

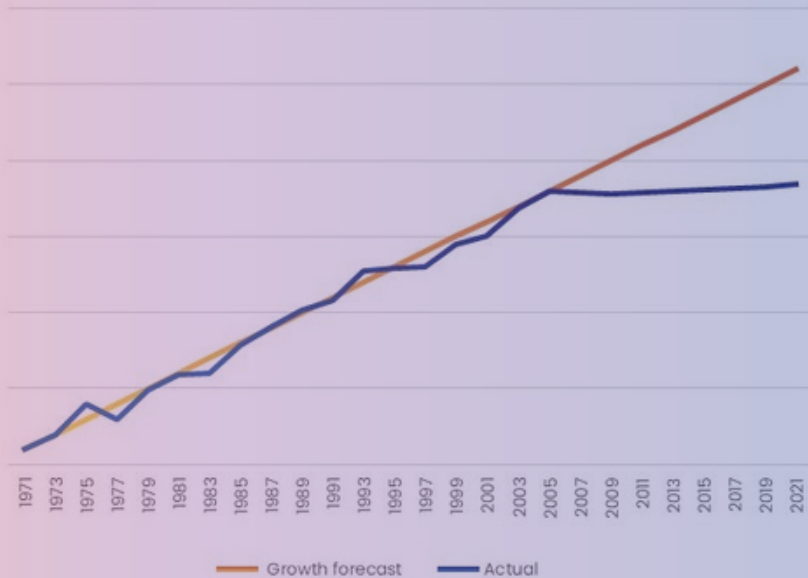


FEDERATION OF
AWARDING BODIES

RUNNING TO STAND STILL

UK productivity growth since 1971

With trend continuation from 2008 onwards



Why decades of skills reform have failed to shift the dial on UK productivity & investment in training.

By Tom Bewick & Matilda Gosling

www.awarding.org.uk

Contents

About the Authors	3
-------------------	---

INTRODUCTION & MAIN SUMMARY:

RUNNING TO STAND STILL	4
-------------------------------	---

Tom Bewick

PART 1:

MIND THE SKILLS GAP	23
----------------------------	----

Tom Bewick

PART 2:

DON'T LOOK BACK IN ANGER	56
---------------------------------	----

Matilda Gosling and Tom Bewick

PART 3:

LEARNING THE LESSONS OF ENGLISH SKILLS REFORM	74
--	----

Matilda Gosling and Tom Bewick

PART 4:

CONCLUSION: THE UK ELECTION AND BEYOND	140
---	-----

Tom Bewick

Acknowledgements	157
------------------	-----

Research supported by the Platinum Partners' Programme	158
---	-----

List of Interviewees	159
----------------------	-----

List of Figures	161
-----------------	-----

Glossary	163
----------	-----

Methodological Approach	164
-------------------------	-----

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Introduction: RUNNING TO STAND STILL

Tom Bewick

If you've ever tried to walk up an escalator the wrong way, you'll quickly appreciate how arduous it feels. Of course, it's not impossible. With enough exertion, most people can eventually run up an escalator the wrong way!

Skills in our economy are like an escalator. They act as a constantly moving enabler that supports everything: from how well our companies compete in the marketplace – domestically and internationally – to how people feel psychologically about themselves and in the day-to-day working environment.

In so many ways, educational attainment and the qualifications people hold do more to shape career trajectories, health and wellbeing than perhaps any other aspect of societal support.¹

Ultimately, skills are *derived from economic demand*: whether that is driven by the product strategies of firms – as bought by consumers – or the provision of public services on which an advanced society depends.

The 'skills escalator' model, therefore, is a useful metaphor in examining our relative skills policy and economic performance in recent decades.

The central dilemma

The central dilemma discussed in this report is rising up the list of public concern: **as a nation, in productivity terms, why does it seem as if we have been running to stand still?**

¹Raghupathi, V. and Raghupathi, W. (2020). *The Influence of Education on Health: an Empirical Assessment of OECD Countries for the Period 1995–2015*, Archives of Public Health, 78(1), pp.1–18. Available at: <https://doi.org/10.1186/s13690-020-00402-5>

In everyday terms, people are feeling worse off. And not just because of more recent pressures, like high inflation caused by the pandemic and war in Ukraine. Figure 1 shows that the UK has recorded the second weakest productivity growth of the major European economies since 2010, a period that spans at least a whole decade during which the UK was fully inside the EU's internal market and customs union.

Figure 1

The UK has experienced the second weakest productivity growth of the major European economies since 2010

GDP per hour worked, 2010 = 100

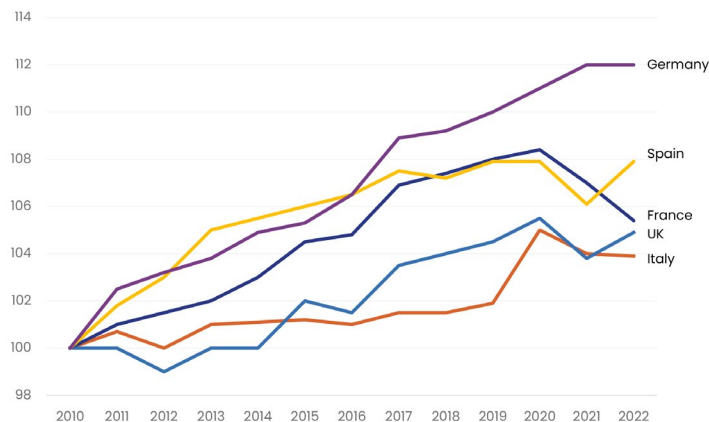


Chart: Ben Chu, BBC Newsnight/Twitter @benchu_ • Source: OECD • Get the data

Even before the global financial crash in 2008, the data shows the start of a marked decline in the UK's long-term trend rate of economic and earnings growth (Figure 2). An inconvenient truth, perhaps, is that British workers have become relatively poorer since at least 2005, when the first decade of stagnation, followed by the 'age of austerity', began.

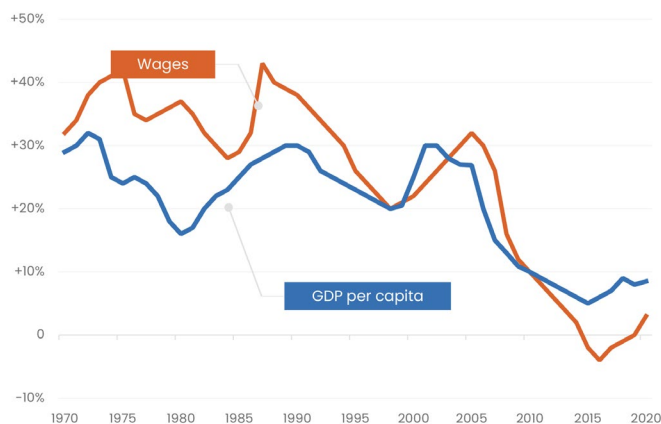
Indeed, it might be convenient for some commentators to try to align the UK's economic record more squarely with the various governments headed by different political parties since 1997.

The data does not support such a neat fit. UK public (deficit) spending started to increase, combined with the trend rate of growth falling by historical standards, about 5 years before Tony Blair and Gordon Brown left office.²

Figure 2

Workers in the UK started to become relatively poorer before the global financial crisis in 2008

Annual decadal growth rates of real wages and real GDP per capita: GB/UK



© The Economy 2030 Inquiry economy2030.resolutionfoundation.org

Notes: Rolling average of each variable in the three years centred on the date shown, compared to the three years centred on the date 10 years previous. For example, 2020 shows growth between 2009–2011. UK data for GDP, GB data for wages. Source: Analysis of Bank of England, Millennium of macroeconomic Data: OBR, Economic and Fiscal Outlook – March 2023; ONS, RDI; ONS, UK resident population.

² For a scholarly assessment of Labour's economic record in office, see: Sowell, N. (2011), *From Prudence to Profligacy: How Gordon Brown Undermined Britain's Public Finances*, Observatoire de la société britannique, (10), pp.77–93. Available at: <https://journals.openedition.org/osb/1136> (Accessed: 14 August, 2023).

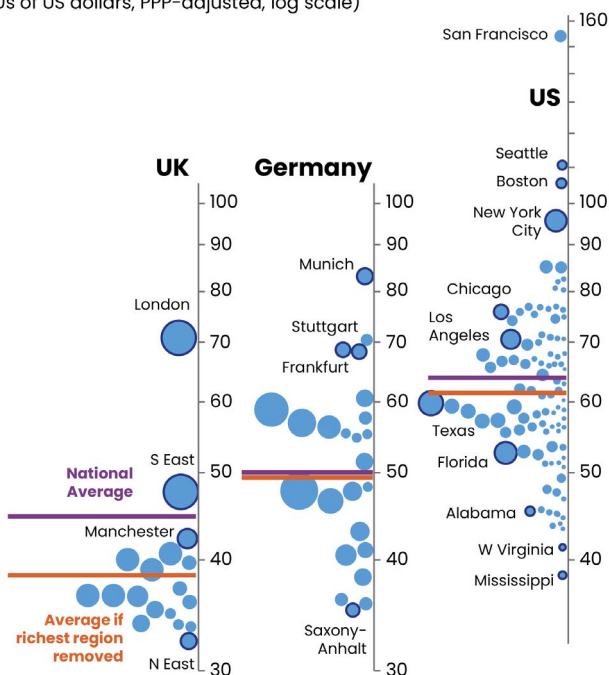
The UK's comparative decline in recent decades looks particularly stark when compared with economic regions once considered to be really struggling. For example, the *Financial Times* crunched the GDP per capita numbers at a sub-national level in August 2023 (Figure 2a), and concluded that when London is taken out of the data, the average Briton living outside the UK's capital city is worse off than the average resident of the USA's poorest state: Mississippi.

Figure 2a

Britain's economy is highly London-centric. Without the capital, the UK would be poorer per head than Mississippi.

Subnational GDP per capita

('000s of US dollars, PPP-adjusted, log scale)



Source: FT analysis of OECD regional accounts data FT graphic:
John Burn-Murdoch / @jburnmurdoch © FT

Economists now forecast that Poland and Slovenia – former communist countries – will be richer than the UK in 2030, when measured in terms of the spending power (US dollars) of individuals in the economy. While we must treat these statistical projections with caution, Figure 3 shows that Poland could be as wealthy as the UK in GDP per capita terms by the year 2030, on current trends.

Figure 3

Poland is forecast to be richer than the UK by 2030, although not as wealthy as Germany (2017, USD)

Data are in constant 2017 international dollars, which has the same purchasing power over GDP as the USD has in the United States.

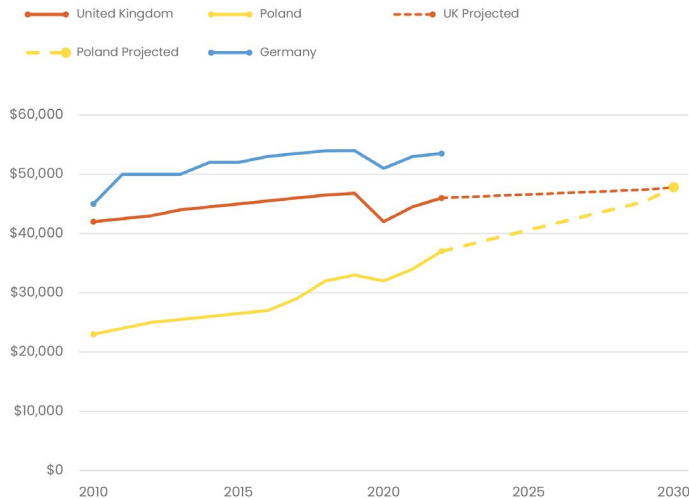


Chart: The Times and The Sunday Times – Source: World Bank



Why nations fail

The success of other societies tells us that economic decline and stagnation is not inevitable. Policymakers have an array of policy and fiscal choices to make, including what kind of institutions they choose to create, or lend their support to, in order to steer a course towards sustained economic growth and a rising tide of prosperity for all a country's citizens.

