

# How to deliver Growth through People over the next Parliament



With UKCES and the All Party  
Parliamentary Group on Inclusive Growth

**“This could not be a better time to come together to fix Britain’s skills gaps. In a competitive global economy unless we grow smarter as a country we will grow poorer. That requires businesses, trade unions and politicians to debate a shared action plan.”**

Liam Byrne MP, Shadow Minister for Universities, Science and Skills

**“The biggest problem facing the next government will be to reduce the skills gap. I am glad that all parties recognise the urgent need for more qualified and highly skilled technicians and engineers. A positive contribution can be made by more 14-18 year old specialist colleges like University Technical Colleges and Career Colleges. ”**

The Rt Hon Lord Baker of Dorking CH

**“Despite all the efforts of successive governments there is still an urgent need to improve both the quality of relevant modern skills and technical qualifications and to increase the numbers of young people obtaining them. To do this we will need to engage more employers in the task and involve more of the young people who at present remain outside the system and end up unfulfilled and often a burden on the community.”**

Lord Wrigglesworth

**“Old career paths are either vanishing or becoming much harder to navigate. Encouragingly, new paths are emerging, but they are far from achieving the scale and accessibility that's needed to make a difference to enough people and to the economy at large. To address this, we need to see a new level of leadership from employers on skills - with government giving them the space and encouragement to do it. Effective leadership and strong collaboration over the long term is absolutely vital to this. I hope we can build on the really strong and broad consensus I have already seen emerge around how to achieve economic growth that is sustained and fair - growth through people.”**

Sir Charlie Mayfield, Chair, John Lewis Partnership and UKCES

The UK Commission for Employment and Skills (UKCES) held an event with the All Party Parliamentary Group (APPG) on Inclusive Growth on Tuesday 3 March. The event highlighted that there is now a strong consensus around the skills and employment challenges to achieving inclusive growth. It is also apparent that we know and agree on some of the solutions. We now need courage, constancy and commitment from government, industry and trade unions to start working towards these solutions.

A number of key stakeholders have contributed their thoughts on how we can achieve and deliver growth through people over the next Parliament. These contributions are collated in this paper:

**Developing the talents of our next generation**, *Dr Adam Marshall, Executive Director, British Chambers of Commerce*

**Boosting workplace productivity – a national priority**, *Peter Cheese, Chief Executive, CIPD*

**Sustained growth in the talent pipeline for manufacturing**, *Terry Scuoler, Chief Executive, EEF – the manufacturers' organisation*

**Employers leading the way**, *Steve Holliday, Chair, Energy and Efficiency Industrial Partnership and Chief Executive, National Grid*

**A small business solution to improving productivity**, *Mike Cherry, National Policy Chairman, Federation of Small Businesses*

**New ways of funding adult skills**, *Ewart Keep, Centre on Skills, Knowledge & Organisational Performance, Oxford University*

**Inequality and skills**, *Frances O'Grady, TUC General Secretary*

**High level skills and university-business collaboration**, *Nicola Dandridge, Chief Executive, Universities UK*

*The views expressed within the contributions reflect those of the authors, and do not necessarily represent those of UKCES Commissioners or staff.*

## **Developing the talents of our next generation**

***Dr Adam Marshall, Executive Director, British Chambers of Commerce***

Businesses can only perform as well as the people that start, run and work in them. To thrive, they need access to the right business skills, whenever they need them. Our research shows that businesses are particularly concerned about young people's readiness for work, with 88% of firms saying school leavers are unprepared for work. For too long, many young people haven't had the preparation or opportunities they need to succeed. We are determined to change the system and ensure that businesses, educators, and government should take joint responsibility when it comes to preparing young people for work.

Businesses across the UK need a system that works better for their needs, one that radically increases the interactions between education and business. This will help provide a pipeline of talent for UK firms, increase our competitiveness and deliver growth.

It is imperative to put employers in the driving seat of the skills system – ultimately they are best placed to make the decisions regarding their training needs. However, while 'employer ownership' is important, this can't happen without the institutional structure that supports businesses of all sizes and sectors. For SMEs, who often are time poor and with limited resources, it's important that intermediary bodies support these firms to engage and invest in skills. Sector based and regional trade bodies have been instrumental in engaging more employers in the skills agenda over the last few years. We need to continue this direction of travel if we want more employers to take real ownership over their skills needs.

