

FUTURE-READY SKILLS COMMISSION

OVERVIEW OF THE COMMISSION FOR A FUTURE-READY SKILLS SYSTEM IN A DEVOLVED UK

1 The purpose of this paper

West Yorkshire Combined Authority has supported the creation of an independent Commission to shape the future of the skills system, so that it better meets the needs of individuals, businesses and the economy. There is a particular interest in how the skills system can better serve the ambitions of local areas.

This paper provides an overview of the role of the Commission: what it is seeking to achieve, the challenges it aims to address and the approach it will take to meeting its remit.

2 The rationale for the Commission

Why do we need a Commission? We examine the rationale from the point of view of the importance of skills to national and local economies, the outcomes the system is currently delivering and the manifest weaknesses of the system that need to be addressed, as well as the areas of strength that can be built upon.

2.1 Why the skills system is important

An effective education and skills system should address skills needs: the skills required by individuals to maximise their career potential and meet their personal aspirations; the skills needed to drive business competitiveness and productivity; and the skills needed to boost the performance of the wider economy, whether at a local or national level.

In meeting skills needs, the system must enable people to make effective learning and career choices; it must be inclusive; providing opportunities for all regardless of background; and it must offer value for money, both for the individuals and organisations who use the system and for taxpayers who help to fund it.

The importance of the skills system is reflected in its scale and the number of lives that it touches. For example, 3.6 million people participated in further education programmes in England in 2016/17, whilst 2.5 million participated in higher education in the same year.

Getting the right skills, in the right place, at the right time can generate major economic benefits at the level of the individual, the firm and the wider economy (see box 1).

Box 1: the value of skills

- One study estimates that, in the run-up to the 2008–09 financial crisis, the improving skills profile accounted for around 20 per cent of total labour productivity growth in the UK and continued to make a positive contribution thereafter.
- At firm level, businesses with higher proportions of better skilled workers also tend to be more productive.
- According to one study an increase in training by one percentage point at industry level is associated with an increase in productivity (value added) of about 0.6%, and in wages of about 0.3%.
- Individuals receive positive returns in terms of pay from improved skills. On average, individuals with an advanced apprenticeship earn between £77,000 and £117,000 more over their lifetime than similar individuals with Level 2 qualifications (equivalent to 5 GCSE passes at Grades A*– C or 9 – 4).
- A recent independent study by the Institute for Fiscal Studies, found that by the age of 29 female and male graduates are earning 28% and 8% more on average than their counterparts who opted for a different route of study after leaving school. As graduates' earnings continue to rise more quickly beyond the age of 30, particularly for men, it is expected that returns will increase further once looked at over a lifetime.

The skills system is of key concern to West Yorkshire Combined Authority because getting the right skills locally is central to its strategy to transform the local economy, drive productivity growth and enable people to maximise their potential. The demands placed on the system are set to increase as automation and other developments re-shape the nature of work and the skills required from workers.

The value of skills to the local economy is illustrated by the following key example. The City Region's productivity level, in terms of output per hour worked, is only 86 per cent of the national average. It is estimated that if local productivity could be raised to match the national average it would mean an increase of more than **£11bn** (16 per cent) in the size of the local economy. Much of this deficit is estimated to be directly due to the City Region's relatively weak skills base.

In addition, looking beyond purely economic benefits there is a clear link between participation in learning and health outcomes, civic participation and community cohesion.

2.2 Skills outcomes

How does the skills system perform against the things that really matter, in terms of developing the skills required for productivity and inclusive growth? Evidence for Leeds City Region, along with other local areas, suggests that the current skills system is not delivering against the key outcomes that are needed:

- There is an overall deficit, relative to other parts of the UK, of the qualifications and skills needed to attract investment, support individual participation in the labour market and drive the development of the local economy. This gap is not closing fast enough.
- Employers in key parts of the economy face difficulties in recruiting the skilled people that they need to drive business growth and to raise productivity.

