to the cost of learning that is not fully subsidised by the state – employers and others should be able to contribute to an individual’s account, subject to sensible limits;
 - the opportunity, where needed, to ‘Borrow to Learn’ arrangements which offer similar opportunities to current student loans or career development loans, which allow for repayment from future earnings;
 - the ability to redeem the full value of their Personal Learning Account at any college or training provider, accredited to receive public funding;
- Investigate the potential for extending the principles and the use of the Personal Learning Account to the full range of higher education programmes.

Figure 3: Increasing employer ambition, engagement and investment in skills



5. Increasing employer ambition, engagement and investment in skills

The UK's key business challenge is to raise employer ambition and capacity to be world class. To recover from recession and thrive in the new global economy, we need employers to become more productive and effective in their field, capable of competing globally in the high skills, knowledge driven economy, and optimising the talent and skills of their people. More businesses will need to build their future on innovation, quality, high value added and efficiency. Public and voluntary employers will have to do far more with far less in the next decade, when public expenditure will be under unprecedented pressure. The commitment, creativity, productivity and skills of their people will be crucial to every employer's success.

To develop more ambitious, world-beating businesses in all key sectors, and secure a stronger UK industry presence in the emerging advanced manufacturing, creative industries and knowledge based services, the UK Commission believes a future skills strategy should include the following elements:

a. Enhance the capacity of more UK firms to be high growth, high skill, high value added businesses through the stimulation of new industries, greater innovation and better leadership and management

Research published in October by Nesta¹ identified that 11,500 high growth firms with more than 10 employees in the UK (only 6% of all such businesses, and 0.3% of all businesses) produced more than half the new jobs created by existing businesses between 2002 and 2008. The majority of such firms are over five years old, are widely spread across the UK and across sectors, and generate significant 'spillover' effects in their city regions. As well as capturing a strong UK presence in new and emerging industries, industrial policy should also seek to stimulate the development of more high growth firms in existing industries.

Separate research by the UK Commission and others highlights that UK employers are producing too few high skilled jobs, show less use of high performance working practices² and have weaker leadership and management than too many OECD competitors, all characteristics which are correlated with low innovation and business performance. We therefore propose:

- A strong focus of business support programmes should be to stimulate increased innovation and growth through the creation of more high growth businesses and high value added production/service strategies in SMEs across the UK.
- There should be greater promotion of high performance working practices in employers, and support for more employee engagement and more effective skills utilisation to achieve higher value added strategies – (the UK Commission has issued a separate report on this topic³).

¹ The National Endowment for Science, Technology and the Arts (Nesta), *The Vital 6 per cent*, October 2009, drawing on two reports of research findings high growth firms in the UK.

² See also the McLeod Review: *Engaging for success: enhancing performance through employee engagement*, BIS, September 2009.

³ UKCES, *High Performance Working: a synthesis of the literature*. Evidence Report 4, October 2009.

- Government should also work with sector organisations such as SSCs to identify, prioritise and promote a stronger UK business presence in those key emerging and strategic industries/sectors with the greatest potential for future growth at both national and regional level.
- Support for the development of effective leadership and management in SMEs should be a stronger priority for Government business support programmes – with an enhanced focus on effective human capital development, to improve their capability to develop the skills of their workforce in support of business goals.

b. Develop and deploy high quality labour market intelligence, enhanced by foresight on emerging strategic skills requirements, to inform industrial investment priorities, anticipate and better match the supply of skills to emerging demand, and thus enhance economic competitiveness

In preparing for recovery from a deep and challenging recession, it is critical that the UK strengthen and grow those industries on which the bulk of our economy is based, whilst also seeking to secure a strong presence in those new and emerging industries where current UK strengths give us competitive advantage. The UK Government, in its *New Industries, New Jobs* industrial strategy⁴, identified early priority sectors such as biosciences, low carbon, advanced manufacturing and digital services, and clearly such opportunities will evolve and change over time.

In support of this approach, the UK Government has asked the UK Commission to work with sectors to identify strategic skills needs for those key emerging, growth areas of the economy, and where significant skills challenges in existing industries could reduce our competitiveness. The UK Commission is also working to improve the quality of existing labour market intelligence and foresight to better match the best international practice, and will integrate this with our strategic skills findings to help shape industrial and skills policy, inform improved careers information and advice for young people and adults, and enhance the relevance of work-related learning programmes and qualifications. This can be achieved by:

- Charging the UK Commission to work with sectors, researchers and other relevant agencies to regularly identify, specify and disseminate sectoral labour market requirements, with a strong focus on effective foresight of emerging strategic skills opportunities and requirements, and of potentially major skills shortages and gaps;
- Ensuring industry related qualifications reflect current industry needs and emerging strategic skills requirements, and provide economically valuable skills, by:
 - supporting relicensed SSCs to work with their employers to regularly review and revise Occupational Standards and Apprenticeship frameworks to keep pace with industry and occupational change;
 - require that all Apprenticeship frameworks and other qualifications that receive public funding incorporate both the necessary job-specific competencies alongside relevant employability skills, in a modular, credit based format approved by their employers;

⁴ BIS, *New Industries, New Jobs*, April 2009.