We also need schools and colleges that are focused on preparing young people for employment, and are willing to work with businesses to address skills shortages. For this to happen there has to be a much sharper set of incentives for schools and colleges, where they are assessed on outcomes beyond academic qualifications, such as the destinations and earnings of their pupils. This change can help shift the focus away from just teaching to the test, and could encourage schools to start thinking about where their pupils go after school, so that pupils gain the soft skills and high quality experience of work valued by employers. This should go hand in hand with more business governors sitting on the boards of educational institutions, making schools more aware of local business needs and supporting schools to develop healthy relationships with their local business community.

Developing the talents of our next generation is a joint responsibility – between government, educators and business. We know business can also do more to engage

with educational institutions – this was highlighted in our 2014 Workforce Survey which showed that only 48% of firms offer work experience placements, despite 76% citing it as a key reason young people are unprepared for work. But firms – especially smaller ones – need support to engage with their local education providers, just as schools that are often time poor need help to engage their local businesses. Chambers of Commerce across the country work with over 3,000 education providers and are helping to bridge the gap by building stronger links between business and education.

## **Boosting workplace productivity – a national priority**

***Peter Cheese, Chief Executive, CIPD***

There is a cross-party consensus that we need to address the UK's poor productivity levels if we are to embed a balanced and sustainable recovery and increase national competitiveness. Most economists also agree that improvements to productivity are essential if we are to reduce the high proportion (by international standards) of low paid jobs in the UK and improve living standards over the long-term.

The need to improve workplace productivity has been rightly identified by the UKCES in its *Growth through people* report as one of its five core priorities. The UKCES calls out the need to equip people with the right skills and give them the best opportunity to use them in order to create more better-paid jobs. To do this it argues we need better leadership and management of people and organisations, increased employee engagement and more transparency about the value of people to business success. This analysis is very much in line with the CIPD's view on the skills challenges facing the UK, and we will be working with the UKCES to help build organisations' leadership, management and HR capability through the professional development of our 135,000 members at the sharp end of recruiting, managing and developing a large proportion of the UK workforce. An important part of this work is the *Valuing your talent* research programme, which is a collaboration between UKCES, CIPD, Chartered Institute of Management Accountants (CIMA) and the Chartered Management Institute (CMI). This research and engagement programme is exploring best practice in the use of human resource metrics and analysis to improve employers' understanding of the value of their workforce and the benefit to the business of the investment they make in their people. Improved data and evidence on the value of people can help increase investment in leadership and management capability and broader workforce skills development. Hopefully insights from this work can over time make a significant contribution to helping to improve workplace productivity.

Of course efforts to increase workplace productivity have to have many strands. The new industrial partnerships are another positive development supported by the UKCES. For example, the automotive industrial partnership is bringing together major automotive businesses to ensure future skills needs are met for UK vehicle manufacturers and supply chain companies. Joint public and private funding from employers in the sector will enable employees at all levels to benefit from industry collaboration to strengthen their technical, management and leadership skills. Small and medium-sized enterprises (SMEs) will also be supported in gaining access to industry standard skills development.

However much more still needs to be done to engage with and support SMEs in building their people management capability, most of which will never have been involved in any government skills initiative and will lie outside formal supply chains and existing SME networks.

There needs to be much greater emphasis on the provision of high-quality HR support, advice and guidance at a local level, driven by clear leadership from bodies such as Local Enterprise Partnerships and local authorities. More local business support hubs need to be created to provide hard-to-reach SMEs with cost effective and easy to find advice and support to improve their people management capability, as well as to access available public skills funding and high quality training to get the most from their people and grow.

## **Sustained growth in the talent pipeline for manufacturing**

***Terry Scuoler, Chief Executive, EEF – the manufacturers' organisation***

New technology, manufacturing processes and process development require ever-increasing skills levels from both the current and future manufacturing work force. This in turn puts ever-increasing demands on education and training institutions, which must work hand-in-hand with business to ensure an adequate supply of these skills today and in the future.

