



Commission on Sustainable Learning for Life, Work and a Changing Economy

Creating a workforce
for a prosperous and
productive future

Adding an extra
£108 billion to our
economy

September 2018



This report was prepared by Bates Wells & Braithwaite London LLP on
behalf of Commission on Sustainable Learning for Life, Work and a
Changing Economy

About the Commission

The Commission on Sustainable Learning for Life, Work and a Changing Economy is an expert group bringing together practitioners and leading voices from across the education sector.

It was established, with support from leading education provider Pearson, to provide a clear and independent overview of the challenges facing education in the UK – with an emphasis on vocational and technical education – and to generate practical solutions.

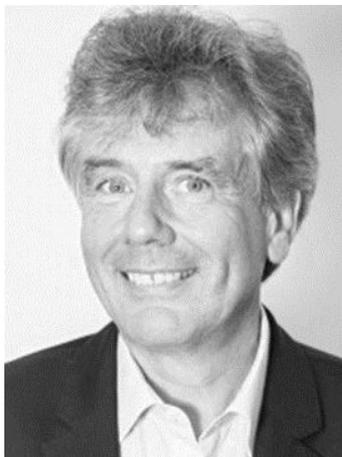
The Commission is seeking the views of educators, learners, employers and members of the public – to look at the factors driving our skills needs well into this century, how our current education system is or is not equipped to deliver them, and the innovations, changes and challenges that may be faced along the way.

To date, the Commission has held evidence sessions in London, Nottingham, at the Wellington Festival of Education and in the North East, each looking at different aspects and hearing from a range of witnesses.

Commissioners and organisations involved include:

- Ian Ashman (former President, Association of Colleges)
- Alice Barnard (Chief Executive, The Edge Foundation)
- Rod Bristow (President, UK & Core Markets, Pearson)
- Neil Carmichael (Chair)
- Jim Clifford (Partner & Director of Advisory/Impact, Bates Wells Braithwaite)
- Ann Francke (Chief Executive, Chartered Management Institute)
- Nick Hudson (Chief Executive, Ormiston Academies Trust)
- James Kirkup (Director, Social Market Foundation)
- Ian Koxvold (Head of Education Strategy, Pwc)
- John Laramy (Principal & Chief Executive, Exeter College)
- Ronel Lehmann, Founder, Finito Education Limited)
- Dave Phoenix (Vice-Chancellor, London South Bank University)
- Cindy Rampersaud (Senior Vice-President, BTEC & Apprenticeships, Pearson)
- Mark Stewart (General Manager and Human Resources Director, Airbus)
- Professor Geoff Wake (University of Nottingham)

Foreword



The Commission on Sustainable Learning for Life, Work and a Changing Economy is ambitious for the United Kingdom and, crucially, for the millions of people all eager to contribute more to our economy and their communities. This report is about making the most of that talent and individual endeavour in a modern, inventive and productive economy.

The Commission has met several times in London, Nottingham and Newcastle; it has heard from many witnesses from all walks of life and distilled evidence from a vast array of reliable sources. I thank all members of the Commission for their contributions and commitment; it remains a privilege to work with such a dedicated group. We all acknowledge our primary purpose to explore ways to deliver a first class, sustainable and all-inclusive education system.

This first report is, essentially, a summary of where we are now and an overview of existing literature and work in this area, but with some clear signals pointing to the way forward. Above all, we conclude with a properly researched, evidence-based prediction on how the economy could respond, if policies are introduced to bring about a fundamental change in culture where young people from all backgrounds are inspired and equipped to develop technical and professional skills to support their career ambitions.

It is not enough to rely on yet another batch of initiatives and relatively small pots of money to deliver the workforce we need. Instead, all assumptions must be rigorously tested and new and bold ideas, rooted in evidence, should be advanced.

This report paves the way for a radical and far-reaching set of recommendations in our second report due in November. For now, we make the case for change and seek to highlight the benefits that this could deliver. I commend this report to you.

A handwritten signature in black ink that reads "Neil Carmichael .". The signature is written in a cursive, slightly slanted style.