- Acknowledging that, for some years to come, the UK's most critical skill shortage areas are likely to be at skilled technician and associate professional level ('Intermediate Level' skills – Levels 3-4) across many sectors, together with basic and employability skills, and building that recognition in to national and regional skills priorities as required;
- Expanding the volume of Apprenticeships for young people and adults overall, and particularly seek to grow the number of Level 3 Advanced Apprenticeships and other Level 3 and higher provision over time through new joint investment approaches with employers – public funding contributions can be supported by diverting a share of the Train to Gain budget to this purpose;
- Supporting relicensed SSCs to further develop and promote 'sector compact' approaches, based on joint investment agreements, whereby employers co-invest with the state to significantly expand the volume of other work based vocational learning at skilled technician and associate professional levels (Levels 3 and 4) in response to specific industry needs – public funding contributions can again be supported by diverting a share of the Train to Gain budget to this purpose;
- Adopt, champion and integrate the '*Talentmap*' framework with other business support, online advice and information approaches across the UK (e.g. Businesslink.org.uk in England) to shape the provision of information on skills and employment to employers, and utilise it to present UK-wide Government information on policies, priorities and funding through the mechanism of the framework.

c. Stimulate greater employer networking, collaboration and collective action on skills, within sectors, labour markets, and/or supply chains, to create more high skill, high performance workplaces and increase UK competitive advantage

In any typical year, around two-thirds of UK employers provide training for their staff. Internationally, these levels of training are high relative to our key competitors. However, almost a quarter of UK employers have never funded or arranged training. Further, when compared to other EU nations, less of our training is certified, and training investment still accounts for a lower proportion of labour costs compared to the EU average, even though it has been increasing in recent years. Those employers least likely to train consistently include those who employ fewer staff, those less likely to innovate and those operating in certain sectors such as parts of manufacturing and construction.

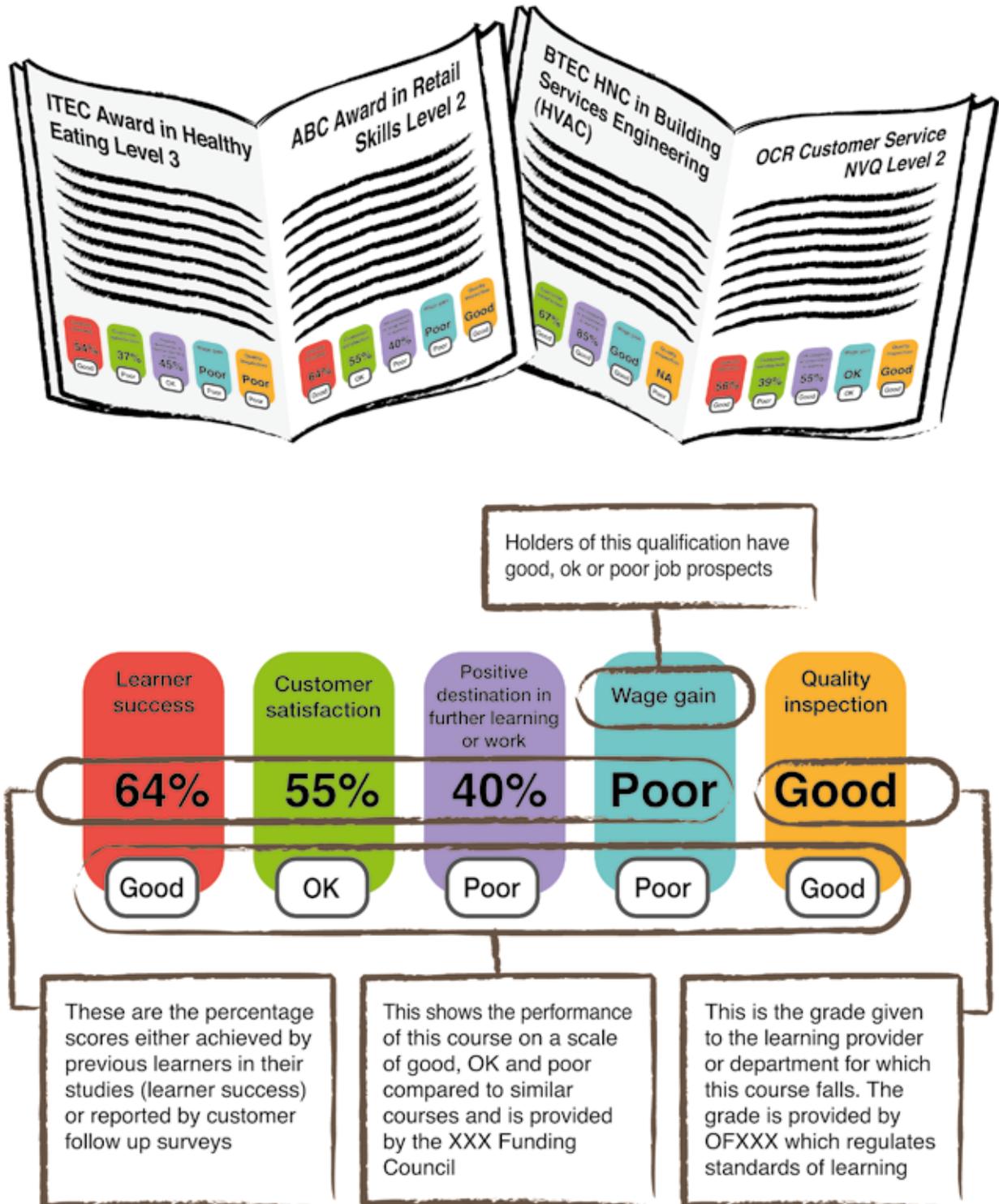
High performance working describes an approach to managing organisations that aims to stimulate more active effective employee involvement and commitment to achieve high levels of performance – working smarter, not harder. Despite the significant body of evidence that exists on the benefits of adopting high performance working practices, take-up has never been widespread in the UK, due either to a lack of understanding or awareness, and/or managerial and leadership barriers to adoption and successful implementation.

