

The Global Skills Challenge – what can be learnt from the UK?

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UKCES Labour Market Intelligence Products

UKCES Employer Skills Survey

90,000 interviews

Employer investment
in training and skills
challenges

UKCES Employer Perspectives Survey

15,000 interviews

Employer views and
interaction with the
external skills system

Working Futures

Labour market projections

Picture of UK employment,
productivity, labour supply and
skills for the next ten years

LMI For All



An overview

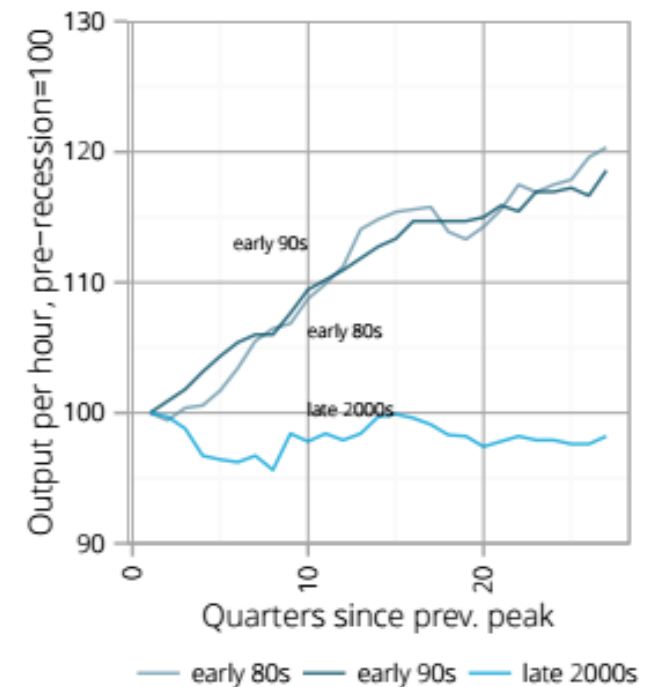
- The economy is recovering and recent employment growth has been impressive – but there remain deep-rooted challenges that must be addressed if **growth is to be sustained** and **competitiveness improved**.
- That's why in November 2014, UKCES published *Growth Through People*, backed by the CBI and TUC.
- Building on our previous work and a substantial evidence, we have identified **3 deep-rooted skills and employment challenges**, and **5 priorities for action**.



Sustaining the recovery: 3 challenges

- Growth in **productivity in the UK** is the most important factor for sustaining the recovery and improving pay and social mobility.
- But productivity has remained subdued since the recession, and is **2.2% below where it was in 2008**.
- We have identified 3 challenges in sustaining recovery and achieving growth through people, using the metaphor of rungs on the career 'ladder': **getting in, getting on** and **moving up**.

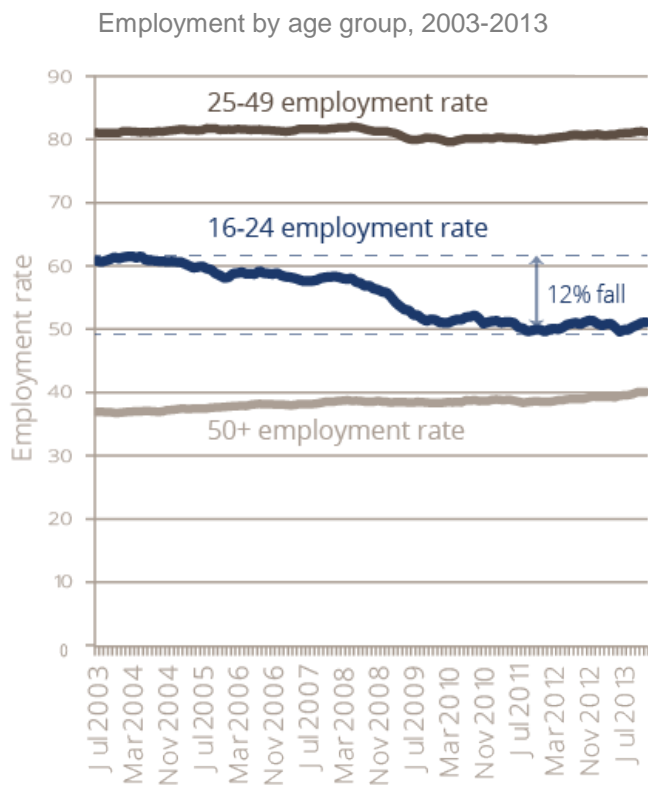
Figure 21 Productivity in 3 recessions



Source: ONS PRDY LZVB.