Brilliant economists like Douglass C. North, Daron Acemoglu and James Robinson remind us, in a cannon of research literature and Nobel Prize-Winning work, about the importance of ensuring the right institutional structures to support rising productivity:


*Nations fail today because their extractive economic institutions do not create the incentives needed for people to save, invest, and innovate. Extractive political institutions support these economic institutions by cementing the power of those who benefit from the extraction... The result is economic stagnation.*³

Of course, not all these problems with the British polity – low growth and sluggish productivity – can be put down to underperforming institutions and comparatively poor skills. But the escalator metaphor does help us to focus on whether various national skills strategies since the turn of the millennium have taken the country in the right direction.

We found no evidence to show government skills reforms have had a direct or positive impact on UK productivity levels

The evidence put forward in this report is that skills policy has largely failed to play a significant part in addressing many of the UK's underlying economic weaknesses. In the final part of this report, we explain how in many ways the situation has been exacerbated by a complex array of policy, funding

³ Acemoglu, D. and Robinson, J. A. (2012), *Why Nations Fail*, London: Profile Books, pp. 372–373.



and regulatory skills agencies that are, perhaps, not adding sufficient value to the overall mission of creating a world-class workforce.


To echo the work of Douglass North, they may even have become economically extractive institutions, getting in the way of growth and higher performance, instead of supporting it.

The main challenge facing policymakers is how to restore growth

It is why politicians and policymakers urgently need to ask: are we investing in the right kinds of skills training? What is the correct role for government working with the private sector in tackling the productivity challenge? Is the UK economic model too reliant on immigration as a means of growing national income? Is it desirable to shift the welfare system to a 'skills first' approach, whereby poor productivity hiring practices are discouraged? When will we see 'parity of resource' given to post-16 students not taking the traditional academic route? Should we be more focused on better quality of jobs, including more effective public sector reform to enhance productivity? Finally, what are the skills policies to improve the product strategies deployed by firms, to help boost the take home pay of everyone working in the country? We will return to these vital questions in the concluding part of this report.

Quality of jobs is critical

Following extensive in-depth interviews with 25 skills experts, one of the main conclusions we draw from our field work and data analysis is that we've been trying to secure economic growth by running up the skills escalator the wrong way. Too often, as a country, we've focused on growing the quantum of jobs in the economy, rather than improving the quality (and therefore the productivity) of existing jobs. In more recent times, we have particularly neglected those at the bottom of the qualifications pyramid and young



people below the age of 25 wanting an apprenticeship. It means public support for many on the skills escalator has increasingly started at RQF Level 5 and above in many instances, instead of ensuring that everyone can ride the skills escalator at the most appropriate jumping-on and jumping-off points.

The issue we start to explore further in this report is what running up the escalator the right way would look like. Crucially, how could we plot a smoother climb towards a better skills and productivity-enhancing system than the one we have now?


Listening to the views of skills experts, as well as employers

As part of the qualitative research for this report, we have started to explore whether current skills initiatives are really fit for the future. With a general election looming, it feels like the right time to be asking such important questions.

We decided not to interview employers directly for this research; the views of such a heterogeneous group, which includes 5.5 million UK firms and over 4 million self-employed individuals, are unlikely to be properly represented in a complex debate like this. In any case, employers enjoy access to an array of lobby groups and public professional bodies with which they can be more deeply involved. Moreover, it is not hard to read accounts of what employers think about the current skills system. For example, in August 2022, Federation of Awarding Bodies member, the Chartered Institute of Personnel and Development (CIPD), published a major report: *Employer Views on Skills Policy in the UK*.⁴

What has been neglected in recent years, instead, is research that seeks to understand the views of those who ultimately have to make the skills delivery system work

⁴ CIPD (2022). *Employer views on skills policy in the UK: an analysis of the effectiveness of the skills system and whether it meets current and future needs*. London: CIPD. Available at: <https://www.cipd.org/uk/knowledge/reports/employer-skills-view-uk/> (Accessed: 14 August 2023).




in the interests of all learners, the economy and wider society. Our interview sample included serving and former government policy advisers; post-16 representative bodies and sector leaders; as well as college principals and other senior awarding body and training provider executives. Our interviewees came at the subject with an informed, often direct line of sight to many of the policy and delivery challenges inherent in government skills initiatives. (For details of the interviewees, see List of interviewees)

A Whitehall culture of ignoring or obscuring expert advice

In other countries, educators and practitioners of work-based learning are often more central to policy design choices and deciding implementation issues. In the UK, policymakers are too often to be found simply ignoring the work and advice of education and skills experts. A notable example happened during the pandemic, when the celebrated educationalist, Sir Kevan Collins, was asked by the prime minister to advise on what support was needed to tackle the scourge of lost learning, caused by the multiple lockdowns and school/college closures for mainstream students. In the end, Sir Kevan's considered advice and costed proposals were rejected by Boris Johnson's government; and the so-called 'recovery Tsar' felt no other alternative than to resign.

The government adviser and author, Sir Michael Barber, was tasked by Jeremy Hunt, chancellor of the exchequer, to review the skills system in November 2022. At the time of writing, Barber's appointment and the public output of his work remains a mystery. He told one media outlet that he was working unpaid for a day a week, based at the Treasury. Despite the appointment being announced to Parliament, there are no public terms of reference available describing his work. Moreover, there is scant evidence of any wider consultation with interested parties, including educationalists and employers.



Transparency and accountability in public policy matters. In the end, it will be hard to measure the likely success of any proposals for improving UK skills and productivity, unless we can see more clearly what rationale and set of assumptions are being used to guide policy and action.

Main scope of this report


In this report, analysis is provided with reference mainly to policy developments in England. However, given the many similarities in post-16 delivery systems found elsewhere in the UK, there are some general lessons that are applicable throughout. It is fair to say that no one constituent part of the UK has yet solved the skills and productivity puzzle, so all policymakers – national and devolved – need to be better engaged in identifying the correct ‘skills problems’, as well as executing the right solutions.

In part 2 of the report, we look specifically at the diversity and divergence in skills policy making that has taken place in recent years as political devolution has gathered pace.

In describing the UK’s skills system as ‘running to stand still’, we are not suggesting that things have simply remained static over time. As discussed in part 1, the evidence indicates that a deliberate policy focus on increasing the supply of labour in recent years has helped boost participation for some groups, particularly for women and the self-employed. Moreover, the jobs market of today: including the role of gender stereotypes in gaining access to paid work; the prevalence of job insecurity and low pay within many of these precarious segments; is in many ways, quite different from the ‘5 giants’ that the Beveridge report was concerned with after the second world war.⁵

The issue is not so much an absolute decline in the nation’s skills base since 2000, or the idea we are poorer in absolute terms compared to a decade ago. Both assertions are

⁵ Jones, K. and Kumar, A. (2022). *The Five Giants, A New Beveridge Report: Idleness*. Newcastle: Agenda Publishing.



wrong. What matters is our relative economic position to other similar economies. And the public is bound to ask whether we have seen the kind of relative skills and productivity improvements that would tilt the UK towards a *high-growth, high-wage economy*.


The evidence in this report suggests that successive governments have comprehensively failed to reach this goal. Despite strong ministerial leadership, including the well-intended efforts of civil servants and delivery bodies, none of the fundamental metrics appear to have shifted in a significantly positive direction. In some cases, we found, the key metrics may have even gone backwards.

Of course, there are wider externalities and reasons for stagnating real incomes; we cannot simply link disappointing levels of GDP per capita growth to the efficacy of skills policy and government interventions alone.

However, the efficacy of skills policy and outcomes does matter.

No one would doubt that the senior executives of Kodak, Woolworth and Blackberry Communications did not do everything in their power to stop their companies sliding into obsolescence. And yet, we now know, with the benefit of hindsight, that consumers and major shifts in technology were far less accommodating of these iconic brands, particularly once customers had lost faith in them. In other words, leadership of any commercial or governmental system, including the overall strategy being pursued to define what success looks like, has to demonstrate it can deliver what consumers or citizens really want or need.

Our education, regulatory and skills institutions are no different. They are only as good as the positive outcomes they achieve. Later in this report, we discuss whether some of these institutions – particularly government skills quangos – may be doing more harm than good when it comes to the goal of securing a ‘world-class workforce’.



After decades of ‘policy hyperactivity’ in the education and skills arena, we believe now is a good time to look critically at the contribution that post-16 tertiary education reform has played in helping boost the real incomes, qualification levels and living standards of ordinary citizens.

In part 2 of this publication, we report back on qualitative interviews with people who have led England’s skills system to some extent or another since 2010.

At a micro-economic level, we know that individuals benefit from qualifications and workplace training. Numerous studies have shown this to be the case, particularly for lower-level vocational and intermediate qualifications.⁶

Yet, despite a whole raft of ‘skills reforms’ since the start of the millennium, we have to ask why so many of these interventions – most obviously at the macro-economic level – appear to have been negligible in tackling the country’s deep-seated economic and skills challenges.

After all, it is not for want of trying.


Every major skills review since 2004 has been a missed opportunity

Since the *Leitch Review of Skills* in 2004, the UK government and devolved administrations, under different political parties, have passed several pieces of legislation aiming to create a ‘world-class workforce’.

Lord Leitch, backed by the Treasury, set the goal of doubling all levels of attainment in the workforce: ‘becoming a world leader in skills by 2020, benchmarked against the upper quartile of the OECD’.⁷

⁶ Department for Business, Innovation and Skills (2011). *Returns to Intermediate and Low Level Vocational Qualifications: BIS research paper number 53*. London: HMG, Department for Business, Innovation and Skills. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32354/11-1282-returns-intermediate-and-low-level-vocational-qualifications.pdf (Accessed: 14 August 2023).

⁷ Leitch, S. (2006). *Prosperity for all in the global economy – world class skills*. London: Leitch Review of Skills, Her Majesty’s Treasury. Available at: <https://www.gov.uk/government/publications/prosperity-for-all-in-the-global-economy-world-class-skills-final-report> (Accessed: 14 August 2023).



As we outline in part 1, the ONS data shows that after nearly two decades since Leitch, the UK has only managed to attain ‘upper quartile’ status among OECD countries in terms of workers holding Level 6 and above qualifications. For intermediate and lower-level qualifications, we continue to languish in the bottom half of advanced nations.

In other words, we are *skills laggards* when it comes to the impact of our skills policies, not world leaders, in the OECD sense of the term.

Of course, policymakers in 2006 could not foresee that 2020 would coincide with a massive contraction in both the British and global economies due to the COVID-19 pandemic. Not since the Great Frost of 1684, when famously the Thames froze over, has so much UK output been lost in a single year. Unprecedented external supply-side shocks of this nature will take some time to recover from.

Educational attainment since the pandemic has been significantly damaged by lost learning.⁸ Supply chains have struggled to recover. The war in Ukraine and concerns about ‘security of supply’ at home have fed into persistent levels of inflation, as has more trade friction at the border, now the UK has left the European Union. Some economists are concerned that these external supply-side shocks are turning into a wage-price spiral, with Britain currently recording one of the highest inflation rates in the G7.

Notwithstanding some of the one-off external shocks of the pandemic, it’s now apparent that most of the 2006 Leitch targets were missed.

⁸ Betthäuser, B.A., Bach-Mortensen, A.M., and Engzell, P. (2023). *A systematic review and meta-analysis of the evidence on learning during the COVID-19 pandemic*, Nature Human Behaviour, 7(3), pp.375–385. Available at: <https://doi.org/10.1038/s41562-022-01506-4> (Accessed: 14 August 2023).

The impact of schools reform is more positive

Despite this fact, there is some positive evidence that the skills escalator did progressively shift higher in recent years. Indeed, counter to the prevailing narrative, our analysis of ONS data finds that those with no qualifications in the workforce have been significantly reduced, with the real incomes of those at the bottom of the skills escalator largely protected (after inflation) by improvements in the national minimum wage and increases in the personal tax allowance.

Other positive data suggests decades of education reform in schools is starting to pay off, by ensuring that fewer young people enter the workforce with no qualifications compared with previous generations. Similarly, the number of educational establishments for 5- to 19-year-olds rated good or outstanding has increased from 68 per cent in 2010 to 88 per cent in 2022. On school performance measures in maths and reading skills, the UK is ranked higher in international league tables compared with a decade ago. The teaching of phonics in primary schools is a particular curriculum success story.⁹

Improvements like this in the compulsory education system act like the equivalent of a country's human capital endowment, because the attainment of school pupils should eventually translate into better, more adaptive individuals in the workforce.