Alongside this report, the UK Commission is publishing⁵ the results of year long research into how, and what types of, employer collective actions can raise skill levels, and increase high performance working and better skills utilisation in organisations. This evidence creates a strong case for stimulating employers to network and collaborate with each other, and with Government, in skills development and investment, by:

- Identifying, documenting and widely disseminating the economic and competitive benefits to employers of investing in skills, confirming – particularly on a sectoral basis – the contribution that skills and other workforce development initiatives make to employer productivity and business performance;
- Benchmarking high performance working practices, demonstrating their value and their take-up through existing and new employer networks, and explore the potential for the voluntary reporting of human capital in company reports;
- Championing the take-up of the ‘new-look’ Investors in People, and remitting the UK Commission to explore the potential for developing new benchmarking tools on people practices that can stimulate greater employer commitment and investment;
- Piloting the development of new employer networks (spatial, sectoral and/or supply chain) to support collaborative skills development, joint investment approaches, enhanced leadership and management, improved skills utilisation, and other business needs. This could include supporting SSCs and other employer bodies to create Group Training Associations, High Performance Working collectives, Best Practice Clubs, Leadership and Management groups and other mutual support and investment networks;
- Government increasing public procurement requirements to support more Apprenticeships, and other employee development and skills provision, relevant to the outputs and value of the contract, and in line with the priority skills needs of the sector;
- Recognising the experience of the small number of sectors in the UK who have seen value in introducing a training levy (construction, engineering construction and theatrical and film production) and occupational licensing linked to skills standards (social care, rail). Where there is strong support from a significant majority of employers in the sector or sub-sector, and clear evidence of the potential to raise business performance through such schemes, other employer groups, working with their Sector Skills Councils if appropriate, should be given practical support and advice to introduce similar schemes, tailored to the specific needs of their industry. Any such scheme should, as existing schemes already do, provide transparent mechanisms to regularly gauge and demonstrate ongoing employer support. The introduction of any scheme should be on a wholly voluntary basis – the UK Commission does not support Government mandated or statutory measures.

⁵ UKCES, *Review of Collective Measures: Final Report*, October 2009. This report summarises the findings of a number of different reviews, copies of all of which will be available through www.ukces.org.uk

Figure 4: Rating the course



6. Building a more strategic, agile and labour market led employment and skills system

Sustained economic growth, increased productivity and high employment require world class employment and skills providers, alongside ambitious businesses and motivated individuals. A competitive economy needs an employment and skills system that not only responds quickly and effectively to today's diverse and evolving labour market needs, but also one that, through foresight and a proactive approach, anticipates and then delivers the skills needed for the strategic challenges and opportunities of tomorrow. Universities, colleges and other providers of employment and skills services are the linchpins of this system.

If we are to develop such a system, and providers are to be truly effective in helping individuals maximise their talent and employers to secure the skills they need to compete and grow, the UK Commission believes the future skills strategy should include the following elements:

a. Increase trust in, and authority to, learning providers, through the use of outcome-based public course labelling and institutional scorecards, which empower customers and communities to drive provider responsiveness, quality and continuous improvement

One of the key principles set out at the beginning of this paper was that the content of learning and qualifications should be shaped by the relevant sector; whilst informed customers – employers and learners – should drive supply, performance and quality. We also argued the need to assess the performance of our providers and the overall system on the outcomes of provision, and even the longer term impact that provision has, on the employers, learners and community it serves. Whilst aspiring to be more demand-led, too much central planning and too tight control on the detail of provider activity has led to inflexibility rather than responsiveness.