The challenge: Getting in to work

- **Youth unemployment is falling**, but securing a foothold into a good career is still harder than it was twenty years ago.
- The UK is particularly unusual in that **the ratio of youth unemployment to adult unemployment is 3.6**, significantly higher than other leading economies.
- This is a **structural problem** that has been around since before the recession, reflecting a long-term decline in entry level jobs in industries that young people traditionally go into, and fewer opportunities to combine earning, learning and to progress.



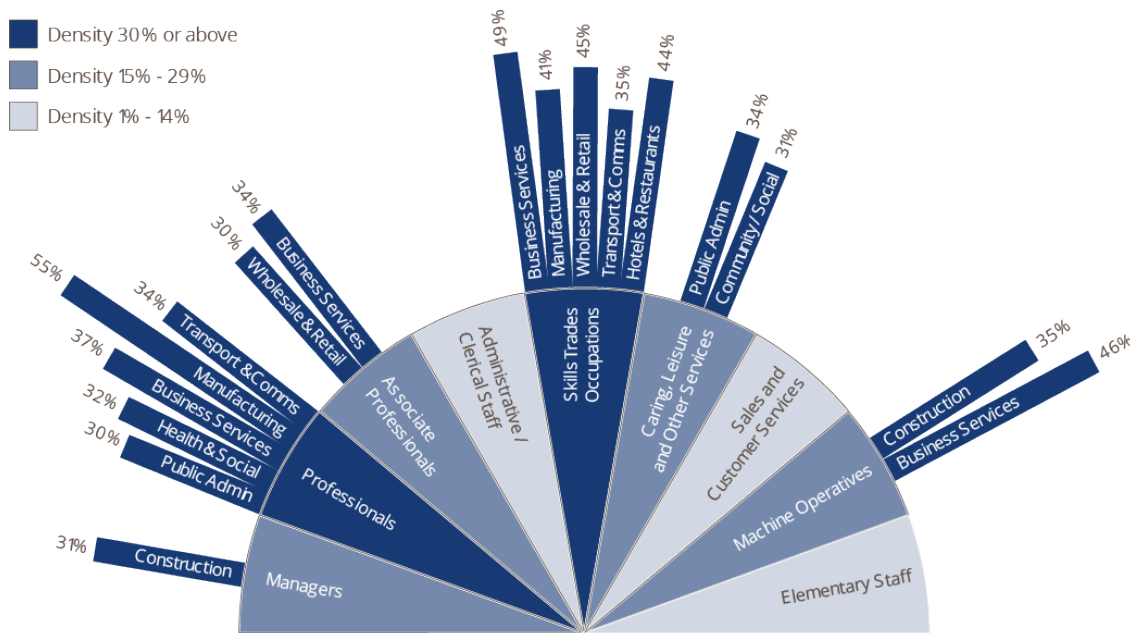
The challenge: Getting on at work

- Globalisation, new technology and longer working lives are changing the labour market.
- **Traditional middle-skilled jobs** such as clerical and secretarial trades **declined by £1.2m** in 1992-2012, alongside the emergence of a new 'middle' requiring higher skill levels than before. Meanwhile, **low skill jobs grew by £1.3m** and **high skill jobs grew by £4.6m**.
- As a result there are **growing opportunities for highly skilled people** in both employment and wages, but **longer pathways and greater competition for those in low skill roles**.

The challenge: Moving up to higher skilled jobs

- The workforce is getting better educated - **by 2020 nearly half of the workforce will be qualified to degree level and above, overtaking the USA.**
- But in certain sections of the economy businesses face long-standing **skills shortages.**
- At the same time there are significant portions of the workforce with skills that are under-utilised – **this equates to 4.3 million workers or 16% of employees.**

Skills shortage vacancies by occupation and major sectors affected



How to deliver growth through people: 5 priorities

Building on a substantial evidence base, we have identified **5 priorities for action**:

1. Employers should lead on skills and government should enable them
2. Improving workplace productivity should be recognised as the key route to increasing pay and prosperity
3. 'Earning and learning' should be the gold standard in vocational education
4. Education and employers should be better connected to prepare people for work
5. Success should be measured by a wider set of outcomes, not just educational attainment

1. Employers should lead on skills and government should enable them

- **To meet the challenges we face, businesses and the people who work in them must be in the driving seat.**
- We are making good progress in the UK. For example, industrial partnerships of businesses working with each other, trade unions and other partners are tackling skills and recruitment challenges in their industries.
- However, partnership working across the UK is underdeveloped. Only 13% of firms work with other employers to access, share or provide training.