Neil Carmichael

Chair of the Commission on Sustainable Learning for Life, Work and a Changing Economy.

Executive Summary



Executive Summary

i This report considers the question:

“What is the potential value, in economic terms, that can be gained from well-designed and sustainable technical and vocational education?”

ii Based on a review of the existing literature and commentary it provides a collective view from multiple interested parties of the skills needs that the Government’s vocational skills reforms seek to address, and what that means in practice. Taking the perspectives of individuals, their communities and employers, and the State, the report looks at the potential economic value that could come from having a workforce that can deliver good quality results through meaningful employment and that is available where it is needed.

iii Our industries need adults with appropriate skills: in literacy, numeracy and problem-solving; soft skills enabling them to manage and to relate to others in the workplace; and in management and organisation. Employees with these skills have better outcomes in the labour market than their less proficient peers: they are more employable, and they are more effective in terms of productivity and efficiency. Against this clear need, and its concomitant opportunity, **the UK is lagging behind its competitors, and faces three distinct challenges:**

1. Skills shortages – where organisations cannot recruit suitably qualified people - affecting about 1% of employees
2. Skills gaps – where employees have lower skills in their roles than the business needs – affecting about 10%
3. Skills under-utilisation – where employees are not using all their skills in their current jobs – affecting a significant 35% to 45%.

iv Taken together these challenges emphasise a dual problem, encompassing both supply- and demand-side factors. **A supply-side solution - even if effective - is only half of the answer.** Developing better and more relevant skills is all very well, but if the jobs are not available which will make good use of the skills available, the value created in those skills will not filter through into economic improvement. Seeking to replicate at a regional level the successful investment in London schools will not solve the demand side of the equation in cities where jobs are scarce or restricted.

v Finding the right people with the right skills remains a constant challenge for employers. Three-quarters of manufacturers finding it difficult to recruit engineering roles in the past 3 years and 72% were concerned about finding the skills they need for their business. These difficulties will only be exacerbated further as the manufacturing industry increasingly moves towards the production of high-value goods and services as well as utilising new technologies.

vi The regional picture is important – we urgently need a mechanism that effectively links local employers, schools, colleges and universities, so that students don’t leave formal education and automatically re-locate to find meaningful work. Every region needs some kind of employment ‘draw’ or whole regions will suffer from a working age talent drain, reducing the vibrancy of the region reduces and shifting the demographic to older age groups. IPPR research states that we have a

nationally designed skills provision system with insufficient local focus. The majority of vocational training provision is driven by a funding and accountability system set by central government agencies, which means that providers are not incentivised to respond to the needs of employees or local employers. Failing to meet business needs is tantamount to putting a brake on those businesses' ability to perform to their full potential and contribute to the UK's productivity and competitiveness.