In other public systems, such as local Government and health, over recent years, there has been a systematic and successful transfer of trust and increased autonomy to organisations through the introduction of public performance frameworks built around outcomes, impact and quality. By focusing performance monitoring more towards outcomes, and making such information publicly available through a balanced scorecard approach, citizens and communities (the customers of those systems), and governing bodies of organisations (councillors and Boards) have been empowered to become far more directly involved in shaping outcomes and improving performance.

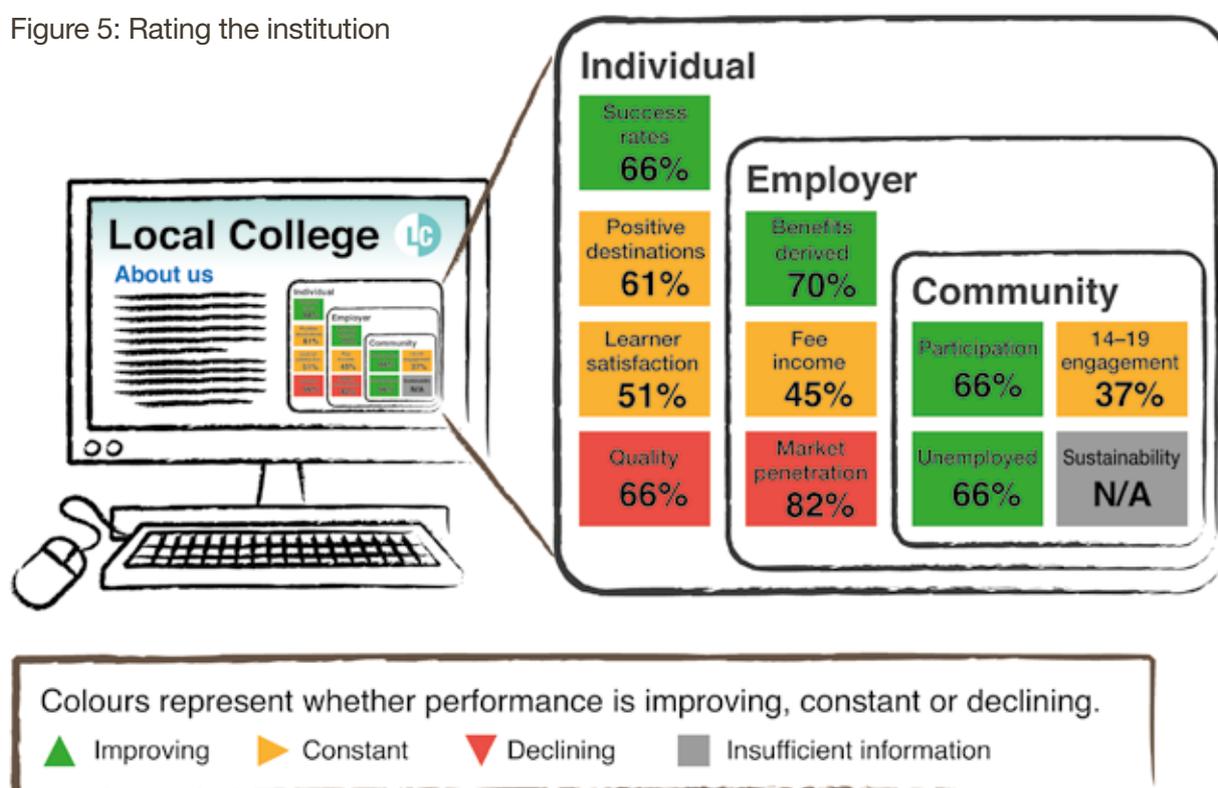
By providing more public performance information, and increasing the accountability of providers to their community, we believe that similar benefits can be achieved in our further education and training system, and that therefore the need for central planning, burdensome monitoring and audit, and external quality improvement support can be reduced, along with cost and complexity. This can be achieved through:

- Requiring that all publicly funded learning institutions in a local labour market consult widely and collaboratively with employers and other stakeholders in their community, and utilise available national and spatial labour market information, to annually shape their mix of provision to best meet the needs of that labour market;

- Requiring all publicly funded learning programmes (full or part time) at ‘the point of purchase’ to provide public quality labelling on key outputs and especially outcomes such as learner success rates, destination, wage gain, quality and the satisfaction levels customers of each programme, both employers and individuals (see indicative model at Figure 4);
- Creating a new and public institutional performance framework for learning providers, a balanced scorecard, based on their profile of aggregate outcomes/destinations, customer satisfaction levels, and quality, balanced against evidence of the economic, social and labour market characteristics of their local catchment area (see indicative model at Figure 5).