The challenge for education policymakers is that these changes can take decades to show any real impact. And better school attainment, including improvements in examination results, will not in themselves achieve the growth in *GDP per capita income* that the current sluggish productivity numbers indicate the country so obviously needs.

⁹ Education Endowment Foundation (2021). *Phonics*. Available at: <https://educationendowmentfoundation.org.uk/education-evidence/teaching-learning-toolkit/phonics#:~:text=Phonics%20approaches%20aim%20to%20quickly.or%20combinations%20of%20letters> (Accessed: 14 August 2023).

Fatigue among education professionals

We talk in this report of the concept of ‘running to stand still’, therefore, it is *systemic failure* to address these fundamental productivity issues that has ultimately resulted in a collective feeling within the skills system, at least, of running up an escalator the wrong way.


As a result, many professionals in the post-16 sector feel a sense of personal and institutional fatigue. Reforms have kept coming at a barrelling pace, yet the medicine being prescribed does not always have the desired effect. The government’s approach to qualifications reform in England is an obvious case in point. More than four-fifths (86 per cent) of the FE and skills sector, in responding to the government’s plans to defund thousands of vocational and technical qualifications at Level 3 and below, disagreed with the approach to removing funding approval for qualifications that overlap with T Levels.¹⁰

Productivity really matters, because it is the DNA of any market-orientated society: of the free exchange of workers, goods, capital and services. Higher productivity is the only material way an economy – and its people – can improve living standards over time. Higher living standards help create larger tax receipts, meaning government can invest in public services and keep the overall tax burden low.

The unique power of government to convene a coalition

Government has at its disposal the power to convene the interested parties who make up the productivity matrix. No one specific set of interests or a single government department can deliver improvements in productivity without the active cooperation of educators, workers and

¹⁰ Department for Education (2021). *Review of post-16 qualifications at Level 3 in England Government consultation response*. London: Department for Education. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004610/Review_of_post-16_qualifications_at_level_3_in_England_government_response.pdf (Accessed: 14 August 2023).



firms. Similarly, the government will be unable to deliver on its skills ambitions without utilising the whole expertise of the post-16 skills ecosystem, which includes FE providers and awarding organisations.

Through targeted legislation and well-designed policies, government can provide the right enabling framework in which employers, educators and individuals can act. A question discussed in the concluding part of this report is therefore how a future government might try to improve the existing skills policy framework, for the benefit of all UK residents.

A relentless pursuit of prosperity cannot only help a country get closer to the 'good society' that all politicians say they want to create, but growing prosperity is also what gives individuals the spending power to make their own choices about how they wish to live. All this is possible, even as advanced economies like Britain look to make a 'net-zero' transition by the middle of this century.

Avoiding a situation where the skills and growth escalator seizes up

When a country experiences weak skills performance, sustained poor business investment and the high burden of personal taxation, the escalator of opportunity and prosperity starts to seize up.


The stark choice facing policymakers is whether we continue to make hard work of solving the productivity puzzle by running up the skills escalator the wrong way, or whether we seize the moment and accept that after more than three decades of top-down approaches to skills policy design and implementation – that such approaches have largely failed to shift the dial of the UK's relative economic and skills-based performance.



Structure and main summary of the report

Part 1 examines the statistical evidence for the changing employment and skills mix in the UK economy, including the observed impact on productivity. Our research finds that the key policy driver of growth in the last 15–20 years has been achieved by increasing labour supply, which has added to national income and tax receipts. One of the other main drivers of this growth in Britain since 2000 has been large-scale immigration. Conversely, the evidence shows how the UK's underperforming economic growth has not been matched by increases in productivity, GDP per capita income growth. International evidence shows other countries catching up and eventually forecast to surpass the UK's standard of living, unless more effective measures to boost per capita income growth are adopted. We show how the picture of wage stagnation relates to nearly all qualification attainment levels, with only the lowest paid on national minimum wage and pensioners being afforded some protection since 2015. The data suggests a limited financial return to Level 4 (intermediate) qualifications compared to Level 3 (A Level) equivalent qualifications, although this observation requires more in-depth analysis. Evidence of skills and labour shortages, including record level vacancies, points to the UK jobs market remaining tight for some time. Inevitably, this will place upward pressure on the use of migration to fill labour shortages. The observation of working age inactivity levels being higher than they were prior to the pandemic, particularly for the over-50s, will continue to result in contested debates about the efficacy of UK active labour market policy and the welfare system.

Part 2 brings together the views of policymakers and practitioners who spoke to us as part of this research. To ensure an open and frank assessment of views, we have reported what interviewees anonymously told us. In summary, the overall ambitions of previous skills policy reviews have not yet been fully realised. Their realisation would be supported by fully exploring the




details of implementation at the design phase; doing more background work to ensure the appropriate lever is selected to meet an ambition; responding to external reviews within a reasonable timeframe; ensuring appropriate levels of investment; and building in monitoring and evaluation to policy implementation to ensure that progress is kept under continuous review, and that improvements are built in where necessary.

Part 3 further builds on the views of experts by looking ahead at some of the key policy issues facing the next government. We know that the current prime minister, Rishi Sunak, must seek an election before January 2025, when the legal term of this Parliament will end. Whichever political party (or parties) forms the next UK government, they will inherit challenging economic circumstances that will test to the limit the degree to which the skills system can begin to operate as a properly functioning escalator of per-capita income productivity growth. Based on our research findings, the next government will need to address a number of areas.

These include a pragmatic recognition of systemic complexity, and a move towards treating it as a whole skills ecosystem, rather than a set of individual parts. Expertise within government will need building up and protecting, and the culture shifting to being a higher trust, more open one. This change in culture should allow for greater cross-departmental collaboration and should bring sector experts into policy discussions from their inception. These sector experts are not just employers. They include providers, sector bodies, academics, education specialists and community representatives. More open engagement would also help ensure that incentives and behaviours linked to policy implementation have received full consideration at the design stage.

Monitoring, evaluation and learning needs embedding within the process of policy implementation; this means looking beyond targets to outcomes, impact and a fuller assessment of effectiveness. It also means having mechanisms in place



to ensure continuous improvement and allowing time for initiatives to embed before a new cycle of wholesale change. Solving or reducing the data burden attached to regulatory architecture is another priority, as it currently removes the focus of institutions from learners and developing their skills. Better joining up of systems can go some way to resolving the data issue.

While some level of qualifications streamlining seems sensible, current reform proposals are detrimental to learners and the wider sector in both their scale and timeframes. A long view of skills policy is needed to support productivity and get the skills escalator functioning effectively. This longer-term perspective should account for future labour market requirements and likely skills gaps; the aspiration and encouragement of a more political consensus would allow planning beyond election cycles. Finally, the FE workforce is the system's linchpin, and it requires urgent investment in better pay, development and recognition.

Part 4 concludes by looking ahead briefly to the next UK general election. It is beyond the scope of this report to write detailed policy recommendations for potential inclusion in party manifestos. However, there are a number of 'pinch points' that any incoming UK government will need to address in the skills policy arena, including the extent to which it can build on the framework legislation passed in this current Parliament, which includes the Skills and Post-16 Education Act 2022; and the Lifelong Learning (Higher Education Fee Limits) Bill, at the time of writing, still under consideration.



Part 1:

MIND THE SKILLS GAP

Tom Bewick

In a high-inflation, low-growth, stagnating economy


As the UK emerges from a global pandemic, economists are asking why some countries are coping with rising inflation better than others. As international just-in-time supply chains were heavily disrupted, all advanced countries have experienced significant skills and labour shortages.¹¹ In this part of the report, we look in some depth at the data on skills and productivity performance of the UK economy in recent decades.

Some commentators are quick to blame the UK's economic challenges on the end of free movement of labour with the EU. However, subjecting these claims to closer scrutiny, the argument largely falls apart. Under the UK's post-Brexit points-based immigration system, legal migration has soared to record levels, particularly immigration to Britain from the rest of the world, outside the European Economic Area (EEA).

Immigration remains a key driver of the UK's workforce

Despite concerns that Britain would turn its back on the valuable contribution managed immigration can make to society, the evidence does not support the argument of UK insularity. Since freedom of movement with EEA countries ended in December 2020, more than 5.6 million applications for pre- and settled status have been endorsed by the Home

¹¹ European Commission (2022). *Employment and Social Developments in Europe 2022*. Brussels: European Commission. Available at: <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&furtherNews=yes&newsId=10619> (Accessed: 14 August 2023).



Office, including half a million approved applications of non-EEA nationals related to the scheme.¹²

The settlement scheme figures are more than twice the number of EEA nationals said to be living and working in the country at the time of the 2016 EU referendum, bestowing some embarrassment on population forecasters at the Office for National Statistics (ONS), who were clearly way off at the time in their own survey-based calculations. Perhaps a more accurate figure to use, because it relates directly to payroll employment, is the issuance of National Insurance numbers given to non-UK nationals applying from overseas. Statistics available for the year ending March 2023 show that 1.1 million National Insurance numbers were issued to inbound overseas nationals, the highest on record since the data series was first collected in 2002.

The government, with advice from the independent Migration Advisory Committee (MAC), has sought to meet employer concerns about labour shortages by adding new roles to the official Shortage Occupation List (SOL). The majority of roles on the list relate to health, education and social care occupations. The list contains some STEM roles and shortage occupations in skilled trades, such as construction and engineering. Even with anaemic UK economic growth, the list has grown in recent months, with the recent addition of care workers and home carers. The debate about the scale and impact of migration to the UK will continue to be a politically charged issue. In the skills policy arena, the debate matters. Where we see employers and sectors on a mass scale recruiting from overseas, it begs the question of why some of these roles are not more accessible for up to 1 in 5 of the UK working population who find themselves on out-of-work benefits?

¹² Home Office Official Statistics (2022). *EU Settlement Scheme quarterly statistics, December 2022*. Available at: <https://www.gov.uk/government/statistics/eu-settlement-scheme-quarterly-statistics-december-2022/eu-settlement-scheme-quarterly-statistics-december-2022> (Accessed: 14 August 2023).

The UK's positive employment record has not been matched by increases in output per hour worked

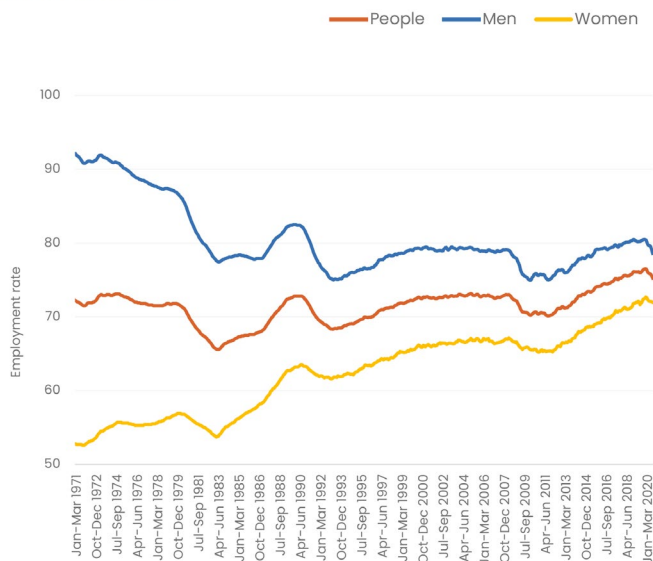
We are witnessing, it seems, a systemic mismatch between demand – the high number of vacancies available – and the lack of opportunity (or sometimes, perhaps, of will) of some UK residents to train for these jobs.

To this end, the UK remains an outlier, compared with other countries, because aggregate labour supply among the domestic workforce is yet to recover fully to its pre-pandemic levels.¹³

Figure 4


UK employment rate aged 16–64

From 1971 to date



Derived from ONS labour market spreadsheet: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguidetolabourmarketstatistics#employment>

¹³ See: Department for Work and Pensions (2023). *National Insurance numbers allocated to adult overseas nationals to March 2023*. Available at: <https://www.gov.uk/government/statistics/national-insurance-numbers-allocated-to-adult-overseas-nationals-to-march-2023> (Accessed:15 August 2023).