- At the same time many individuals are over-qualified or over-skilled for the job that they do, which represents a waste of investment and human potential.
- Outcomes for participants in the skills system, with regard to entry into employment and levels of pay post-learning, vary markedly between institutions and subjects of study.
- Participation in lifelong learning is low in spite of clear challenges arising from shifting skills requirements in the labour market. The level of job-related training sponsored by employers is in prolonged decline and much of the activity that does take place, particularly in low-paid sectors, relates to mandatory health and safety, job-specific training etc rather than development of skills that have wider value for individuals and which promote staff retention and increased productivity.
- Many adults are locked out of opportunity through poor literacy or numeracy skills.
- People from disadvantaged backgrounds are less likely to gain access to apprenticeships or higher education, severely restricting opportunities for social mobility. Similarly, low-skilled workers are less likely to participate in job-related training than their higher skilled counterparts, limiting their opportunities to progress from low-paid work.

It is important to acknowledge that there are areas where progress is being made. Although participation in further education amongst those aged 19+ has been declining over time, there has been a steady trend of rising participation by young people (aged 16-18) in education and training. And despite the recent impact of the government reforms take-up of apprenticeships is substantially higher than at the start of this decade.

There has also been progress in terms of attainment. The proportion of young people achieving a qualification at level 2 and at level 3 by the age of 19 is significantly higher than a decade ago, whilst the proportion achieving level 3 by vocational qualifications or an apprenticeship increased over the same period. Perhaps most significantly, the UK has been very successful in generating a large number of people who are educated to tertiary level, with evidence that this development has had a significant positive impact on national productivity performance.

2.3 Weaknesses of the skills system

There are a number of issues pertaining to the design and operation of the skills system which we believe help to explain these outcomes, as set out below. However, it is important to recognise the complexity of the challenges and to acknowledge that they are not susceptible to a quick fix.

- The system remains centralised in terms of policy development and allocation of funding – local actors have little opportunity to shape provision to ensure that it is aligned with local economic strategy and local needs.
- At the same time the system is fragmented at local level with a need for a more joined up approach between key areas like employment support and the skills system itself to provide a more coherent offer to local people and businesses.

- The funding system incentivises delivery of learning that is low cost and presents a low risk for providers but is less likely to generate economic value, in terms of driving productivity, career progression and pay.
- The complexity of the system is a barrier to engagement for employers and learners, constrains innovation and efficiency and consumes resources that could be directed towards teaching and learning.
- The publicly-funded skills offer is relatively inflexible in the face of the needs of individuals and employers and the rapidly changing requirements of the labour market. Planning horizons extend over several years whilst the rate of change in the economy is accelerating.
- An undue emphasis, in terms of esteem and resources, is given within the system to the academic pathway and the university option for skills that can best be developed via a technical / work-based route. This means that skills are not being delivered effectively or are being delivered in a way that is not cost effective for individuals or for the public purse.
- There is under-investment in careers support meaning that too many young people are leaving education without the tools to help them consider their future options or how their skills, experiences and aspirations fit with opportunities in the job market.

The wider context for these problems is one in which the value of public funding for some elements of the skills system, particularly adult learning via the further education system, has reduced significantly in recent years.

The way in which policy is being implemented is also a cause for concern and in some cases has had a negative impact on local provision. The most obvious example of this is the disruption to the take-up of apprenticeships brought about by the recent reforms, together with the negative impact on the training supplier base of new procurement arrangements.

In considering these questions it is important to bear in mind that skills policy is a shifting landscape. The government's Review of Post-18 Education and Funding is just one development that could have a significant influence on the shape of the future skills system, whilst the development of local industrial strategies will have an important influence on skills perspectives at local level.

Constant change in the design of the skills system and the introduction of new initiatives has also been one of the foremost challenges. Even though the purpose of our review is to re-shape the skills system we appreciate that one of the key issues it faces is disruption arising out of constant policy change. According to a report produced in 2017¹, there have been 29 major pieces of skills reform since the early 1980s.