It must be stressed at this point that the UK Commission has not undertaken any detailed testing of these models, nor prepared detailed specifications for the particular measures that may make up the final models. These are developmental ideas at this stage, not fully worked out systems. We are also aware that whilst some of the information proposed to be presented through these models is currently available, other data is not yet collected and would require new measurement tools and approaches. We have, however, discussed these models and diagrams with a number of organisations and individuals from further education colleges, providers and representative bodies, employer organisations and trade unions, and have had broadly welcoming responses.

Figure 5: Rating the institution



The institutional scorecard has been designed to specifically counter-balance the risk that course labelling encourages creaming, and thus reduces access for less able learners. Equally, by balancing course performance data with information on the nature of the local community and the learner cohort, and on the mix of and engagement with the employers in the community, the framework allows for the recognition of 'post-code' effects and 'distance travelled'.

The UK Commission would strongly recommend that the course labelling model and the institutional scorecard should be developed through a true partnership approach between Government, providers, and employer organisations, with the support of performance management and measurement specialists. We believe that this new public, outcome-focused, quality and performance framework should be introduced no later than September 2011, but ideally earlier.

We believe that the use of such a framework would provide such an effective incentive for provider continuous improvement, stronger governance, and enhanced outcomes that it should be possible to devolve more trust and authority to providers, offering a significantly lighter touch monitoring and audit regime, and allowing them to divert more staff and resource to teaching and learning, rather than to bureaucracy and administration. To support and encourage this, we also make a significant number of more tactical and enabling proposals which should help to reduce complexity and aid simplification (these are repeated and extended with a range of other proposals in Section 7 below on Simplification in England):

- In exchange for this more public and outcome-related performance management, trust and empower participating colleges and other providers with lighter touch regulation, simpler and more flexible funding, and single account and contract management arrangements;
- Encourage and recognise providers who build direct business relationships with employers for shared or even full-cost provision of work-related training, and incorporate that expectation into institutional performance frameworks;
- Foster more collaboration, rather than contestability, between providers at the level of the community (local labour market) in order to create a more flexible and labour market responsive system:
 - Support the 'trading' or 'transfer' of provision between providers at community level to achieve a better match between supply and labour market needs;
- Use an Accredited Supplier approach, rather than Competitive Tenders, as the principal procurement mechanism for special skills projects, in order to stimulate better community-level collaboration and significantly reduce unnecessary bureaucracy and nugatory effort.

b. Simplify and prioritise public funding (through Personal Learning Accounts for individuals) towards developing economically valuable skills, increasing employer and individual co-investment and improving value for money

Many employers and commentators have accused further education colleges and providers of being unresponsive to employer and community needs. The UK Commission recognises and understand these concerns, and believes that our scorecard and labelling proposals will go some way to reducing that tendency.

However, we also observe that colleges, like most businesses, tend to be highly responsive to the funding and financial regime in which they operate. Multiple budget lines with different rule sets, top-capped budgets which can't be exceeded, limited options for virement, and obsessive paper-trails all reduce the capacity for individual providers to respond flexibly to different local needs and changes in the local business environment. They also place a substantial and unnecessary burden on employers, which too many find off-putting.

Finally, it seems inevitable that, over the next few years, whilst the demand for skills inevitably grows, the supply of public funding is going to be increasingly limited or curtailed. We believe it is therefore imperative that we seek to maximise the amount of public funding that reaches the front-line of teaching and learning, improve value for money, and increase the level of co-investment from individuals and employers.

We believe it is essential to review current funding approaches to better align incentives with priorities and performance measurement, and to deliver more with less, by:

- Stating a new public requirement for tripartite responsibility for skills at all levels of post-compulsory education and training, with contributions from state, employer and individual varying according to the benefit received by each – employer and/or individual contributions should normally be expected for all training at Level 3 or above;
- Reducing the number of ring-fenced work-related learning programmes and budgets within the Skills Funding Agency to no more than three, each of which would be associated with different levels of public subsidy, as follows:
 - 'Skills for Jobs': provides individual entitlements to support basic skills, employability preparation and entry/lower level skills provision to help people enter and achieve basic progression in work – this should be the priority for full-cost provision by the state;
 - 'Skills for Growth': provides a 'partial credit' from public funding for intermediate and higher level skills related to labour market need – but with clear expectations of increasing investment by employer and individual according to the Level of provision;
 - 'Strategic Skills': to stimulate increased provision and participation in strategically important skills areas, including significant skills shortages and emerging sectors and skills – significant private investment expected, but incentivised by price premiums to public funding to increase provider commitment and marketing;
- Redesigning the tariff structure for public funding contributions in Further and Higher Education so as to increase the contribution from individuals and employers for higher level learning and skills (whilst allowing for incentivised sectoral and occupational prioritisation), and encourage the growth in full cost learning provision contracted directly with employers;
- Encouraging SSCs, individual large employers and other relevant employer networks, to promote the development of joint investment frameworks, through which employers can co-invest alongside public funds, so as to significantly expand the volume of work-based learning provision at Level 3 and higher, contracted on the basis of outcomes only;
- Reducing or eliminating funding within Train to Gain for 'assessment only' provision, and reorienting public investment in employer-based training towards real training that actually increases the supply of economically valuable skills within their organisation, alongside a normal expectation of co-investment from employers;