With this in mind, EEF recently published its 2015 Skills Manifesto calling on the next government to prioritise creating a sustained growth in the talent pipeline for manufacturing. This fits neatly into the UKCES Growth Through People, in particular the deliverable for education and employers to be better connected to prepare young people for work.

UK manufacturers are currently being hindered by decisions taken over past decades, which have eroded the pipeline of talent into the industry. This must not be our future. There are a number of estimates of how many apprentices and graduates manufacturing will need to meet demand – all of them strongly indicate that we are a long way off.

Growth Through People advocates all schools having links with local businesses, in order to inform and inspire young people about the breadth of career opportunities available. For too long the overwhelming feedback from both young people leaving the education system and employers has been that careers advice is inadequate. 60% of manufacturers think better careers advice at school will encourage more young people into manufacturing and engineering. But we do need to start early. We would like the next government to introduce careers 'inspiration' in schools and an industry-led approach to careers advice in secondary school. Employers have a key role to play. Seven in ten manufacturers offer work experience and half offer site visits and speak in schools – whilst these numbers are impressive, we still need more.

Both EEF and the UKCES advocate better relationships between further education providers and employers to deliver higher-level technical skills to meet the UK's skills gaps. This is crucial. Four in five manufacturers tell us they are struggling to recruit, with two-thirds saying this is because applicants lack the right technical skills. To drive providers to be more responsive to employers' needs the next government should continue the commitment to give employers control of apprenticeship funding using a mechanism that is simply and sustainable. It should accelerate support for new innovations in education such as UTCs and National Colleges, which have a clear industry focus. I am proud that EEF is a joint lead in the design and creation of the



National College for Advanced Manufacturing to deliver specialist technical skills, which will sit alongside our existing Technology Training Centre.

Finally, Growth Through People calls for closer collaboration between employers and higher education providers. Some 74% of manufacturers think that one of the main priorities of higher education institutions should be building relationships with employers. Yet, engagement varies enormously depending on company size with larger firms far more likely to get involved in activities such as course design. One of the causes is a lack of information. A quick win would be to expand the role of UCAS so that it is both employer and learner facing. There are opportunities in the longer-term to incentivise business to invest in universities, but this needs to work hand-in-hand with a longer-term approach to how government funds high-quality STEM courses.

## **Employers leading the way**

***Steve Holliday, Chair, Energy and Efficiency Industrial Partnership and Chief Executive, National Grid***

Skills are a key driver of growth and productivity within our economy and remain a top priority for any prospective government in order to meet the demands of both a changing demographic and increasingly technological, global society. Therefore, ensuring our people have world class skills is critical in delivering future UK economic growth. Nevertheless, employers in the energy and utilities industry, are facing pressing skills shortages, as an ageing workforce will see around 50% retire over the next decade. If entrenched, this could have a lasting impact on the sustainability of their current workforce, with the potential to ripple and impact upon the growth and productivity of other sectors.

To meet these challenges, it is vital that we establish strong employer leadership and collaboration to sustain skills and deliver growth. Employers need to be in the driving seat, working with policy makers, trade unions and employees to ensure that the right conditions are in place to innovate skills training and ensure workforce productivity levels remain high.

Industrial Partnerships are already delivering on this long-term skills policy objective, by providing genuine employer leadership and co-investment in skills, both nationally and locally. The Energy and Efficiency Industrial Partnership (EEIP) is made up of 67 member organisations within the energy and utilities sector. This Partnership has established a radical new approach to employer ownership of skills through its Trailblazer development and the formation of an Independent Assessment Service, and currently oversees a quarter of all the trailblazer cohort running in this country.

In addition, the EEIP has been delivering on an ambitious youth engagement programme to establish a strong talent pipeline to deliver growth. The programme provides young people with work experience placements, traineeships and the careers advice from leading industry businesses in schools through a Careers Lab programme established by National Grid. Constantly gathering pace, Careers Lab is critical to the EEIP in achieving a target of 64,000 'quality engagements' target, which it aims to do so by engaging with over 600 schools.