Nonetheless, we believe that there are fundamental issues that need to be addressed and which cannot be ignored. In a number of instances the introduction of

¹ Norris, E. and Adam, R. (2017) All Change: Why Britain is so prone to policy reinvention, and what can be done about it, Institute for Government

<https://www.instituteforgovernment.org.uk/publications/all-change>

recent reforms, although the right thing to do in principle, have been mishandled on a practical level. Future change needs to be planned and implemented in a more effective way and we need to “hide the wiring” and minimise the disruptive impact of changes on customers and on front line delivery.

2.4 The local dimension

Part of the rationale for the devolution of powers, funding and responsibilities to local areas is to enable them to take account of the specific nature of local needs in the design of skills and other interventions. However, experience to date indicates that areas with a devolution deal have seen limited devolution of powers, responsibilities and funding around skills and have effectively become project managers for national programmes, rather than being given the powers to design and operate a strategic approach to local skills needs.

This raises the question of what kind of powers are needed by local areas and how they can best be used to address the challenges and needs faced by their respective areas. Clearly, differing local approaches need to be co-ordinated to avoid fragmentation and a patchwork of local systems, with the implication that certain powers will have to be retained at national level for the overall system to operate effectively.

2.5 What’s different about this Commission?

As previously mentioned, there have been many inquiries into the state of the skills system², some of which have led to substantial change, not all of which has proven to be positive in the longer term. So what is different about this Commission and how can it add value in a cluttered policy landscape?

This Commission comes at a time when government is making a sustained commitment to devolution in England, including devolution of skills powers and funding. However, we believe that this is not being undertaken in a strategic or coordinated way. This could mean that such devolution does not deliver the full impact that is required, best practice is not widely shared, some areas could be left behind and unnecessary bureaucracy is put in place. In a worst case scenario the shift to a devolved approach could have a negative impact on the viability of some providers and on the quality of front-line delivery in some areas.

There is an excellent opportunity for the Commission to influence these developments with practical proposals to ensure that devolution of skills powers becomes a success and that local areas have the tools to develop local industrial strategies which lever the maximum contribution from the skills system in meeting economic ambitions.

3 The purpose of the Commission

In the following section we have set out a proposed aim, objectives and scope for the Commission with regard to its remit of undertaking a review of the skills system.

² Please see Reference Guide for Commissioners for an overview of the key studies.

3.1 Aim and objectives

The aim of the Commission is to develop a blueprint for an education and skills system that can contribute to the outcomes needed at local level i.e. the achievement of local economic priorities, the fulfilment of individual aspirations and the promotion of inclusive growth.

Objectives

Falling out of this overall aim are several specific objectives:

- To assess how responsive / effective the education and skills system really is in terms of meeting local needs and to identify the key strengths and weaknesses of the system, including an understanding of its inclusivity, efficiency and value for money
- To set out the future economic, social and technological challenges and opportunities that the system will need to respond to
- To describe the key features of a coherent and effective model for a reformed skills system that could meet needs at national and local level, now and in the future
- To achieve national profile for the review and its results with a significant impact on policy making.