- vii **We start from a position of lagging behind the other OECD countries in terms of effectiveness, efficiency and competitiveness.** The UK ranks 11th out of the 30 OECD countries in terms of productivity (GVA per hour worked). This puts the UK outside the top quartile of OECD performance. Furthermore, the World Economic Forum rated the UK economy as the 12th most competitive in the world in 2017 - a fall of three places from the previous year. Two-thirds of the United Kingdom's workers are employed in businesses with productivity that falls below the industry average. Using the 10 UK Core Cities' combined average productivity as a baseline, Munich scores 88% higher, Frankfurt 80.7%, Rotterdam 42.8% higher and Barcelona outperforms by 26.7%.
- viii We must address our national, regional and sectoral performance, but it won't happen simply through a policy change, particularly if that change is short-lived or only partly implemented – as has happened all too often in the past. This is not to say that the Government's recent moves to introduce T levels, and to align and clarify the range of qualifications available, are wrong. They are indeed useful. However, these changes alone, without being properly integrated into the wider system, will create more confusion – maybe even detracting from any effective improvement they might bring.
- ix Our performance in skills development has never been more important. **Competitiveness in the future will be determined far more by how we develop and use human skills than on ownership of dwindling natural resources.** Whilst that fact serves to level the playing field in one respect, at the same time it highlights the time imperative we are under. We are already lagging behind when it comes to using skills effectively, and none of our competitors is standing still.
- x Yet we cannot build a skills system today that is configured to meet future needs of our workforce and economy - we simply do not know what those will be. **Instead, the system itself, and the resilience of the workforce it helps to develop, need to respond to a changing and largely unknowable future.** That demands a system that is well-founded, stable and resilient, but which is adaptive and in which communication and information drives improvement. A scenario planning approach to system design is probably demanded here.
- xi The operating environment for manufacturing and service industries, for example, is having to respond to such diverse drivers of change as automation, digitisation and other technical and technological advances, as well as the effects of globalisation counterbalanced with localism and protective nationalism, and geo-political change (such as Brexit). McKinsey global research suggests that by 2030, 75 million to 375 million workers (3% to 14% of the global workforce) will need to switch occupational categories. These demand-side or macro drivers are balanced with supply-side ones such as urbanisation (the UN is forecasting that almost 70% of people will live in cities by 2050), combined with the rise of the gig economy, remote and portfolio working, and an ageing workforce facing a longer working life before retirement. Finally, there are wider global factors such as emerging middle

classes; growing and shifting social inequalities and stagnating social mobility, and climate change and its consequences.

xii **Skills development and the system that enables it must embrace and respond to these drivers of change – and others we cannot predict – if we are to remain competitive in their wake.** To do this we need to develop a much stronger ability to anticipate future skills needs and plan to fill them. A lesson can be learnt from Canada’s prescient investment in teacher nearly a decade ago. Teachers were not needed at that time, but population growth showed they would be needed now, and Canada has a ready pool of home-grown talent that is now being repatriated, having gained valuable experience in other countries in the interim.

xiii So, how do we make it worthwhile for employers to contribute to this investment in time and money in the name of skills development? First and foremost is a need for skills system stability – a scenario where the foundations of the system are allowed to bed in, and provide a stable framework on which to build a multi-faceted, living and dynamic network of support for continual learning. This means putting an end to the constant stream of initiatives, without due thought to how they complement and build on one another. **National and regional strategies need to be developed in a way that brings alignment and proper strategic focus. That’s the only way we can truly compete (when we know what race we’re running).**

xiv **In an effective and engaged system, labour market intelligence is vital, including employer voice in course and qualification design.** Employers cannot realistically expect the skills system to produce what they need if they are not sufficiently clear and vocal about that need in good time (and there needs to be a mechanism and a clear incentive to make that happen). One example here is Germany’s Chambers of Trade – they are established bodies, always available for consultation and are able to both advocate with businesses and represent them. Other countries have different models, but the UK is notable for its lack of systematic and reliable labour market intelligence – a critical component for aligning supply and demand of skills.

xv **With continuing change and an extension to people’s working lives comes a greater need than ever for individuals to periodically retrain, perhaps radically, in order to stay ahead.** Training needs to be viewed by employers as more than just an entry requirement. It needs to be seen as a fundamental part of investment in a valuable workforce. This broader view from employers needs to be matched by a change of attitude on the part of learners themselves. Participation in formal learning is known to decline with age, and adult learning is disproportionately taken up by wealthier, more highly skilled individuals, potentially exacerbating existing inequalities. A number of barriers to retraining in later life are evident and add complexity to the skills challenges we face:

- Cost and funding
- Lack of relevant and accessible training
- Time constraints
- No forced moment of choice (“why now...?”)
- Not aware of the need (individual or employer)

- Lack of information about training possibilities
- Training does not lead to a new job, or job improvement
- Pre-contemplation phase – individual may need prompting to get over uncertainty

xvi With many of these factors being human ones, and accepting that the workforce comprises decision-makers living in a social context, we can easily appreciate that skills and personal development are of much wider relevance than in just employability and productivity, important though these are. **Working is not just about having a job: good jobs generate self-worth and self-esteem.** They enable the individual to enjoy better health, and avoid mental health problems. They give social status and access to social networks, and encourage wider community participation. Skills honed in the workplace can be given back to the community in the form of voluntary work – and vice versa.