Moving forward, it is imperative that the Government continues to embrace this change. Policy should build on this success, by acknowledging the critical role of Industrial Partnerships in contributing to economic growth. In particular, by recognising the wider role the energy and utilities plays in procurement in nationally significant infrastructure projects.

Inevitably, creating a sustainable funding model post 2017, such as five-year cycles remains a key priority. This is particularly pertinent to new world STEM Apprenticeship's need to have parity with current under-graduate education as they equally provide relevant skills education and importantly a job. Those people are the engine of our economy and the foundation for growth. This goes hand in hand with Further and Higher Education infrastructure investment to ensure we have the right facilities to train and upskill our workforce.

To deliver growth we need a supply of highly skilled people, and despite the partnership's good progress with youth engagement, it remains important to stimulate and contextualise STEM education to school pupils at an early age to meet demand. This means providing a long-term strategy and funding support for careers education beyond the initial three-year plan for the new careers company, and includes securing the number of maths and physics teachers necessary to teach. Something the Department of Education has failed to do.

Nationally there remains much debate around stimulating growth and investment. Skills drive productivity and subsequently growth, and In order to establish a highly skilled workforce we need strong employer leadership and collaboration, which is wholeheartedly supported by the Government through sustainable policy, funding and investment.

## **A small business solution to improving productivity**

***Mike Cherry, National Policy Chairman, Federation of Small Businesses***

Skills are vital to business and economic growth. They drive innovation and because training is a lifelong activity and it's one area that will need continuous focus and investment. The UK strives to be competitive and open up opportunities for outward investment and trade, and inward investment in UK businesses. To achieve this, businesses must be productive and be able to both draw on, and invest in, a skilled workforce.

One of the most worrying long-term trends is that the UK's productivity levels continue to lag behind other G7 countries. This was recognised in the APPG for Small Business's latest inquiry in to productivity and small firms, which found that this is affecting competitiveness and earnings potential. The report made it clear that 'if we are to improve our productivity levels there needs to be a small business solution'.

As the representative body for small businesses the FSB champions the important role small businesses play in driving and sustaining that growth. Small businesses account for over 99 per cent of all private sector business and nearly half of private sector employment.

The UKCES Growth through People report highlights the many players involved in supporting economic growth. Small businesses are key players in the UK's economic recovery but they need to work in partnership with government, educational institutions and training providers to support infrastructure focused on boosting productivity through skills development.

We are moving in the right direction with the recognition that a successful skills system is one that meets employer needs and must therefore be employer led. For this to happen there must be an infrastructure that incentivises small businesses to play an active role in promoting training, developing qualifications and setting the standard for continuous investment in the workforce. The FSB has been active in working with government to create this system following the Richard Review. We also support the apprenticeship Trailblazer programme, which has seen businesses of all sizes working together to create new apprenticeship standards.

Workforce development should not just be about apprenticeships. The skills system should support businesses wishing to provide both formal and informal training for staff at all levels and ages. People are working longer and firms should be able to make best use of these skills and experiences. We would welcome a wider cultural shift that gives more emphasis to lifelong learning and adult skills as business practices and skills needs change. The adult skills budget has been significantly reduced, which has

changed the training landscape from government-supported to one of collaboration between businesses and local stakeholders, such as education institutions, LEPs and local authorities.

Success here lies with business leaders and management, who must have the confidence and understanding to invest in training and skills development. The FSB recently identified leadership and management as an area where greater support is needed to help firms grow, and will be publishing further research on how firms can build their capabilities here later this year. If small businesses are going to drive growth and invest in the workforce they need to be given the support to understand what skills they need to be more productive and where to access it.

In conclusion, improving productivity should be the primary focus for the next government. This includes creating a stable economic policy environment to encourage business investment, having a tax system that incentivises innovation, and high-quality business support. A core part of this process is an infrastructure that promotes employability skills, staff training and development, and leadership and management support. In doing so businesses will have the tools they need to drive growth, provide jobs and be competitive in the future.