As Figure 4 shows, in employment terms, the UK economy has grown over the last 10 years. This growth has taken employment rates outside the range known since 1971.


As we can see, the employment rate¹⁴ growth represents a combination of different trends for men and women. Compared with the 1970s, male employment is down by over 10 percentage points. This comprises both positive and negative elements – the significant increase in tertiary education participation since the late 1980s means many fewer 16- to 24-year-olds are in full-time employment, while among prime age and older men, there has been a substantial growth in long-term sickness and disability. For women, the growth in employment rates has barely been interrupted by successive recessions. This is associated with a corresponding fall in the proportion whose main activity was looking after family and home.

Over the period since 2010, employment numbers and rates have risen. But, at the same time, productivity has almost flatlined. We can put this down to the fact that the real story of economic growth this past decade in the UK, fuelled by record levels of immigration, has been one based on what economists term the ‘extensive margin’ – growth in numbers of workers (and hours worked), rather than the value produced per hour worked – the ‘intensive margin’.

Firing on one cylinder? National income versus better take home pay

In policy terms, the Treasury has been content to see growth in the extensive margin; it adds to national income and helps boost the supply side in the labour market of working-age adults, who can then support public services via the taxes they pay into the exchequer. The flip-side of this economic orthodoxy is that policymakers have largely failed to enact measures to increase the real take-home pay of most

¹⁴ The employment rate is the proportion of people aged 16–64 who are in employment (including self-employment). Source: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguidetolabourmarketstatistics#employment>. Accessed 24 October 2023



individual workers over this period, when the total labour pool was increasing in size.

One significant exception to this general rule of overall wage stagnation can be found in the protections afforded to the very lowest paid, with real-term increases in the National Minimum Wage (NMW) and, via the 'triple lock' policy, increased support for people of state retirement age relative to inflation and median earnings. Moreover, despite the received wisdom being that the low paid always tend to get fewer formal training opportunities compared with wealthier peers (which on the whole they still do, according to labour force survey data), the decline in training since 2003 for all groups employed by firms has not been as acutely felt for workers at minimum wage levels in the economy as it has for higher-paid groups.¹⁵


A complex recovery from the pandemic

Further analysis of ONS data shows a complex labour market picture since the post-pandemic recovery began. The success of the furlough scheme meant the jobs market bounced back strongly, with headline unemployment rates getting close, at one point, to the Keynesian definition of full employment.

At a more granular level, the statistics show a very uneven recovery. In most regions of the country, economic inactivity among 16- to 64-year-olds has increased; the opposite has been the case in London. Similarly, real earnings growth has continued to struggle in most parts of the UK since 2019, except the capital. Here, real wages are expected to be 7 per cent higher than they were at the start of the pandemic, according to analysts at the National Institute for Economic and Social Research (NIESR), compared with 5 per cent lower in the West Midlands region of England.¹⁶

¹⁵ Slaughter, H. (2023). *The Resolution Foundation Labour Market Outlook – Quarterly Briefing*. London: Resolution Foundation. Available at: <https://www.resolutionfoundation.org/app/uploads/2023/04/Labour-Market-Outlook-Q1-2023.pdf> (Accessed: 14 August 2023).

¹⁶ Race, M., (2023). *Warning UK set for five years of lost economic growth*, BBC News, 9 August. Available at: <https://www.bbc.co.uk/news/business-66436792> (Accessed: 14 August 2023).



Between November 2022 and January 2023, 412,000 more people aged 16 to 64 were economically inactive compared with January to March 2020, before the pandemic.¹⁷

Inactivity has been mainly driven by the over-50s, many of whom have found themselves reclassified as long-term sick. Interestingly, older workers inactive due to long-term sickness are smaller in number (137,700) than the over-50s (154,400) who have brought forward their plans to retire early. These individuals may be using occupational pension schemes and rising interest rates on savings to afford a more comfortable retirement.

Whether these early retirees will ever return to the UK workforce remains a moot point.

Productivity, stupid

Figure 5 shows that between 1971 and 2007, growth in productivity was approximately a straight line – about 2.1 per cent per annum. Since the global financial crisis, there has been some growth, but at a much slower rate.

ONS data shows that UK GDP per capita grew by 40 per cent between the first quarter of 1993 and the first quarter of 2008. Since that time, GDP per capita has grown by under 4 per cent.¹⁸ It is a key reason why many workers not only feel poorer, they *are* poorer by historical standards.

The picture looks even more stark when you look at earnings of the ‘boomer generation’ (born between 1946 and 1964) compared with younger generations, such as millennials, who are now a growing proportion of the prime age workforce. In the United States, one study found that people born in the 1990s may be earning up to 20 per cent less than their parents were at the same age, and with

¹⁷ Parliament, House of Commons (2023). *Why Have Older Workers Left the Labour Market?* London: House of Commons. Available at: <https://commonslibrary.parliament.uk/why-have-older-workers-left-the-labour-market/> (Accessed: 14 August 2023).

¹⁸ Office for National Statistics (2019). *Gross domestic product (Average) per head, CVM market prices: SA*. Available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ihxw/pn2> (Accessed: 14 August 2023).

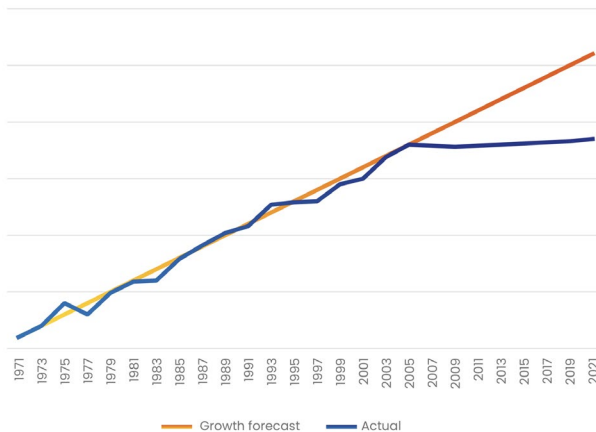
higher-level qualifications.¹⁹ In all advanced economies, income and wealth are unevenly spread. And, as with previous generations, the data also shows not all millennials were born equal.²⁰

We can be a lot more certain that if the 1971 to 2007 trend rate of growth of the UK had continued to the present, each hour worked would have produced almost 30 per cent more in value (Figure 5).

Figure 5

UK productivity growth since 1971

With trend continuation from 2008 onwards



¹⁹ Cramer R., Addo F., and Campbell, C. (2019). *The emergent millennial wealth gap*. Washington D.C.: New America. Available at: <https://www.newamerica.org/millennials/reports/emerging-millennial-wealth-gap/>. (Accessed: 14 August).

²⁰ Fernholz, T. (2023). 'Millennials are just as wealthy as their parents', *Quartz*, 24 February. Available at: <https://qz.com/millennials-are-just-as-wealthy-as-their-parents-1850149896> (Accessed: 14 August, 2023).

The great wage stagnation

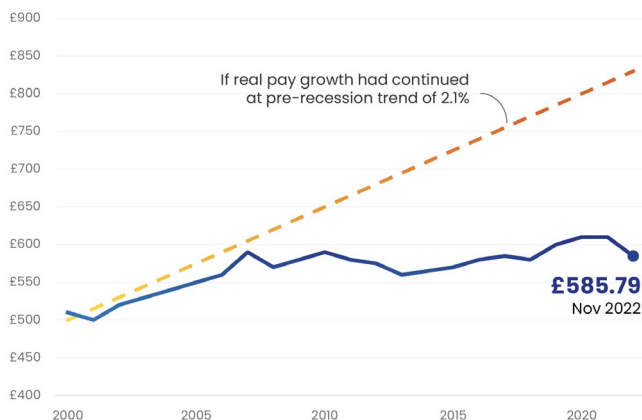
In take home pay terms, it means that since the global financial crash, British workers are about £11,000 worse off – a period of unprecedented wage stagnation – according to research by the Resolution Foundation.²¹

Figure 6 shows just how far weekly average earnings in Great Britain have fallen behind where they would be now, had real wage growth continued at the historic average rate per annum of 2.1 per cent growth.

Figure 6

Wages have stagnated since the 2008 recession

Average weekly earnings (regular pay), adjusted for CPIH inflation, Great Britain



Guardian graphic. Source: Resolution Foundation

²¹ Rawlinson, K. (2023). 'UK Workers £11,000 worse off after years of wage stagnation – Thinktank', *The Guardian*, 20 March. Available at: <https://www.theguardian.com/business/2023/mar/20/uuk-workers-wage-stagnation-resolution-foundation-thinktank#:~:text=Workers%20in%20the%20UK%20are,according%20to%20the%20Resolution%20Foundation> (Accessed: 14 August 2023).

Qualifications matter to productivity

How does this productivity picture unfold when we look at it through the specific lens of the formal qualifications held by workers in the UK?

First of all, the demand side of the British economy can be represented, in terms of quantity, by the number of hours worked. ONS data provides hours worked by people at different qualification levels. It is usually presented statistically in terms of academic qualifications, but here they are mapped to RQF levels.²²

Levels 7 to 8 (higher degrees) include qualifications above first-degree level, and so include the PGCE qualification held by many teachers, as well as Master's and Doctoral level qualifications. These qualifications include those gained overseas, where ONS has used equivalences to identify appropriate UK style bandings.

Figure 7 shows that hours worked by those holding qualifications at Level 6 and below have either fallen or been flat since 2000. The pandemic produced bigger effects on hours worked than on employment (because of the furlough scheme), which is clearly visible in the chart above.

However, the patterns for individual qualification levels are not very visible here, so Figure 8 shows these in line form. The chart does not include the Level 7 and 8 group, which cannot easily be represented on the same scale as the others.

Figure 8 shows that hours worked by those with no qualifications and those with Level 2 have been falling over the period. Level 3 and Levels 4 and 5 were higher. Level 3 was slightly down over the period and Level 4–5 slightly up, having recovered following a post 2010 drop. The low level and fall post 2015 of hours worked at Level 6 is probably due to the increasing prevalence of post-degree qualifications (putting people into the Level 7–8 category).

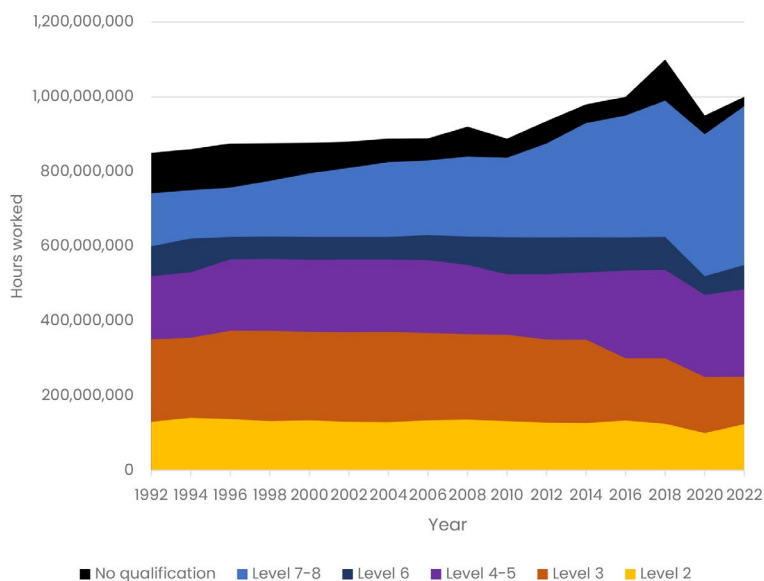
²² Benson, J., (2015). 'Explaining the RQF: the Ofqual Blog', *Ofqual*, 1 October. Available at: <https://ofqual.blog.gov.uk/2015/10/01/explaining-the-rqf/> (Accessed: 14 August 2023).