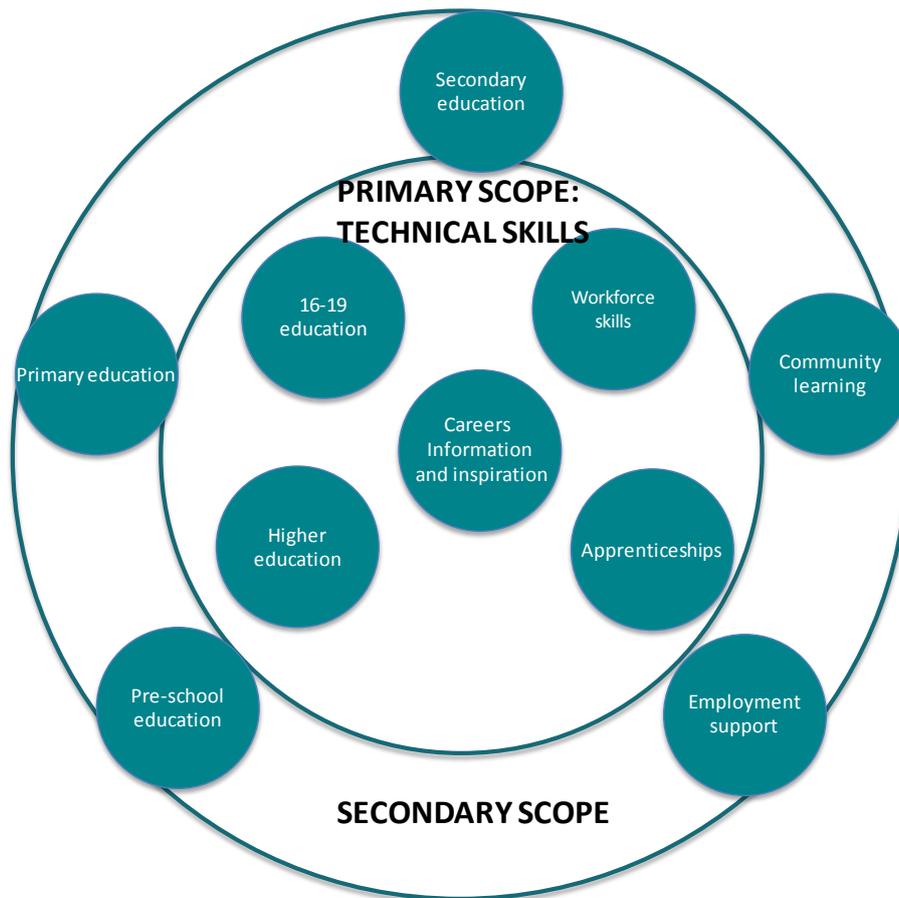
3.2 Scope

In determining the proposed scope of the review a number of aspects needed to be considered. On the one hand it needs to be comprehensive to take account of the wide range of factors that influence the outcomes delivered by the skills system. On the other the practicalities involved in conducting the review need to be borne in mind, including timeframe and the range of specialist expertise required.

For these reasons it is proposed that the primary focus of the review should be on the elements of the system that provide the skills needed for employability and for the performance of the economy i.e. the technical skills that are needed to get into and to progress in work and that are needed by employers. This means the primary focus is on elements of the post-16 system, but not exclusively, since interventions in secondary schools to develop career readiness and employability are within scope.

There are a number of policy areas that interlink with technical education and skills, such as employment support, delivered primarily through DWP, and, most significantly, compulsory schooling. These are not within the primary scope of this review but the linkages must be considered where there are implications for the effectiveness of the skills system.

Figure 1: Proposed scope of the review



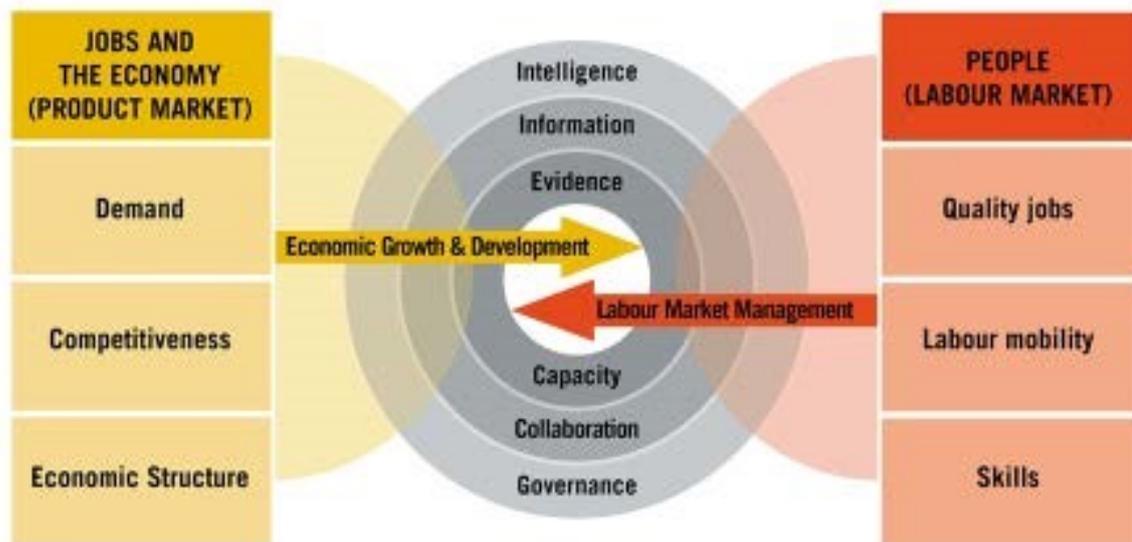
The review should take a radical perspective. It should not be overly constrained by the features of the existing policy landscape but will assume that any powers necessary to implement a suitably reformed system can be made available, including through the devolution process.