- To provide the capacity to respond to specific local challenges or opportunities, Government should also consider allocating trusted providers a small reserve fund , amounting to perhaps 2% of their total adult skills budget, which can be used to support discretionary community action with employers and/or individuals, after consultation by the provider with local community partners.

c. Create a modular and flexible qualification system in which only employer recognised and accredited learning and qualifications that meet industry requirements are eligible to receive significant public funding

One of the UK Commission's principles underpinning the creation of these proposals is that 'the content of learning and qualifications is shaped by the relevant sector, and up-to-date with emerging industry needs' (Section 3). In order to ensure maximum flexibility to employer needs, and allow for progressive attainment by individuals, SSCs and their employers have been strongly committed to the development of a modular and flexible, credit-based qualification framework for England, Wales and Northern Ireland, called the Qualifications and Credit Framework, that aligns with the Scottish Credit and Qualifications Framework and developments internationally.

However, many employers have complained that it can still take too long to develop a new qualification, or indeed a new Apprenticeship framework, with some reporting timescales of as much as three years or more from conception to first learner enrolment. This cannot be acceptable, and the UK Commission believes the Government should commit to further improvements in Apprenticeships and work-related qualifications by:

- Completing the development of the flexible, modular and credit-based Qualifications and Credit Framework (QCF) by December 2010, ensuring that from that date onwards only units and qualifications approved by employers/SSCs are eligible for recognition and significant public funding;
- Adapting the public funding system to support the funding of credit-weighted modules of learning from the QCF, whilst continuing to offer a premium for the completion of whole qualifications, to improve individual value and increase labour mobility;
- Introduce a new quality assurance process which challenges SSCs, awarding organisations and providers to reduce development time for new qualifications and Apprenticeship frameworks. The new timeline should allow for an average of six months, and maximum of 12 months, from inception (the identification of need for development or review) to the accreditation of the qualification or issuing of the Apprenticeship framework;
- Make it a funding requirement for SSCs and Awarding Organisations to make public, to an agreed standard, information on development timeframes for new qualifications as they are released;
- Continue to allow individual employers and institutions to develop their own qualifications for recognition within the Qualifications and Credit Framework, and remove all protection (and any public subsidy) for Awarding Organisations so that the market, and the value for money they offer, determines their survival.

7. Simplifying the skills system in England

In its first report to Government on simplifying the skills system in England (what we termed our ‘hiding the wiring’ proposals), the UK Commission stated that it would bring forward a second set of proposals for ‘changing the wiring’. The section below seeks to fulfil that remit.

In developing these proposals, the UK Commission’s thinking was informed by open public consultation between July and September 2009. It became clear during that process that the maximum benefit from simplification could not be achieved without a fundamental change in the way in which the skills system in England was conceived, designed and operated.

A substantial proportion of the complex swathe of organisations, processes and requirements in the English skills system were the result of the cumulative impact of multiple well-intentioned initiatives going back over fifteen years. Initially deriving from significant individual or collective provider lapses in quality, financial probity or accountability, each requirement or organisation was introduced to restore public confidence or improve value for money. Individually, the impact of each may have been minimal; cumulatively, they have come to represent a crippling burden on employers and providers.

The reality is that this complexity resulted from a lack of trust in, and accountability of, providers for their own performance and probity. As highlighted in Section 6 above, best practice in other public systems, such as local Government and health, has led a systematic and successful transfer of trust and increased autonomy to their delivery systems.

Our recommendations in Section 6 above seek to bring similar benefits to the English skills system. If implemented, we believe it will be possible to deliver a significant reduction in complexity, bureaucracy and administration by:

a. Offering lighter touch regulation, simpler and more flexible funding, and single account and contract management arrangements to providers in exchange for their use of the public quality and performance framework of course labelling and institutional scorecards

The use of course labelling and institutional scorecards, with a stronger focus on outcomes and responsiveness, would provide a powerful incentive for provider continuous improvement, stronger governance, and enhanced outcomes. Their introduction should allow Government to devolve more trust and authority to providers, offering a significantly lighter touch monitoring and audit regime, and allowing them to divert more staff and resource to teaching and learning, rather than to bureaucracy and administration.