Figure 7

Total hours worked in the UK, by qualification level (ONS compositionally adjusted labour input)

Total hours worked in the UK, by qualification level

ONS compositionally adjusted labour input

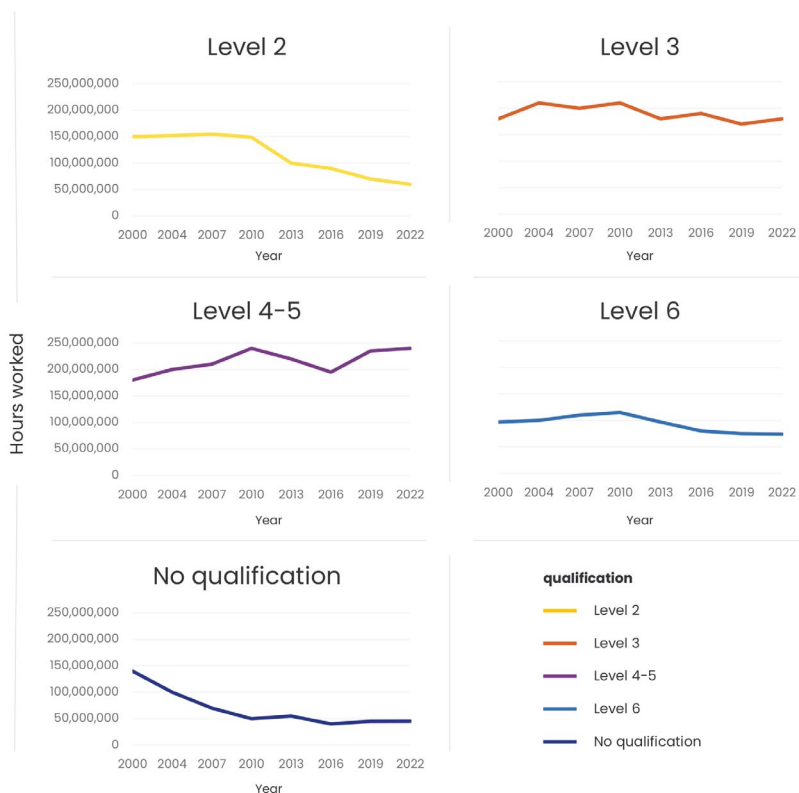


Analysis by Paul Bivand of ONS Labour Force Survey data supplied by UK Data Service

Figure 8

Total hours worked in the UK, by qualification level

ONS compositionally adjusted labour input



Analysis by Paul Bivand of ONS Labour Force Survey data supplied by UK Data Service

Graduate level pay has been more adversely affected


The same dataset from ONS calculates the relative market value of these qualifications. To make these more comprehensible, the chart represents the hourly pay figures converted to annual pay levels using the ONS average weekly earnings figures (inflation adjusted, but in 2015 pounds sterling prices). Because the workforce composition has changed, average earnings climbed in qualification terms, from close to the Level 4 to 5 average up towards the Level 6 average.

Each successive higher qualification level has a gap in average earnings on the next lower one, but these gaps are not static. The growth in the quantity of Level 7 to 8 workers and hours has seen average pay drop back (adjusted for inflation). There was a similar drop back in first degree level (Level 6). The pattern for Level 4 to 5 is similar, at a lower level.

Qualifications below Level 4 can deliver productivity, progression and better pay

Evidence shows that qualifications below Level 4 have seen improvements in real pay. Some of the changes are likely to be impacted by changes to the National Minimum Wage (NMW), affecting the average, by what statisticians describe as compressing the low end of the distribution for affected groups. Nevertheless, our analysis of ONS data complements other studies, which show a substantial return on public investment in qualifications traditionally offered by the FE and skills sector, including the findings of a report by the Social Mobility Commission, published in February 2023, which looked extensively at the labour market value of higher and further education qualifications.²³

²³ Social Mobility Commission (2023). *Labour market value of higher and further education qualifications: A summary report*. London: Social Mobility Commission. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1135591/Labour_market_value_of_higher_and_further_education_qualifications.pdf (Accessed: 15 August 2023).



Evidence-based findings of this nature are important in the skills policy debate, especially when the current narrative espoused by some ministers and senior civil servants in Whitehall seeks to denigrate many vocational qualifications below Level 3 as 'low-value'. These findings, in particular, do not align with ministers' plans to replace many tried-and-tested qualifications with own-branded (government owned) offerings, such as T Levels. If the current catalogue of qualifications were really not delivering for individuals and employers, we would expect to see this show up more profoundly in the data. Despite ministerial concerns about so-called 'rip-off' higher education courses, the data unequivocally shows that for an individual qualified at Level 6 and above, it is still the best way to secure an income above the UK's average salary.

The average pay premium of Level 6 qualifications (above Level 4-5 qualifications) remains the highest pay premium of the qualification levels. This is, however, followed by the pay premium of Level 2 qualifications over no qualifications (including Level 1 qualifications), which remains substantial. These are averages, so there is a wide variation within the rates of return to specific qualifications for specific people within each category. There will be overlaps between the returns to qualifications between different levels. Some rates of return (on average) are also affected by poor data on self-employed earnings and by high risk/return variation within a group – professional sports and creative arts/music are affected by both of these. In fact, the returns on some qualifications at Level 4 and below may be adding more value in earnings terms than specific qualifications at degree level.



Qualifications are still the best route to rewarding pay and career progression

Figure 9 presents the ONS data for real earnings related specifically to qualification levels. It suggests the so-called ‘wage premium’ of obtaining a Level 4 or 5 qualification over a Level 3 qualification is now so low that it calls into question a central plank of the current government’s focus on higher technical qualifications at Levels 4 and 5. Indeed, one of the main arguments for investing so heavily in HTQs, as well as expecting these students to finance them using a Lifelong Loan Entitlement (LLE), is the concept of securing significant wage premia by pursuing this type of qualification.

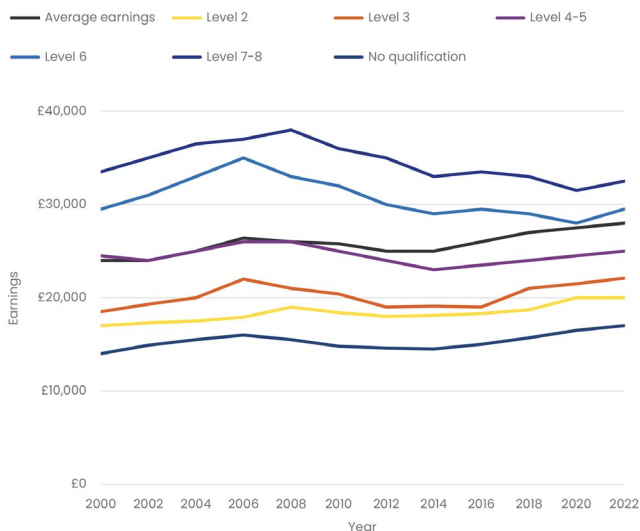
Granularity in judging qualifications matters

At this juncture, it is important to stress that a more detailed analysis of the returns of particular qualifications may change this assessment, as our method is based on a whole workforce analysis, rather than the return over a 10- to 15-year period, for example, of gaining a specific type of Level 4 and 5 qualification. Furthermore, it is important to highlight that some HTQs are completely new to the qualifications marketplace, so we will not know their real ‘valued added’ perhaps for quite some time.

Figure 9

Average earnings by qualification level from 2000–2020

ONS compositionally adjusted labour input



Analysis by Paul Bivand of ONS Labour Force Survey data supplied by UK Data Service

On the whole, immigrant workers are better qualified than the UK-born

Another feature of the UK's qualifications pyramid is that higher qualifications at both Level 4 and 5 and Levels 7 and 8 are more likely to be supplied by migrants in larger proportions than their average share in the population would suggest. Figure 10 shows that UK-born workers are more concentrated at Levels 3 and 6 (applied general VTQ and first-degree equivalence) in the workforce.

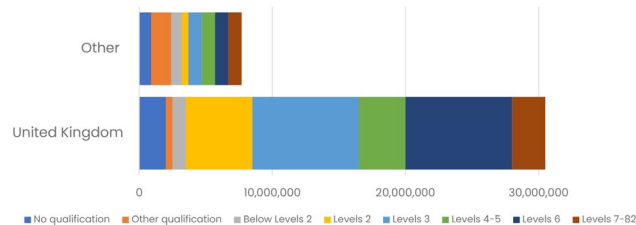
However, the extent to which these observations are simply a feature of differently organised education systems in these countries is hard to determine from the data analysed here. For example, one feature of the skills escalator in England is that at 18, about half of the cohort jumps off at Level 3, while the other half proceeds into higher education studying at Level 6. Moreover, many continental education and apprenticeship systems, where EEA workers coming to the UK would have been educated, tend to hold onto students for a longer period past the compulsory schooling phase; and, in general, have more advanced systems of technical education, including apprenticeship targeted at younger people than is evident across the UK.

Figure 10

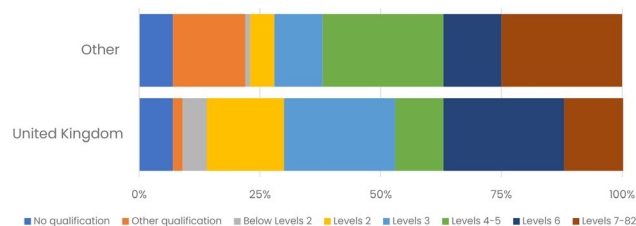
Qualifications of the UK population by country of birth

UK, January–March 2023

Counts



Per cent



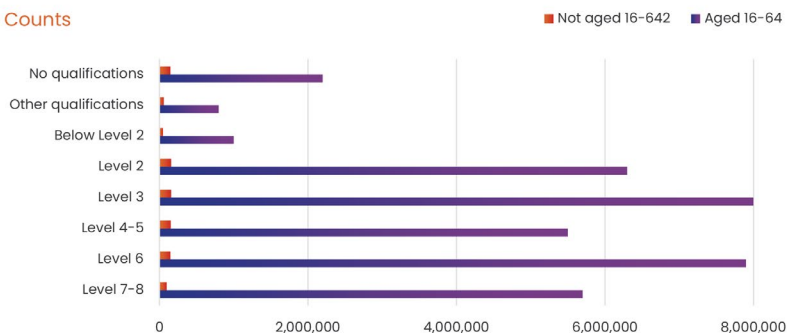
Analysis by Paul Bivand of ONS Labour Force Survey data supplied by UK Data Service

Figure 11

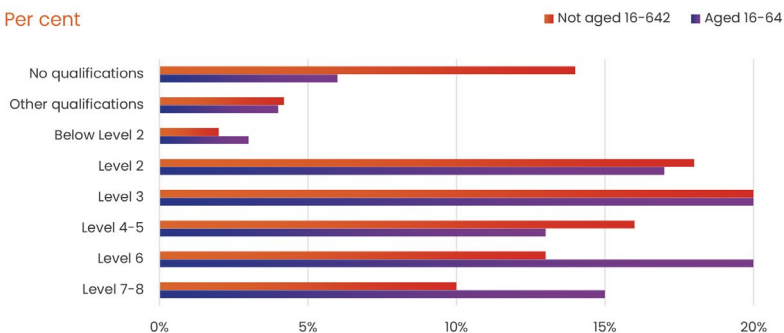
Qualifications of UK population aged 16–66

UK, January–March 2023

Counts



Per cent



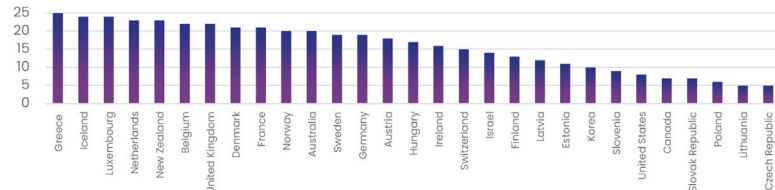
Analysis by Paul Bivand of ONS Labour Force Survey data supplied by UK Data Service

Figure 12

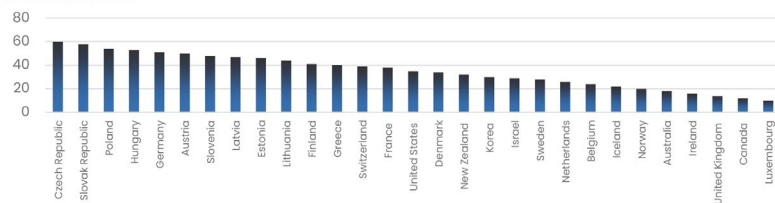
Qualifications of selected OECD countries

Qualifications of the 25–64 population

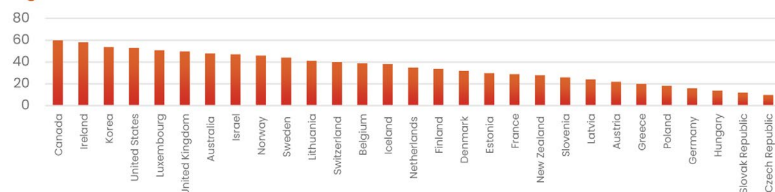
Low




Intermediate



High



OECD Education at a Glance 2022



In 2006, the *Leitch Review of Skills*, published by the Treasury, set out a clear course for the UK to be in the top quartile of OECD nations, at all attainment levels, by 2020.