Our thinking should take account of the limited public resources currently available for education and skills and any recommendations that imply an increase in resources will need to be founded on a value for money case; however, flexibility can be assumed around how the available resources would be allocated in a reformed system (e.g. single pot of funding). The ability of the system to lever investment from business and individuals is also a consideration.

Our chief interest is in how the skills system plays out at a local level, with particular reference to the Leeds City Region as the key case study. However, we recognise that we cannot look at a single area in isolation, particularly since we aim to achieve influence at national level through the review. A holistic blueprint is needed to show how local powers and responsibilities would fit within a wider national skills system, with some functions being performed at a local level and others being better suited to the national level. There is also a need for a coherent approach to localism across

areas, which avoids fragmentation and inefficiency and therefore we anticipate that many aspects of a local blueprint would be transferable across local areas.

Figure 2: A framework for city action on jobs and skills



Source: OECD

Skills at the local level cannot be divorced from wider questions relating to the demand-side, in terms of the needs of the wider economy and the development of local economic strategies. Local investment in skills must be better aligned with these strategies, which incorporate objectives around attracting inward investment, supporting business growth and promoting private sector innovation and research and development, with an underpinning aims of creating quality jobs. All of these areas have an important interplay with skills, potentially driving demand for particular types of skills from business, which must be met if the strategy is to succeed.

3.3 The impact of the Commission

Through this review we should aim to develop key insights that will have an impact on thinking at both the national and local level. In more specific terms the review will be used:

- To contribute to the wider policy debate around the education and skills system in a way that involves the full range of stakeholders and substantially influences policy thinking at national level.
- To provide a blue-print / vision for devolution of skills powers that local areas can aim towards in their negotiations with national government and in their discussions with local stakeholders. This review will provide us with a clear policy position regarding the things that can best be done locally in a wider skills system that maximises economic and social benefits and provides strong value for money.

The intention is to achieve a high profile for the review with a widespread impact on policy thinking. To achieve this and to cut through the wide range of competing activity in this space we must ensure that the recommendations are distinctive, grounded in genuine fresh insights and can be applied in a practical way to policy and delivery.

3.5 Proposed themes

This is a complex, multi-faceted brief; to give it a clear focus, we need to break it down into key themes relating to the composition of the system but without being overly constrained by existing policy demarcations.

Therefore we propose that the Commission will address its objectives through the lens of three themes that we believe are critical to the performance of the system.

1. Technical education and training

How can we ensure that technical education and training gives people the skills they need for high quality employment and employers the skills they need to meet business objectives?

The purpose of the vocational education and training system is to provide people with the skills that they need for work. Our vocational education and training system needs to offer everyone the opportunity to get on a pathway to a skilled job, supporting them to get into work and get on in work.

Based on this definition we would include vocational education for young people and adults delivered through the further education system, apprenticeships and technical / professional education delivered through the higher education system. The main focus of the Commission is on the post-16 dimension but as highlighted above there are key linkages into the preparation for the labour market that pupils receive through compulsory schooling.