In our view, this will permit, over time, the implementation of the following Simplification proposals, whilst still retaining, and potentially enhancing, public confidence and value. A number of these proposals have already been presented and discussed in Section 6 above, and are repeated below for completeness, together with the full set of additional actions we recommend to the UK Government:

- Require that publicly funded learning institutions consult widely with employers in their community, and utilise available national and spatial labour market information, to annually shape their mix of provision to best meet the needs of their employers and informed learners;
- Require all publicly funded learning programmes (full or part time) at ‘the point of purchase’ to provide public quality labelling on the learning success, destination, wage gain, quality and customer satisfaction levels of previous customer of the programme, both employers and individuals (see indicative model at Figure 4);
- Create a new and public institutional performance framework for learning providers, a public balanced scorecard, based on their profile of learner outcomes/destinations, employer and individual satisfaction levels, learner access and participation, learner achievement, learning quality and employer links (see indicative model at Figure 5);
- In exchange for this more public and outcome-related performance management, trust and empower participating colleges and other providers with lighter touch regulation, simpler and more flexible funding, and single account and contract management arrangements;
- Encourage and recognise providers who build direct business relationships with employers for full-cost provision of work-related training, and incorporate that expectation into institutional performance frameworks;
- Foster more collaboration, rather than contestability, between providers at the level of the community (local labour market) in order to create a more flexible and labour market responsive system:
 - Support the ‘trading’ or ‘transfer’ of provision between providers at community level to achieve a better match between supply and labour market needs;
- Use an Accredited Supplier approach, rather than Competitive Tenders, as the principal procurement mechanism for special skills projects, in order to stimulate better community-level collaboration and significantly reduce unnecessary bureaucracy and nugatory effort.

b. Simplifying funding and budgets, and increasing flexibility for providers to meet local labour market requirements

The following proposals reflect and repeat the analysis and recommendations in Section 6b above:

- Reducing the number of ring-fenced work-related learning programmes and budgets within the Skills Funding Agency to no more than three, each of which would be associated with different levels of public subsidy, as follows:
 - ‘Skills for Jobs’: provides individual entitlements to support basic skills, employability preparation and entry/lower level skills provision to help people enter and achieve basic progression in work – this should be the priority for full-cost provision by the state;

- ‘Skills for Growth’: provides ‘partial credit’ for intermediate and higher level skills related to labour market need – but with clear expectations of increasing investment by employer and individual according to the Level of provision;
- ‘Strategic Skills’: to stimulate increased provision and participation in strategically important skills areas, including significant skills shortages and emerging sectors and skills – significant private investment expected, but incentivised by price premiums to increase provider commitment and marketing;
- Allow greater but still limited flexibility for providers to vire between these budgets, and adjust the mix and volume of their provision, where they can demonstrate that this will allow them to better meet community labour market demand;
- Ensure that any additional sectoral, spatial, occupational and/or ‘Level’ priorities are incentivised only through price premiums, paid to providers or employers to encourage take-up of approved courses in sectors or occupations which are deemed priorities at the national, regional or both levels – no additional administration or monitoring requirements should be associated with such priority provision;
- To provide the capacity to respond to specific local challenges or opportunities, Government should consider allocating trusted institutions a small reserve fund , amounting to no more than 2% of their total adult skills budget, which can be used to support discretionary community action with employers and/or individuals, after consultation by the provider with local community partners;
- Reduce or eliminate funding within Train to Gain for ‘assessment only’ provision, and seek to reorient public investment in employer provisions towards real training that actually increases the supply of economically valuable skills within their organisation.

c. Reducing monitoring and audit requirements to the absolute minimum necessary for maintaining public confidence

Employers and providers have continuously complained to the UK Commission about the extraordinarily burdensome administration and record-keeping requirements that are placed on institutions in return for public funding. Employers can be required to keep dozens of paper records for each trainee for up to six years, and sometimes both in local offices and corporate headquarters. Some improvements are currently being introduced as part of the response to the UK Commission’s first submission on Simplification⁶ (which were designed to ‘hide the wiring’), but the UK Commission believes more radical change is required.

We fully accept and appreciate the need for appropriate levels of controls to protect public funding, and recognise that some current practices have been introduced for that purpose. But the UK Commission believes that today’s controls, audit and record keeping requirements are far more burdensome than public confidence requires where trust and accountability has been restored, and challenge Government to reduce both the burden, and the associated nugatory costs, on employers and providers by:

⁶ UKCES, *Simplification of Skills in England*, October 2008.