Our analysis shows that all the Leitch targets were missed, except the higher education participation aspiration target, of 50 per cent of young people below the age of 30 studying for a degree (RQF Level 6). Here, the UK ranks 6th place out of 30 countries, according to *OECD Education at a Glance*. The shift from Level 2 to Level 3 in the workforce (not just newly qualified people) was the largest gap, leading to the very high proportion classified by the OECD as Low skilled (which includes Level 2).

Notwithstanding the favourable reduction of those in the UK workforce with no qualifications in recent years (due mainly to improvements in school standards over time), Figure 12 provides OECD data for qualification attainment levels at the low, intermediate and higher levels.

Some caution is needed in interpreting these statistics; qualifications are not necessarily equivalent across different countries, and not all OECD countries in the charts have devised comparable qualifications frameworks, such as the UK's RQF or the European Union's EQF. OECD uses the international version (ISCED) in which 'high' levels are roughly equivalent to Level 4 and above, 'intermediate' to Level 3, and 'low' levels to Level 2 and below. It is worth noting that the target is always moving, as other countries are trying to improve their skills base as well.

However, what the data does reveal is that the UK remains, nearly 2 decades on from the Leitch Review, a *skills laggard* – or third from bottom in the OECD according to the number of intermediate skills in the workforce. And the UK's high proportion of lower-level qualifications places the UK in the top quartile (7th place) out of 30 countries included in the study (2022), a sign of low performance.

UK skills gaps and shortages

The Employer Skills Survey (ESS) is the most comprehensive analysis of skills gaps and shortages available to policymakers anywhere in the world, according to the Department for Education in England. It is based on over 86,000 telephone interviews with employers across the UK, including devolved areas within England.²⁴ It is a very useful tool for government and public bodies when deciding the Shortage Occupational List (SOL), held by the Home Office, or for guiding the skills policies and targeted interventions of central and devolved governments.


Because it is the only comprehensive survey of its kind that has run biennially since 2011, the ESS provides analysts with longitudinal data which shows skills gaps and shortages are a persistent issue, as reported by employers, in every single survey since inception.

For example, ESS 2019 found that while the number of skills shortage vacancies were slightly down on ESS 2017, the number of hard-to-fill vacancies had become increasingly concentrated in areas like construction and manufacturing. Moreover, some occupations in skilled trades and professional, caring and leisure services also reported increasing difficulty with hiring people with the right skills since 2017.

Impact of skills shortages on hospitality

Figures 13 and 14 provide the most recent account of businesses reporting a shortage of workers, as well as the record vacancy rates in the economy that we have seen since the UK emerged from the pandemic. One of the areas to see the most severe shortages since COVID-19 related lockdown measures ended, has been the hospitality sector,

²⁴ Department for Education (2023). *Employer Skills Survey 2019: Official statistics on vacancies, skills gaps and training*. London: HM Government (excluding Scotland). Available at: <https://www.gov.uk/government/statistics/employer-skills-survey-2019> (Accessed: 15 August 2023). The next ESS, covering data collected over the pandemic and after the UK formally left the EU, is scheduled for publication before the end of 2023.



with some economists putting shortages down to EU workers going home during the crisis, and then not returning after freedom of movement came to an end in 2020.

Analysis prepared for government as part of the work of the Migration Advisory Committee (MAC), does show a decline in EU workers in hospitality compared to the peak in 2014, when 26 per cent of the UK's hospitality workforce came from EU countries.²⁵ It is worth noting, however, that hospitality is one of the key sectors where employment numbers have substantially recovered ahead of where they were before the pandemic. And payroll data from HMRC suggests real pay has improved in hospitality since 2017, when the National Living Wage was introduced.

Because minimum salary thresholds are required for employers to access the points-based immigration system, not all hospitality roles are on the official shortage occupation list. The emerging evidence suggests, however, that where roles are added to the list, migrants coming to the UK from the rest of the world are more than compensating for the lack of EU workers.

Moreover, with the implementation of generous youth mobility schemes, agreed between the UK and Canada, Australia, New Zealand and Switzerland, it can be anticipated that traditionally low-paid sectors, like hospitality, will seek to make more use of these types of schemes, since they come with no minimum salary threshold rules, other than paying individuals the legal minimum wage. Despite this fact, the hospitality industry is likely to continue to place pressure on ministers to relax immigration rules.²⁶

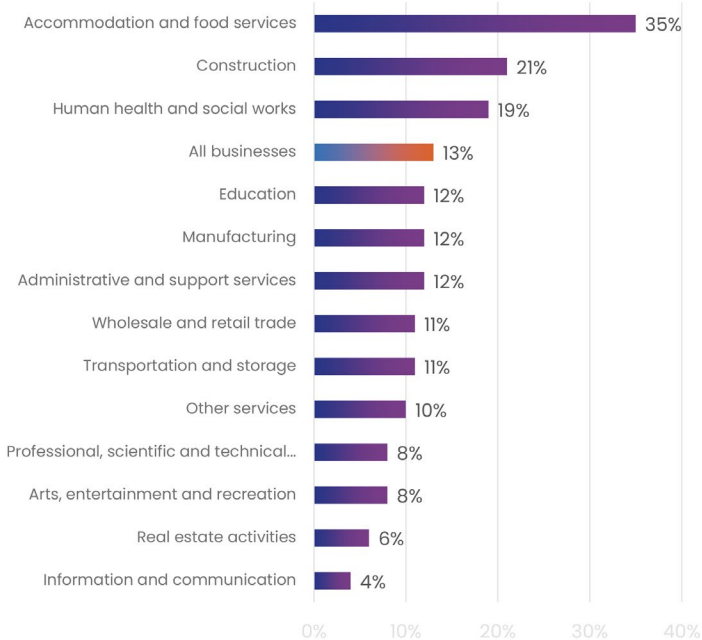
²⁵ Migration Advisory Committee (2023). *Construction and Hospitality Shortage Review*. London: HM Government. Available at: <https://www.gov.uk/government/publications/construction-and-hospitality-shortage-review/construction-and-hospitality-shortage-review-accessible> (Accessed: 15 August, 2023).

²⁶ Hancock, A. (2021) 'Restaurants and hotels press UK government to ease visa rules for staff', *Financial Times*, 28 September. Available at: <https://www.ft.com/content/8de872cd-06fe-433c-8e46-c385f5a10980> (Accessed: 15 August 2023).

Figure 13

Businesses experiencing a shortage of workers

14–27 November 2022



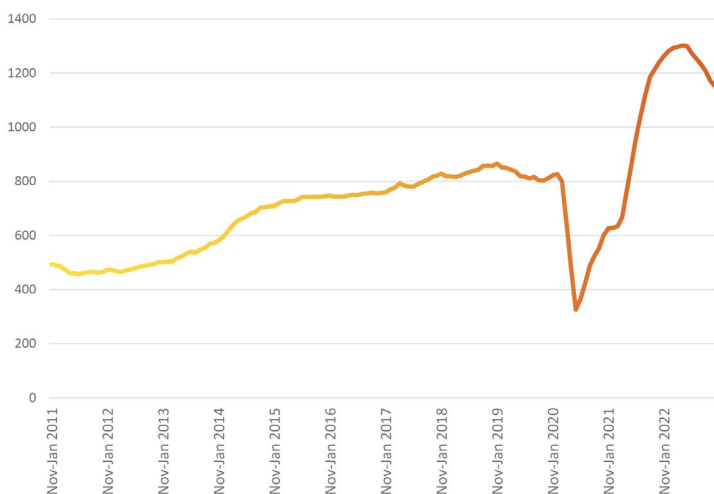
Source: ONS, *Business insights and impact on the UK economy*, 1 December 2022

Figure 14

Vacancies in the UK economy are still significantly above pre- pandemic peak, showing a tight labour market

Despite falling in the latest quarter, vacancies remain well above pre-pandemic levels

Thousands, seasonally adjusted



Source: ONS, VACS01: Vacancies and unemployment, 13 December 2022

Skills shortages persist for a long time, even when policymakers know about them


What is therefore depressing, from a skills policy efficacy point of view, is that decision-makers generally have real-time (and time series) access to considerable amounts of detailed data on where all the major 'skills bottlenecks' in the economy exist.

It should be possible, via a combination of a liberal immigration regime (as the current government has put in place since the UK left the EU); as well as more targeted skills interventions, to help plug any specific skills gaps and labour shortages. This was meant to be one of the key aims of setting up a Unit for Future Skills in Whitehall²⁷, as well as involving the Department for Education more centrally, in approving Local Skills Improvement Plans (LSIPs). These 38 local plans, costing £21 million to produce, were brought in as part of the *Skills For Jobs* White Paper²⁸ and subsequent legislation, passed by Parliament in 2022. Expert analysis of the first LSIPs published suggests they lack significant impact, because the representative bodies producing them treat employers more like 'customers' of the existing system, rather than engaging them as 'co-producers' in an improved local skills ecosystem, where firms might have a more direct influence over provision, including (as is found in Germany), the ability to stipulate various licence to practice qualifications tailored to specific skills and occupational needs.²⁹

²⁷ Unit for Future Skills (2023). *Priorities for 2023*. Available at <https://www.gov.uk/government/groups/unit-for-future-skills> (Accessed: 15 August 2023).

²⁸ Secretary of State for Education (2021) *Skills for Jobs: Lifelong Learning for Opportunity and Growth*. (CP. 338). Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957856/Skills_for_jobs_lifelong_learning_for_opportunity_and_growth_web_version.pdf (Accessed: 14 August 2023).

²⁹ Grugulis, I., and Keep, E. (2022). *Getting LSIPs right*. University of Warwick and Leeds: ReWAGE Policy Brief. Available at: https://warwick.ac.uk/fac/soc/ier/rewage/news-archive/getting_lsips_right_final.pdf (Accessed: 15 August 2023).



Ministers do have at their disposal public funding regimes to target and incentivise employers and training providers, helping them to respond to these labour market needs. For example, we saw the implementation of highly successful and targeted wage subsidy schemes during the pandemic to support young people into work, including a boost of more than 70,000 apprenticeship starts for the under-25s, just at the point when the Treasury decided to end the subsidy.³⁰ Other critics have argued that if the government's skills interventions are so effective, then why has it proved so difficult to reduce employers' over-reliance on importing 'cheap labour' from abroad.³¹

Bootcamp provision

In England, the government has engaged in rolling out Skills Bootcamps which offer 16-week approved training courses to people aged 19 and over who are looking to change career.³² While a thematic review of the scheme, undertaken by Ofsted, found some notable examples of strong strategic leadership and alignment with identified skills needs, the inspectors also discovered weak assessment systems and poor provider-based instruction. Ofsted, which does not regularly inspect the Department for Education's Skills Bootcamp provision (as it is obliged by law to inspect other publicly funded post-16 skills provision), concluded: *As a consequence of the inconsistent quality of training and assessment, the success of learners in developing new and relevant knowledge and skills is mixed.*³³

³⁰ Bewick, T., (2023). Switching off Treasury cash for apprenticeships is a big mistake. *FE Week*, 31 January. Available at: <https://feweek.co.uk/switching-off-treasury-cash-for-apprenticeships-is-a-big-mistake/> (Accessed:15 August 2023).

³¹ Mehmet, A. (2022). 'The Government's developing migration policy. Bring in cheap labour – and to hell with the consequences', *Migration Watch UK*, 29 September. Available at: <https://www.migrationwatchuk.org/press-article/194/the-governments-developing-migration-policy-bring-in-cheap-labour-and-to-hell-with-the-consequences> (Accessed:15 August 2023).