## **New ways of funding adult skills**

***Ewart Keep, Centre on Skills, Knowledge & Organisational Performance, Oxford University***

As the UKCES's report *Growth through people* noted, "traditional models of investment in skill are unsustainable". In a world where government support for all forms of post-19 provision is dwindling and may well cease entirely for everything beyond apprenticeship, it is now vitally important to try to construct mechanisms, at sectoral, occupational and local/regional levels through which the costs of learning can be shared between the different beneficiaries, and funding streams pooled. For work-related learning, this means employers and workers finding new ways to collaborate and to share investment costs.

One of the lines of policy development that is relatively weakly developed in the UK, but which is often an established feature of E&T systems elsewhere in Europe, is that of co-investment infrastructures. These are generally the offspring of sectoral or industry-level collective bargaining arrangements that create a fund that draws on employer and employee contributions to support adult training. Such models are not totally alien to the UK, but exist at organisational rather than sectoral level. For example, the Ford Motor Company's Employee Development Programme (EDAP), was, for a brief moment in the early to mid-1990s, seen by policy makers as the coming thing. EDAP offered financial support to adult workers' wider lifelong learning (rather than work-related training), and was jointly managed by the firm and its trade unions. Despite their relative invisibility, EDAP and other similar schemes continue to operate, and where possible efforts to bolster these schemes would make considerable sense.

More importantly, there have been relatively recent attempts to explore new kinds of pooled funding mechanisms via Unionlearn's DBIS-supported Collective Learning Fund (CLF) pilot projects. The CLFs, which were tested in 23 workplaces in the North West and East Midlands, were described by Unionlearn in 2011 as, "union-led initiatives to stimulate co-investment in the personal development of the workforce to make such learning affordable....the pilots involved increased funding and in-kind contributions from employers and providers, obtaining greater support from unions and enhancing employee commitment". More recently, Unionlearn in the south west of England has been continuing experimentation with CLF's as a way of addressing lifelong learning and issues to do with equality of access to learning.

Although the original CLF pilots attracted little attention and were over-shadowed by the vastly larger Train to Gain (T2G) programme, they appear to offer a far more tenable model than T2G in the financial climate within which we now find ourselves. Further exploration of, and experimentation with, forms of collective funding arrangements are

liable to prove to be an important element within the more diverse set of resource streams that post-compulsory learning will be forced to rely upon in the coming years. Without this, the volume of adult upskilling and re-skilling will fall dramatically.

To find out more about the CLF model see Bert Clough's 2014 paper for TUC Unionlearn SW, *Call to Learn*, and Unionlearn's 2011 *Research Paper 13*.

## **Inequality and skills**

***Frances O'Grady, TUC General Secretary***

The recent OECD review of the UK economy highlighted that boosting productivity, including through improvements to education and skills, is essential if we are to deliver a sustainable economic recovery.

It contained two specific recommendations supporting TUC campaigns: invest more in skills and reduce inequality.

The OECD stressed that opportunities for training and the benefits of a sustainable economic recovery should be shared by all.

Through its "Britain Needs a Pay Rise" campaign the TUC has been pressing for a range of policy measures to address the prolonged decline in wages and the growth in low-paid jobs in recent years.

To put it bluntly: Britain needs a skills rise.

Secondly, the OECD stressed that our high levels of inequality have knocked as much as 9 percentage points off UK growth in the past two decades, much greater than among other member countries.

Referring directly to the UK inequality data, the OECD Secretary-General hit the nail on the head when he said, "this is not just about numbers; it is about people's lives!"

As a supporter of the UKCES's *Growth Through People* statement, the TUC agrees with the emphasis put on turning round the dramatic decline in productivity as a key part of the strategy to revitalise wages growth.

Helping more employees to develop their skills is at the heart of this campaign; to boost earnings, job prospects, productivity and personal development.

Chances to learn should be equally open to all; both apprentices and those in mid career; for those in middle skill jobs and the low skilled who have had fewest learning opportunities.

But making headway on this front has got much tougher. We know that trends in workplace training have led to a decline and a deepening divide between the "haves" and the "have-nots" over the past two decades.

The average amount of training that workers receive declined by almost half between 1997 and 2012.



To make matters worse this decline was most pronounced among people with few or no qualifications. Those who need training most receive it least.

In 2013 the OECD's international adult skills survey found that skills levels in the UK are disproportionately influenced by social inequality compared to other countries. Individuals from poor families are much less likely to progress up the skills ladder in the UK than in most other OECD member nations.