What needs to happen?

- We need **a new level of leadership from employers** to take responsibility for competitiveness and growth.
- Employers, working with each other and with their employees and trade unions, should raise the bar on skills in sectors, nations, regions and supply chains. **Collaboration is vital to building the skills we need for competitiveness.**
- **Governments should commit to supporting employer leadership on skills**, individually and in partnerships, as a central part of long-term growth plans and a way of aligning public and private resources.



2. Improving workplace productivity should be recognised as the key route to pay and prosperity

- **Productivity and the workplace matter - to business competitiveness and to social mobility.**
- How productive people are in work depends on their level of skills and how those skills are used. In turn this depends on management, how jobs are designed, how technology is deployed and crucially, how people and organisations are led.
- Whilst the UK has many of the highest performing businesses in the world, there is a 'long tail' of poorly performing firms.



What needs to happen?

- Up to 90% of the current workforce will still be in work in the next decade. To tackle the productivity deficit for the economy as a whole, there must be a much **greater focus on job design, technology and progression for those in work.**
- Equipping people with **the right skills** and giving them **the best opportunities to use them** will lead to better paid jobs.
- This means **better leadership and management** of people and organisations, **increased employee engagement** and **more transparency about the value of people** to business success.



3. 'Earning and learning' should be the gold standard in vocational education

- **Combining work with learning helps young people make their first step into a career. In general terms young people who do this are less likely to be NEET (Not in employment , education or training), and earn more than those who don't.**
- Just 10% of UK employers currently employ apprentices - far lower than in Austria, Germany, Switzerland and Australia where there are three to four times as many.
- Employers should be encouraged to develop quality 'earn while you learn' routes- including apprenticeships, higher apprenticeships, school leaver programmes and sandwich degrees.



What needs to happen?

- We need **a step change in attitude and uptake of quality vocational routes** into good jobs. High quality apprenticeships should be a normal career pathway for many more young people, and a normal way for businesses to recruit and develop their talent pipeline.
- **Employers, working collaboratively, should have the lead role in designing apprenticeships** to ensure they have value in the labour market. The public contribution should be channelled via employers to stimulate greater employer uptake.
- In England, **long-term stability in vocational education and training is essential** for employers to have the confidence to engage.



4. Education and employers should be better connected to prepare people for work

- **To create a workforce with the right skills and experience, far greater connectivity is needed between the education system and the world of work.**
- Exposure to the world of work should be a central feature of every young people's educational experience.
- But the reality is that only 30% of employers offer young people work experience. Part-time work and work experience opportunities for young people have also declined.



What needs to happen?

- To create new pathways into work we need to start much earlier. **All schools should have links with local businesses** and use those links to inform and inspire young people about the breadth of career opportunities available.
- Further education colleges should be supported to work with employers to **deliver higher level technical and professional education to meet the UK's technical skills gaps.**
- **Closer collaboration between employers, colleges and universities** is essential to ensure there are seamless opportunities to work and learn over the course of longer working careers.



5. Success should be measured by a wider set of outcomes not just education attainment

- **To improve productivity and social mobility, measuring and rewarding educational attainment via qualifications alone is no longer good enough.**
- Qualifications are important and give learners portable evidence of skills, but they must also lead to good labour market outcomes: a job, a better job, or for the business, the 'job done better'.
- What's needed is a wider collection of outcome measures to which a range of skills and employment providers are held to account and that creates stability for employers and individuals to invest over the long term.



What needs to happen?

- We need to **align measurement of schools, colleges and universities** more clearly **with the outcomes that are needed for sustained growth** through people.
- These outcome measures should be more prominent in **demonstrating accountability** and key outcome data shared widely with employers, individuals and communities.
- **Reliable labour market intelligence** should be widely used to support better decision making by individuals, employers and education providers.



Universal characteristics of an effective skills system

- Employer leadership throughout end to end process – sustainable networks of employers
- Effective use of research and labour market intelligence internationally, nationally, locally and sectorally
- Employer designed occupational standards which underpin all qualifications and learning and facilitate the transfer of skills and mobility of labour across the globe
- Business and education collaboration
- Clear career pathways mapped to learning routes and qualifications
- Measures of success based on outcomes



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Thank you!