³² HM Government (2023). *Skills for Life Campaign*. <https://skillsforlife.campaign.gov.uk/courses/> (Accessed:15 August 2023).


³³ Ofsted (2022). *Skills Bootcamps thematic survey*. Ofsted. Available at: <https://www.gov.uk/government/publications/skills-bootcamps-thematic-survey/skills-bootcamps-thematic-survey> (Accessed: 15 August 2023).

Lack of effective interventions and key metrics

With the exception of highly targeted public training schemes – like those to increase the number of Heavy Goods Vehicle (HGV) drivers, or flexibilities granted in the welfare system to allow some claimants to secure a Construction Skills Certification Scheme (CSCS) card – we found scant evidence in our research of any systematic attempt by Whitehall departments or devolved administrations to direct or incentivise public and employer training provision, particularly interventions that might help solve long-standing skills and productivity issues. We are not alone in this observation. Criticism of the government's approach to skills policy has also come thick and fast from a number of respected sources, in recent years. These include major interventions in the UK's skills and qualifications reform debate, by authoritative bodies, such as:

House of Commons Education Committee (2023) – a cross-party group of MPs, chaired by former Conservative education minister, Robin Walker MP. His committee produced a wide-ranging report, 'The future of post-16 qualifications', which called for a moratorium on defunding Applied General Qualifications (AGQs), until such time as there is stronger evidence that T Levels – the government's own flagship technical qualification – had become a tried and tested high-quality alternative. The committee also pointed out that apprenticeships for under-19s had declined by 41 per cent between 2015/16 and 2021/22, with a sharp decline of Level 2 (intermediate) apprenticeship starts of 69 per cent over the same period.³⁴ In the Department for Education's formal response to the committee, ministers defended its qualification reform programme, highlighting poor progression outcomes of some AGQs as the main

³⁴ Parliament. House of Commons (2023a). *The future of post-16 qualifications. Third Report of Session 2022–23, House of Commons Education Committee.* (HC 55). London: House of Commons. Available at: <https://committees.parliament.uk/publications/39333/documents/193104/default/> (Accessed: 15 August 2023).



rationale for their defunding decisions.³⁵ One of the pitfalls of Whitehall taking this approach is that it will focus even greater scrutiny on the progression of T Level students, as the second cohort of students graduates in summer 2023. Data from the first cohort, cited by the Education Committee, found that only 14 per cent of students in the T Level transition year at Level 2 progressed to study the full T Level qualification at Level 3 the following year, suggesting a lukewarm appetite among students for T Levels when they had an alternative, competitive choice of course to follow.

National Audit Office report (2022) – concluded that the government is failing to make a significant dent in the skills and productivity challenge, ‘with key indicators going in the wrong direction’.³⁶ Previous NAO reports have criticised government skills reforms as providing poor value for money.

House of Commons Committee of Public Accounts report (2022) – a cross-party group of MPs stated that the Department for Education is failing to show any real impact on workforce skills, via £4 billion a year spent on the FE and skills system, which has resulted in over 1 million fewer adult learners since 2010.³⁷ The PAC said: ‘Activities designed to develop workforce skills in England are failing to deliver the skills essential to economic growth and prosperity’.³⁸

House of Lords Youth Unemployment Committee report (2021) – a cross-party group of peers criticised apprenticeship policy in England, arguing it was failing to help enough young people under the age of 25 into

³⁵ Parliament. House of Commons (2023b). *The future of post-16 qualifications: Government response to the Committee’s Third Report of Session 2022–23*. (HC 1673). London: House of Commons. Available at: <https://publications.parliament.uk/pa/cm5803/cmselect/cmeduc/1673/report.html#> (Accessed: 15 August 2023).

³⁶ National Audit Office (2022) *Developing workforce skills for a strong economy: value for money report*. Available at: <https://www.nao.org.uk/reports/developing-workforce-skills-for-a-strong-economy/> (Accessed: 15 August 2023).

³⁷ Parliament. House of Commons (2022). *Developing workforce skills for a strong economy. Thirtieth report of session 2022–23, House of Commons Committee of Public Accounts*. (HC 685). Available at: <https://committees.parliament.uk/publications/33177/documents/182726/default/> (Accessed: 15 August 2023).

³⁸ Parliament (2022). ‘PAC extremely concerned at dramatic falls in further education and training’, *UK Parliament Committees*, 14 December. Available at: <https://committees.parliament.uk/committee/127/public-accounts-committee/news/175071/pac-extremely-concerned-at-dramatic-falls-in-further-education-and-skills-training/> (Accessed: 15 August 2023).

apprenticeships. The report made 70 recommendations, including calling for a rethink of the Apprenticeship Levy; in particular, by ring-fencing two-thirds of all new starts for under-25s only, pursuing Levels 2 and 3 apprenticeship standards.³⁹

UK productivity puzzle: market failure, government failure and short-termism

As we saw earlier in this chapter, productivity growth and real wage growth are strongly correlated. It is one of the few things economists seem to universally agree on, particularly when debating the UK productivity puzzle.

One of the challenges of standard human capital theory⁴⁰ is that models of training investment and upgrading workforce skills tend to work better in theory than they do in practice. That is because the standard model of *firm efficiency*, underpinned by human capital theory, tends to underplay a whole host of externalities that firms and individuals are faced with, which in turn, makes the natural occurrence of higher skills training and attainment levels across all firms quite difficult to generalise.

This phenomenon probably explains why the productivity literature is such a thicket of competing and contradictory schools of thought. It appears to be particularly hard to find any real consensus among experts about the causes and solutions for improving labour productivity. It really depends on what lens is being applied, for example, skills policies applied via sectoral/industry based strategies; or they are being discussed as part of more place-based interventions to raise living standards.⁴¹

³⁹ Parliament. House of Lords. (2021) *Skills for everyone.* House of Lords Youth Unemployment Committee, Report of Session 2021–22. (HL 98). Available at: <https://committees.parliament.uk/publications/7988/documents/82440/default/> (Accessed: 15 August 2023).

⁴⁰ Becker, G. S. (1994) 'Human Capital: A theoretical and empirical analysis with special reference to education, University Chicago Press. Available at: <https://www.nber.org/books-and-chapters/human-capital-theoretical-and-empirical-analysis-special-reference-education-third-edition>

⁴¹ Keep, E. (2022) *What is the role of skills and the skills system in promoting productivity growth in areas of the country that are poorer performing economically?* Paper for the Department for Education Skills and Productivity Board. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1078063/How_can_skills_and_the_skills_system_promote_productivity_growth.pdf (Accessed: 16 August 2023).

As David Finegold and David Soskice observed, about the labour market of the 1970s and 1980s, British firms had become trapped in ‘a low-skills equilibrium’.⁴² They explain:

‘The best way to visualise this argument is to see Britain trapped in a low-skills equilibrium in which the majority of enterprises staffed by poorly trained managers and workers produce low-quality goods and services.’⁴³

When we look at the contours of the current UK skills and productivity debate, we can see a number of common themes emerge, including this 35-year-old viewpoint, first put forward by Finegold and Soskice (1988), that too many British managers and firms are just simply not up to the scale of the task.

While we found overall poor skill levels are a critical factor in sluggish productivity growth since 2008, so is a lack of sustained business investment by UK companies, which began to tail off way before the global financial crisis, according to data from the OECD.⁴⁴ Training hours in firms have also declined by 60 per cent since 1997, as the evidence suggests employers have focussed on short-term considerations, like paying out regular dividends to shareholders, as opposed to building patient capital and long-term value in companies.⁴⁵

As Figure 15 shows, it is difficult to have a meaningful debate about productivity in the UK without also understanding the way labour-intensive sectors in the public services appear to be stubbornly immune to achieving increases in output per

⁴² Finegold, D. and Soskice, D. (1988) ‘The failure of training in Britain: Analysis and Prescription’, *Oxford Review of Economic Policy*, 4(3), pp.21–53.

⁴³ Ibid. pp. 22

⁴⁴ OECD (2015). *Economic Surveys: United Kingdom*. Paris: OECD. Available at: <https://www.oecd.org/economy/surveys/UK-Overview-2015.pdf> (Accessed: 16 August 2023).

⁴⁵ Green, F. and Henseke, G. (2019). *Training Trends in Britain: Research Paper 22*. London: University College London, Institute of Education and Unionlearn, TUC. Available at: <https://www.unionlearn.org.uk/sites/default/files/publication/Training%20trends%20in%20Britain.pdf> (Accessed: 16 August 2023).

hour worked. In aggregate terms, the productivity record of private sector firms in recent decades is considerably better than the public sector.

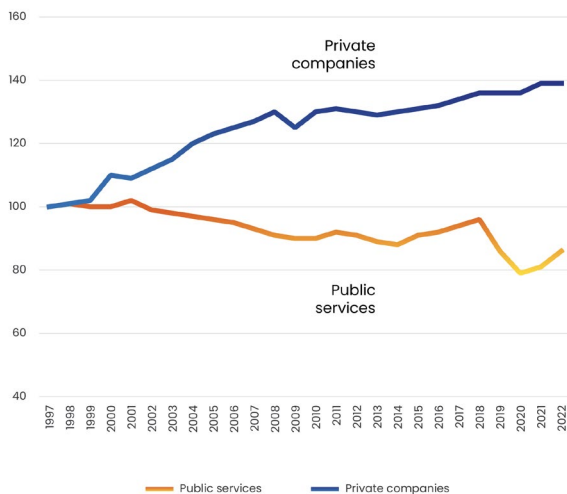
Increasing overall business investment is the key

The overall record of poor business investment is compounded by the fact that the UK Treasury economic orthodoxy has been one of talking a good game on public investment, when in fact, since 1997, under successive governments, public investment has averaged just 2.4 per cent of GDP – about a full percentage point below other G7 countries over the same period.⁴⁶

Figure 15


Lagging productivity in the public and private sectors

100 = 1997



SOURCE: ONS

⁴⁶ Solow, R. (2019). 'Do we face a Slow-Growth Future?' in L. Yueh (ed.), *The Great Economists*. London: Penguin, pp. 277.



Time and again in the productivity data, we see the UK slipping further and further behind many of our main international competitors: US, France, Germany, Canada and Switzerland – all these countries invest far more capital in their businesses than the 15 per cent of GDP that the Bank of England estimates UK firms invest. Why this matters, of course, is because if British firms and the UK government are not investing enough in both physical and human capital, then it is impossible to see how output per worker will ever substantially increase.


The second crucial element of the UK productivity challenge relates specifically to what the economist and chief executive of the Royal Society of Arts, Andy Haldane, calls the ‘Hub-No-Spokes’ Model. By examining the best and worst performing British companies, as well as the extent to which they account for productivity gaps with international competitors, Haldane found:

‘The productivity gap between the top- and bottom-performing companies is materially larger in the UK than in France, Germany or the US. In the services sector, the gap between the top- and bottom-performing 10 per cent of companies is 80 per cent larger in the UK than in our international competitors. This productivity gap has also widened by more since the crisis – around two to three times more – in the UK than elsewhere.’⁴⁷

In other words, what Haldane puts forward – as almost uniquely the composition of British firms and our comparative weak productivity performance – can be likened to what the economist Chris Anderson first popularised in his book ‘The Long Tail’.⁴⁸ It is an imaginative economic concept, used in this productivity-wielding context, to describe at the top end of the tail, UK companies

⁴⁷ Haldane, A. (2018). *The UK’s Productivity Problem: Hub No Spokes* [Speech transcript]. The Academy of Social Sciences Annual Lecture, London, 28 June, pp. 3. Available at: <https://www.bankofengland.co.uk/-/media/boe/files/speech/2018/the-uks-productivity-problem-hub-no-spokes-speech-by-andy-haldane> (Accessed: 16 August 2023).

⁴⁸ Anderson, A. (2006). *The Long Tail: Why the Future of Business Is Selling Less of More*. New York: Hyperion.



who are genuine world beaters. And as we look further down the Long Tail, we see a higher concentration of poorer performing UK companies than is found in other advanced economies.

For Haldane, it is these ‘frontier companies’ that Britain needs more of, because in aggregate, they are the ones that will help pull the UK economy from its current malaise as a low productivity growth country.