When it comes to apprenticeships we see another equally damaging facet of the training divide with women, Black and minority ethnic candidates, and disabled people much less likely to get a place on the best apprenticeships.

We must boost productivity and pay by improving access to more and better workplace training. That means doing far more to give everyone a real chance to learn. Here's how:

First, introduce a Personal Learning Allowance. We should learn from, not be deterred by, the problems of the previous model and let's not forget it is still working well in Scotland and Wales. Employer ownership needs to be married to employee ownership. Learners deserve a stake, a sense of ownership, in their own learning.

Second, support Union Learning. Our 30,000 Union Learning Reps will help employees make the most of their Allowance, especially those who need most help. Promoting learning and development at work is now a core aspect of the "union offer" to employees. Government and Employer support for the Union Learning Fund (ULF) and unionlearn is helping 220,000 learners a year to access learning, through their unions.

With a new Learning Allowance, continued government support, and a bigger place for unions in the skills system we will progress towards tackling the OECD recommendations: Less inequality, more and better training. That's the way to raise productivity within a sustainable economy.

## High level skills and university-business collaboration

*Nicola Dandridge, Chief Executive, Universities UK*

Universities and their graduates make an essential contribution to growth. The jobs of the future will increasingly need higher skills, particularly in key sectors that will drive the UK's industrial strategy. We need to put a high-skill workforce centre stage, investing in human capital that not only promotes long-term growth but acts as a way of distributing its benefits more fairly.

We were delighted to work with UKCES on the recent [Forging Futures](#) project, which examined innovative and effective partnerships between universities and businesses, as well how universities are forging new partnerships to stimulate and respond to demand in the economy. A key message is that collaboration works best when it becomes a part of the 'cultural norm' for the organisations involved, so that it becomes a core part of how both businesses and universities think about skills development. Achieving this means collaborations need to be driven by clear, demand-led and identifiable business requirements. They should be seen as strategic partnerships which can help to tackle specific problems that are not currently being addressed through mainstream education, with bespoke products, programmes and services developed as a result.

For example, the University of Sheffield's AMRC (Advanced Manufacturing Research Centre) Training Centre, supported by the Regional Growth Fund and European Regional Development Fund, provides training in the practical and academic skills that manufacturing companies need to compete globally. As well as apprenticeships, the AMRC also offers opportunities for fully-funded progression to degree level education and beyond, including doctorates and MBA level. Similarly, Siemens have worked with the University of Lincoln since its founding, and in 2010 the university established a new Engineering School, furthering the partnership between the University and Siemens (including its supply chain, which includes many SMEs), and offering students at the School of Engineering degree courses accredited by the Institution of Mechanical Engineers.

This work comes at a crucial time. The [RSA City Growth Commission](#) noted the importance of universities to their local economy. The recent [OCED Education at a Glance figures](#) show that the UK is doing well in terms of the proportion of people with high level qualifications, but raises concerns about employment outcomes. We also have problems of skills mismatch in the UK, as has been highlighted by UKCES. There is growth in demand for high level skills, but alongside this is concern that current employees' skills are not being utilised effectively. Strong partnerships are needed between universities, businesses and public services.

This message is echoed in the UKCES statement on Growth through People, in particular priority 4 – that education and employers should be better connected to prepare people for work. We have a solid basis to build on: universities recognise the importance of businesses, and businesses recognise the importance of universities. Universities are keen to extend and strengthen partnerships with employers, building on the provision of training and input into courses to form responsive, effective relationships. By working closely together, universities and businesses will meet the skills needs of the jobs of the future and deliver long-lasting local impact.

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The UK Commission for Employment and Skills (UKCES) exists to boost growth through people. By working in partnership with governments and business across the UK, we help create competitive businesses, successful economies and a fairer society. Our Growth through People report can be found online [here](#), and the underpinning evidence and analysis is [here](#).

The All Party Parliamentary Group on Inclusive Growth is a cross-party group of leading parliamentarians working across the political divide to identify ways of ensuring the UK's success is more fairly shared. For more information please visit the APPG's website: <http://inclusivegrowth.co.uk/>