2. Careers information and inspiration

How can we make the labour market work better through improved information, advice and guidance, ensure that young people are career ready and adults understand the options available to them for career development?

High quality careers support, including careers education, careers information, advice and guidance and work-related learning, is critical to the effective operation of the skills system. It plays an important role in promoting individual career readiness, employability and personal effectiveness and creates informed consumers who can drive increased responsiveness within the skills system.

3. Workforce skills

How do we enable adults to invest in their skills in response to the changing labour market and ensure that employers are investing in the skills they need for business success?

We cannot simply rely on an influx of skilled young people from the education system to address our future skills needs. The vast majority of the labour force of 2030 are estimated to be already active in the economy. Investing in the skills of these workers will be critical to meeting the changing needs of the economy and to ensuring that individuals are resilient in the face of developments like automation. Employers play a crucial role in meeting the skills needs of the economy. They have a direct understanding of the types of skill that their businesses need but many employers do not invest at all and the evidence suggests that the current level of investment is insufficient to bring about transformation in the economy.

In addition to these, the **local dimension** to the skills agenda is a cross-cutting element that needs to be considered in its own right. In this context we define “local” as the geographic level at which Local Enterprise Partnerships and combined authorities sit and which takes account of the boundaries of functional economic areas.

The direction of travel of central government policy is towards the devolution of powers to these local areas in key fields, including transport, housing and healthcare, as well as skills, in order to provide areas with the levers to grow their local economies. If we are to maximise this opportunity we need a workable blueprint for the skills system that provides local partners with the powers and funding that they need to deliver integrated economic strategies with skills at their heart but which also provides for a co-ordinated approach across localities.

These themes are unpacked in more detail in the table, below, which sets out an indicative list of the issues that may be considered. Our approach will take account of the strong linkages and dependencies between these themes.

The themes

Theme	Technical education and training	Careers information and inspiration	Workforce skills
Key questions and issues	<ul style="list-style-type: none"> • Delivering economically valuable skills • Addressing the deficit of basic skills • Matching supply with demand in local economies • Approaches to funding, commissioning and performance management at local level • The feasibility of the technical education reforms • Promoting the apprenticeship route • Achieving parity of esteem between vocational and academic routes • High level skills • Ensuring all strands of learning are inclusive 	<ul style="list-style-type: none"> • Resourcing careers support effectively / sufficiently • Developing career readiness and employability among young people • Raising awareness and understanding of career options among young people and adults • Ensuring independence and accountability of provision • Developing all-age careers services and supporting lifelong learning • Countering disadvantage and gender stereotypes through effective careers support 	<ul style="list-style-type: none"> • Promoting demand for learning to support career adaptability and progression • Responsive provision for learning, including opportunities offered by new technologies • Raising demand for skills among employers and addressing the decline in job-related training • Promoting engagement between employers and the public skills system • Skills utilisation in the workplace • Addressing discrimination against the low-skilled in job-related training

4 The approach

The approach to addressing the review objectives will include:

- A formal call for evidence
- Literature review
- Data analysis
- Review of emerging practice
- Expert advice commissioned from leading experts in the field
- Key informant interviews
- Workshops to develop and test proposals for system reform.

4.1 Deliverables

This is an ambitious review which will be undertaken as a multi-stage project. In addition to a final Commission Report, interim deliverables will be produced at each stage of the review, focusing on our key themes of technical education and training, careers and workforce skills. These will consist of reports setting out key findings and recommendations.

A key element of this will be a national conference that will provide a platform to set out our proposals for a reformed system to national as well as local stakeholders.

5 Timings

In view of the ambitious nature of the project and the complexity of the subject matter, an extended timeframe is required to conduct the review. With a launch in January 2019, it is envisaged that the Commission will agree the final report on its recommendations in January 2020, and will launch the report at a national conference in spring 2020.