



## **Provisional Inquiry Findings:**

# **Skills & the Changing Structures of Work**

*“The structures of work are changing but the structures and practices of training and recruitment are lagging behind and government policies are not always helping”*

This latest six-month inquiry from the Skills Commission has provided the sector and Government with an analysis of the UK labour market and workplace change from the perspective of skills. We offer a ‘systems view’ of where skills policy and provision does and doesn’t match these trends.

Ahead of the launch of the inquiry report, and the Party Conferences, the Commission has issued a summary of its key findings. We highlight four key ‘strategic alerts’ that the Commission believes require urgent attention from all players in the skills system. They are:

1. Uncertainty around the responsibility for training in an increasingly flexible labour market.
2. Declining social mobility owing to a reduction in the alignment of skills provision to work.
3. Fragmentation in the system making it difficult for employers to engage.
4. Alarming policy dissonance between different central Government departments.

During this year’s Party Conferences, we ask that all with a stake in the skills system pay heed to our alerts during policy discussions – they are significant barriers to a successful skills policy that is well-tuned to work itself.

## **The Changing Structures of Work – a summary**

The shape of the labour market, the realities of the workplace, and the relationship between the state, employers and individuals has changed significantly over the past quarter of a century. As many of the drivers responsible for these changes intensify, it is vital that the skills system takes stock and reflects strategically on the world we find ourselves in as we move towards the third decade of the 21<sup>st</sup> century.

Over this period we have seen a decline of manufacturing and industry, and a move towards a knowledge based economy in which services and human capital are increasingly important. This shift has seen an expansion in the professions and the contraction of intermediate skill-level technical, managerial and administrative jobs (and associated training), as globalisation and technological change have put pressure on the middle tier of the job market. This trend coupled with the continued demand for low skilled labour across the service sectors has led many to describe the labour market as ‘hour-glass’ shaped and increasingly polarised between the top and bottom.

Technology and innovation have also transformed the composition of some sectors. Many firms are now more agile and networked, relying less on traditional patterns of employment such as fulltime work and are instead embracing the flexibility afforded by project based, zero hours and freelance contracts. These changing patterns of work and the relationship between employees and employers are undermining many of the assumptions current skills and employment policy has been founded upon.

As these changes alter the structure of the labour market they have lessened the importance of certain skill sets and eroded traditional paths of progression through the labour market. The decline of firm and occupational labour markets combined with greater participation in higher education has changed entry points and undermined progress routes through work for some, while others now find themselves in a new system, sometimes competing in extended entry tournaments for opportunities.

Public austerity in the wake of the 2008 financial crisis is also having an impact on both the composition of the labour market and training opportunities. A combination of cuts and outsourcing is reducing the size of the official public sector and reclassifying many employees as private sector workers. The Adult Skills Budget too, faces substantial cuts over the coming years.

The workforce itself feels and looks very different. A greater proportion of the working age population have higher level qualifications than ever before. The workforce is more diverse with women working in greater numbers and high levels of immigration making the workforce much more international. The age of the average worker has also increased and demographic shifts have already necessitated the raising of the state pension age to 65 and older. The extended working life is becoming the norm.

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## What concerns us – four ‘system alerts’

Throughout the inquiry process the Skills Commission has questioned whether the skills system is adequately reflecting the changes to the labour market and needs of industry, workers and learners.

From conversations with leading figures from across industry, academia and the skills system itself, the Commission has identified a series of strategic alerts that will require concerted attention as we draw near to the start of a new parliament. Areas of particular concern being;

### **1. Uncertainty around the responsibility for training in an increasingly flexible labour market.**

The labour market has become increasingly flexible, with a greater proportion of the workforce now self-employed or working in insecure and part-time arrangements. This raises the question – who is responsible for the training of individuals not working as regular employees?

This concern is not just limited to those engaged in more flexible patterns of employment. The Skills Commission is alarmed about the long-term trend of declining rates of discretionary training for employees and particularly for workers with lower levels of education.

As the labour market changes the individual is being left with a greater responsibility for sourcing and funding their own training.

If this is to be the case and if we are serious as a nation about boosting productivity, enabling individuals to progress upwards through the labour market, and maintaining the relevance of the skills system to wider society, then we must ensure that any disincentives to training in the tax system are removed and structures and incentives put in place to support individuals in investing in their own skills development.

### **2. Declining social mobility owing to a reduction in the alignment of skills provision to work.**

In light of analysis of labour market change and economic projections, the outlook on social mobility for a number of groups is worse than expected, and worsening.

As the shape and composition of the labour market has changed so too have entry and progression routes. Many structured and traditional occupational routes have been eroded and new pathways often lack clear landmarks or route maps.

Today’s young people face increased competition from more experienced workers to access entry level positions. Access into the professions is often dependent upon networks as well as a high degree of education, despite the notable work by some professions to create new work-based routes and

apprenticeships. And the ability to endure unpaid internships limits the chances of those without means to enter certain sectors.

Advancement through the labour market has become more difficult for non-graduates. While the labour market has changed the job preferences of non-graduates have not and many are pursuing opportunities in dwindling markets and low paid sectors. This phenomenon is particularly damaging for female non-graduates who tend to enter low paid sectors with limited opportunities for progression.

Given that diverse working teams are recognised as being more productive, we have an economic as well as an ethical imperative to tackling inequality of access and stalling rates of social mobility.

### **3. Fragmentation in the system making it difficult for employers to engage.**

Employer engagement in the skills system is essential, yet the increasing complexity of the system is in danger of pushing employers away.

The Skills Commission supports diversity of initiatives to ensure that employers and providers are able to collaborate locally in whatever form suits local need. However, the changing structures of work, and various attempts to 'keep up' by government, providers and industry has left us with a system that lacks overarching oversight that ensures the best interests of learners are placed at the heart of the system. There are too many moving parts. Employers are telling us of the difficulties of engaging with a fragmented system and working with a proliferation of standards and initiatives.

The system needs to be as easily navigable for employers as possible, with clear local brokerage networks to facilitate meaningful engagement and build dynamic relationships between education providers and local businesses of all sizes. Localised, sectoral and national approaches to industry must also seek to complement each other. They must ensure the most effective use of resources, and enable employers and skills providers to have the clearest possible understanding and direct ownership of industry standards and their relationship to workforce competence and skills.

### **4. Alarming policy dissonance between different central Government departments.**

The Skills Commission has heard of evidence of numerous policy tensions between BIS, the DWP, DfE and HMRC.

The DWP's introduction of universal credit needs to be more responsive to, and sensitive of, the labour market opportunities for young people and the retention rates of older workers. BIS will struggle to boost traineeships while inflexible rules on benefits discourage claimants from training. An adequate system of careers advice and guidance cannot be built without investment from, and the support of, the DfE, and similarly the self-employed will receive lower rates of training whilst the tax system works as an active disincentive.

In a time of public austerity and in light of the challenges brought about by more flexible patterns of work, a difficult youth labour market and an aging workforce, co-operation between the departments of government and their agencies is vital. Further education is central to this, but it cannot be the strategic economic engine and respond if its resource base is ever diminished, due to pressures elsewhere in Departmental and Government budgets.