xvii A snapshot of the British economy today shows a high degree of imbalance. An estimated 1.1 million people work in the gig economy, 55% of people in poverty are in a working family, 21% of all employee jobs pay less than the real Living Wage. 51% of UK employees report that their skills are being under-utilised, among the highest levels in the EU, compared to 33% in France, 36% in Netherlands, 37% in Sweden, 38% in Denmark and 45% in Germany.

xviii In summary, we need:

1. An organised, long-term, stable system, which grows, responds and develops as demands change;
2. Transparency of information about need, including regional priorities and opportunities;
3. An engagement with the network of employers, training providers, and exam awarding bodies that draws their energies into improving and adapting the learning environment;
4. A widespread realisation that a workforce should be continually learning, and striving to manage that learning for self-improvement;
5. Proper, focused, and accessible funding in the system, not just to cover technical skills, but to embrace the wider workplace social and interpersonal skills that make an effective worker.

xix What will happen if we don't do this? There are clear indications already emerging from the evidence.

xx **Forecasts for future job growth are for an increasingly 'hourglass' shaped economy, with continued demand for low skilled and high skilled labour, but a reduction in the number of 'middle skill' jobs.** The natural extrapolation of this sees more sectors and regions 'trading down' to low skilled (and low value) jobs, as opportunities for advancement to the middle skill level reduce. In turn, this shrinking middle ground is not fertile enough for development of higher skills and the national economy, as well as its skills base becomes bifurcated. None of this is a recipe for success, let alone competitive advantage.

xxi Poorly targeted investment in skills funding will yield sub-optimal results, damaging individual, organisational and national achievements. Inevitably, not all those that can benefit from training will get it, interest in and enrolment on vocational training will reduce rather than grow. This is already showing through in a marked reduction of take-up of apprenticeships, as just one indicator. **Added to**

this the existing lack of management and decision-making skills and we see a picture of declining potential unfolding.

- xxii Instead of the whole system working and interacting smoothly, the various parts of it will increasingly work in isolation, driving fragmentation and inefficiency deep into the whole learning environment. Even with strong leadership, good policy-making, and whole-system cohesion within local areas, the advantages that could otherwise be delivered will be undermined, and denuded of resource, if the system at a national level exerts pressure in the opposite direction.
- xxiii Learners (who are also workers) of all ages will be compromised in their ability to develop meaningful skills that are valued and useful in their career or personal lives. Those with special needs will be particularly challenged, as they seek to navigate a complicated system, and as dwindling demand or funding for extra support reduces its availability. Older workers will struggle to remain relevant in the workforce and a wealth of potentially valuable skills will risk being mothballed, instead of updated. Their experience will be lost to the workforce and with it their ability to influence and train a new generation of workers.
- xxiv Policy and regulation will continue to work at odds with the needs of industry and the workforce at local and regional as well as national levels. Funding will not be well-focused and accessing it will be complicated and likely to deter those that need it most. Skills mis-matches will worsen in the absence of credible labour market intelligence. Failing to get skills right will increase our already sub-par performance on the international stage.
- xxv One recourse will be to import skills from overseas suppliers, or to bring in overseas workers. This will divert fiscal revenues out of the National economy, and reduce UK economic activity. At an extreme, UK industry will become less efficient, and less able to deliver competitively priced and desired outputs, including the highly valued UK education sector itself, which will no longer be sought after as an export, as it becomes less relevant to the world economy.
- xxvi We are already some way down the path towards these outcomes, and the time to take a new approach is now. **If we can strengthen the UK's skills base such that we achieve a top quartile position for Low, Intermediate, and High skills in the OECD's ranking of countries by adult education level, this could translate into an improvement of £108bn in GDP over a 10-year period (or £21bn a year by 2026).**
- xxvii With that potential gain on the table, can there be any justification for not addressing our skills needs now?