- Dramatically simplify the contracting requirements for providers and employers, rolling out single account management within the Skills Funding Agency and implementing a single monitoring and audit requirement across all budgets and programmes;
- For provision to or with employers, adopt an open-book and joint investment approach for contracting, based upon payments for outcomes only;
- Introduce IT based record-keeping and administrative systems for all employer contracted provision, based upon a single data set held in one place only, and eliminate all paper record keeping within two years;
- Continue work to integrate employment and skills services in England (subject to the UK Commission's 2010 Review of Progress), and seek to introduce by 2011 single commissioning arrangements, single account management, single contracting, and single reporting and auditing requirements for all post-compulsory provision, whether contracted by Skills Funding Agency, Jobcentre Plus, or spatial organisations such as Regional Development Agencies or sub-regional equivalents.

d. Improving the relevance, currency, and responsiveness of industry and occupational qualifications

Many employers have complained that it can take too long to develop a new occupational qualification, or a new Apprenticeship framework, with some reporting timescales of three years or more from conception to first learner enrolment. This cannot be acceptable, and the UK Commission believes the Government should commit to further improvements in Apprenticeships and work-related qualifications by:

- Introducing a new quality assurance process which challenges SSCs, awarding organisations and providers to reduce development time for new qualifications and Apprenticeship frameworks. The new timeline should allow for an average of six months, and maximum of 12 months, from inception (the identification of need for development or review) to the accreditation of the qualification or issuing of the Apprenticeship framework;
- Making it a funding requirement for SSCs and Awarding Organisations to make public, to an agreed standard, information on development timeframes for new qualifications as they are released;
- Continuing to allow individual employers and institutions to develop their own qualifications for recognition within the Qualifications and Credit Framework, and remove all protection (and any public subsidy) for Awarding Organisations so that the market, and the value for money they offer, determines their survival.

e. Simplifying the skills organisational landscape

One of the most persistent complaints by employers is how complex and ‘cluttered’ the skills organisational landscape is, which has been described as ‘an alphabet soup of acronyms’. This confuses some employers because they don’t understand the different roles and responsibilities of each, can’t deal with a single organisation to meet their skills requirements, and get caught up in the bewilderingly different sets of rules and requirements that each demands. In far too many cases, employers simply refuse to be involved in training programmes and Apprenticeships because the bureaucracy is unacceptable.

At a time when our priority should be to drive available public funding to the front line, and reduce less productive expenditure, the UK Commission believes that the UK Government can and should aim to reduce the ‘organisational clutter’ in England by at least 30 organisations through:

- Merging all publicly-funded quality improvement organisations – including the Learning and Skills Improvement Service, BECTA, Standards Verification UK and the non-SSC elements of Lifelong Learning UK – into a single body, reducing their collective top-sliced funding immediately by 50%, and progressively transfer the remaining quality improvement and workforce development funding to providers within three years, to create sector accountability and better value for money;
- Requiring representative organisations such as the Institute for Learning, to become self-financing within three years, or merge them into the same quality improvement body;
- Ending all responsibilities of the Qualifications and Curriculum Development Authority in relation to vocational qualifications which fall outside their compulsory education remit;
- Ending all direct public funding that supports educational lobbying, or educational lobbying organisations;
- Reviewing and clarifying the future roles (if any) of, and relationships between, Regional Development Agencies, Regional Skills Partnerships, Multi-Area Agreements, Employment and Skills Boards, Neighbourhood Renewal Programmes arrangements and Local Authorities, in relation to skills provision and funding – simplifying the range of organisations involved in shaping skills provision, removing duplication in the system, eliminating unnecessary structures, and unifying funding and contractual requirements;
- Clarifying what role, if any, the Economic Prosperity Boards and Leaders Boards, proposed in the current Local Democracy, Economic Development and Construction Bill before Parliament, are intended to have in relation to skills, and eliminate all duplication;
- Reviewing over time the potential to reduce the oversight of Ofsted on post-compulsory education and training, in the light of the evaluated effectiveness of the new public performance framework;

- Charge the UK Commission for Employment and Skills to work with the newly relicensed Sector Skills Councils to review the number and organisation of, and collaboration between, Sector Skills Councils and National Skills Academies, and advise Government on changes to improve their continuing alignment with industrial change, and maximise their effectiveness and value for money;
- Rigorously test the need for all other education and skills quangos and intermediary bodies (including the UK Commission for Employment and Skills), based upon an assessment of genuine impact and value added to the sector, within the next three years, and reduce funding to, or abolish, any organisation which fails such an assessment – any such remaining bodies, or newly created ones, should then be subject to a further fundamental Impact Review every three to five years;
- Assess the potential value of, and further reduction in complexity through, the creation of a single Tertiary Funding Council for England, responsible for the funding of all further and higher education, and for promoting increasing opportunities for progression between the two sectors throughout life.

UK Commission for Employment and Skills

October 2009

The UK Commission aims to raise UK prosperity and opportunity by improving employment and skills. Our ambition is to benefit employers, individuals and government by advising how improved employment and skills systems can help the UK become a world-class leader in productivity, in employment and in having a fair and inclusive society: all this in the context of a fast-changing global economy.

Because employers, whether in private business or the public sector, have prime responsibility for the achievement of greater productivity, the UK Commission will strengthen the employer voice and provide greater employer influence over the employment and skills systems.

Having developed a view of what's needed, the UK Commission will provide independent advice to the highest levels in government to help achieve those improvements through strategic policy development, evidence-based analysis and the exchange of good practice.

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ISBN 978-1-906597-26-9

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