In the final recommendations part of Haldane’s speech to the Royal Academy of Social Sciences in 2018, the former Bank of England chief economist dedicates several thoughts on the importance of encouraging technology transfer and human capital, in which he opines:

‘The UK labour market currently operates in a way that does not support the trickle-down of knowledge as much as it might.’

It’s hard to know whether Haldane was making a direct link to the discredited ideas behind trickle-down economics, or he was just using ‘trickle-down’ as a rhetorical device to explain how difficult it is for the UK’s lower and middle ranking performing companies to gain access to the top club.

An obsession with elite employers?

Whatever, we do appear to see these trickle-down ideas reflected in how government ministers and senior officials have approached skills policy in recent years. From Institutes of Technology to Catapult Centres, Whitehall is fond of announcing shiny new buildings and trendy sounding initiatives, which speak to a narrative about the UK as a STEM super power, taking advantage of the fourth industrial revolution.



We also see the focus of public investment in workforce related skills that appears to be predominantly about serving those companies at the top end of the high-productivity spectrum – in both the private and public sectors. You can see this pattern in the large Levy paying companies offering apprenticeships in England, including the greater incidence of firms offering Level 6 and Level 7 apprenticeships.⁴⁹

Skills policy needs to do more for the lower and middle parts of the skills and income distribution

What we don't necessarily see is a more concerted attempt of policy to try to shorten the size of the poorer half of the UK productivity performance tail, for example, by focusing just as much effort on smaller companies or individuals trapped in the welfare system – men and women who perhaps lack access to the right training or it is difficult for them to secure opportunities to retrain for higher-wage roles.⁵⁰

Take the collapse in Level 2 apprenticeships in recent years, for example, or the drift to offer more management apprenticeships to the over-25s: rather than create more opportunities for younger workers and new entrants to the jobs market, we appear to be doing the opposite. This debate really matters, because 1 in 5 of the adult workforce is on some kind of out of work benefits, and younger workers are tomorrow's leaders.

In the end, the UK economy continues to be trapped in a combination of market failure, government failure and the inherent short-termism of too many employers, that has resulted in Britain's Achilles heel.

⁴⁹ Department for Education (2023). Top 100 Apprenticeship Employers. Department for Education. Available at: <https://topapprenticeshipemployers.co.uk/files/Top100AE23.pdf> (Accessed 16 August 2023).

⁵⁰ Jones, K. and Kumar, A. (2022). *The Five Giants, A New Beveridge Report: Idleness*. Newcastle: Agenda Publishing, pp.19–38.



Part 2:

DON'T LOOK BACK IN ANGER

Matilda Gosling and Tom Bewick


The ambitions and recommendations of previous skills reviews, including devolution

In part 2 we look at the ambitions of each of the major skills reviews over the past decade, including some of the more detailed recommendations that sat within them. For those interested in an audit of all the recommendations contained in each of the reviews we examined, the Federation of Awarding Bodies has developed an online interactive tool to accompany this report, called [SPAD: Skills Policy Audit Database](#).

In the latter part of this chapter, we look at the impact of devolution in skills policy across the country in recent decades, including how this is causing a divergent debate and set of policies in the constituent parts of the United Kingdom.

The broad ambitions of each of the major skills reviews we examined for this report were as follows:

- **Augar:** there is fairness in post-18 education and funding.
- **Holt:** SMEs find apprenticeships to be accessible.
- **Lingfield:** professionalism in further education is supported through the sector's autonomy.
- **Richard:** apprenticeships are high quality and meet the needs of the economy.
- **Sainsbury:** technical education in England is systemically straightforward, high quality and meets the needs of the 21st century.
- **Wolf:** technical education for 14- to 19-year-olds supports economic growth and compares favourably with other developed nations.



While the experts interviewed as part of this research talked about significant progress in some areas, they speculated that there is more that needs to be done in others.

Stagnation may relate to the lack of priority given to further education when compared with other areas of policy, as well as the practicalities of spending allocations. According to one interviewee: ‘We had, on a number of occasions, a Secretary of State who was genuinely committed, and Chancellors caring about skills and equality of opportunity. Then you get to the budget and the spending reviews, and everyone is asking for money, and every backbench [Member of Parliament] is concerned about their schools [and] childcare is expensive – that is the point at which FE funding gets cut.’

Interviewees were positive about progress in qualifications, devolution, employer engagement, high-quality apprenticeship provision, the development of higher technical qualifications, improvements in providers’ ability to deliver maths, and broad engagement of the sector on T Level development. More detailed exploration of areas that have not yet been achieved is discussed in part 3.

Where ambitions had not been realised, it is not necessarily that policy was wrong, said some interviewees; it was often about implementation. One commented: ‘Implementation and intent require sector bodies and government to work together... Some policies are right in terms of intention. Some policies are flawed and come about as a result of ignorance in its purest sense – not knowing.’ Another said: ‘The most interesting but dangerous thing in the Sainsbury Review was A Levels versus T Levels, and the assumption that everyone who can’t do an A Level can do a T Level... That diagram has mesmerised [the Department for Education]. That is the blueprint, but the world is complex and messy.’

Ambitions may also be dented by selecting the wrong starting point or level. One expert gave the example of qualifications reform, saying that it should be secondary

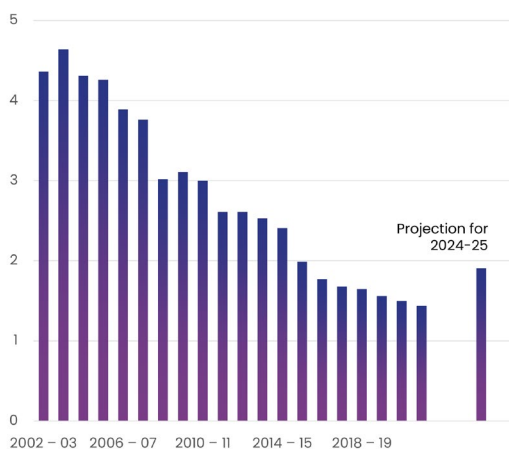
to purpose – it should follow from what we are trying to achieve, not be an end goal in itself. Another said that the 50 per cent higher education target has routed more young people away from FE, thereby undermining its status further: ‘We have seen growing numbers going into the university route, and that is great, but we are not seeing the change on that further education and technical route that a number of these reviews have wanted to presage.’ The pandemic was a one-off disruptor ‘that sideswiped everyone from government into the provider sector. Things got put on hold.’

Speed of response is another potential factor. One expert said, for example, that it took so long for the government to respond to Augar that the moment passed. Another partial explanation comes from not allowing time for policies to bed in before making further changes. ‘Policy is thrown over the wall into the delivery world,’ said an expert, ‘so it


Figure 16

Adult FE spending is down by two-thirds since 2003–04

Classroom-based adult education in England, £ billion 2022–23 prices



Source: IFS, *Further education and skills* (2 August 2022)




can't be delivered as it should. This is compounded by busy civil servants moving onto the next thing... They never take the time six months later to say, 'How did this go' Public evaluations are very unusual.' Finally, under-investment in the sector is likely to be a key reason that some ambitions have not been realised (see Figure 16). Money, or its absence, was highlighted by many as a factor holding the sector back. As one interviewee put it: 'Policy doesn't work without money.'

Broad review ambitions and the more specific recommendations that sit within them share some common ground in terms of the reasons they remain outstanding. In some cases, the government has made clear that recommendations will not be taken forward following a public consultation; in other words, they have insufficient sector support. Budgetary constraints are another factor. There's a further possibility in the depth or thoroughness of governmental response to certain reviews. In some cases, the government stated it had implemented the recommendation in a high-level response to the original review, but examination of the detail showed it had not. It's possible that in these cases, the government believed it had met the broad spirit of the recommendation.

The review authors may have made a difference, or perhaps there was another reason to take different reviews more or less seriously. The government made a blanket commitment to implement all of Sainsbury's recommendations, 'unequivocally where that is possible within current budget constraints'.⁵¹ By contrast, the response to the Holt Review came in the form of a press release.⁵² Measures linked to recommendations were more than 4 times as likely to be implemented if they were made by Sainsbury than if they were made by Holt. Professor Wolf sat on the review panel

⁵¹ BIS & DfE (2016). *Post-16 skills plan*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/536043/Post-16_Skills_Plan.pdf (Accessed: 19 January 2023).

⁵² BIS (2012). *News story: new measures announced to help small employers take on apprentices*. Available at: <https://www.gov.uk/government/news/new-measures-announced-to-help-small-employers-take-on-apprentices> (Accessed: 26 January 2023).



for the Sainsbury Review, as well as her own, and has also advised Downing Street⁵³ – so her influence may have been especially strong in policy development.


Experts put forward several other theories as to why some of the unimplemented review recommendations remain outstanding:

- **Complexity.** ‘The world of further education is hugely complicated and difficult,’ according to one expert. Another mentioned the connection between skills policy and other parts of the system. ‘The main barrier to success is a lack of coherence, ...[which] is one of the biggest barriers, which means you pick off the quick wins that are within your control. It means fiddling with the easy bits of qualification development and the tangible things.’

There are several challenging questions to be asked alongside each proposed policy to account for this complexity – for example, whether it meets needs in the right way, whether the right conditions and incentives are in place to make it a success, whether it is funded correctly and whether there’s implementation capacity to support it. ‘We need a vertical and horizontal view. That isn’t always how it works.’ The challenge for people working within the Department for Education (DfE) ‘is that they have to test [changes] out against gaming and unforeseen circumstances.’

- **Changing structures and individuals.** Some policies may have got lost in the handover from the Department of Business, Innovation & Skills to the DfE, a move that also contributed to loss of knowledge, according to one expert. It was suggested by another that governmental paralysis has contributed to a backlog of outstanding ideas. Someone else said that ministerial changes mean different views about how policies should progress: ‘They got stuck in the mud.’ The political dimension to this was picked up by one

⁵³ TES (2020). *Why Wolf’s new skills job in Downing Street matters*. Available at: <https://www.tes.com/magazine/archive/why-wolfs-new-skills-job-downing-street-matters> (Accessed: 31 January 2023).




expert: 'Whoever does the report has a particular flavour with a particular colour of government. Is that going to receive favour with different ministers within the same government?' When the people in roles shift so frequently, according to someone else, 'the priority is not to cock it up. [Instead,] you need someone who is there for an extended period of time – Andrew Adonis or Nick Gibb – driving relentless change.'

• **The pace and order of change.** Reform has taken a long time, but it has been consistent, in one view. 'They seem to have been doing it a bit at a time. They did apprenticeship reform, now they're doing T Levels, then qualifications, then they are moving into how you get people into Level 3 – so that might be some of it – the speed, or otherwise, of reform.' Change takes time and it's difficult. In another perspective: 'There's an unwillingness to disturb the status quo in a significant way, so that most things end up [in] tinkering around the edges rather than wholesale reform.'

• **Lack of interest and/or understanding.** An absence of public interest may lead to policymakers failing to take recommendations as seriously as they might in another sector. 'Literally few people care,' said one interviewee. 'The public doesn't care in the way it cares about schools or universities.' Another talked about how challenging it is for policymakers to understand a sector in which they have no experience. 'Civil servants and politicians didn't attend colleges. If you don't understand what the sector does, you don't understand its value.'

• **Absence of broad-based sectoral buy-in.** One expert doubted there's a consensus on many of the areas not yet implemented – having a 3-year Adult Education Budget (AEB) may be important to those providers for whom the AEB makes up a substantial portion of their budget, for example, but is of little interest to those for whom it is less central. The constant changes in roles and responsibilities within government and the civil service also undermines the potential for consensus: 'When you have that massive churn, it militates against employee and employer engagement.'



• **Implementation challenges.** Sometimes, barriers relate to practicalities. ‘The reviews may be high level and philosophical, meaning there is not enough focus on the implementation. For example, on the lifelong loan entitlement, they haven’t cracked the portability of learning issue.’ The system often centres the views of employers at the design end, said someone else, ‘but at the end of the day, it’s not employers who have to deliver on qualifications or reforms, or who are the end users of these. That part of the equation hasn’t been fully explored.’

Unintended consequences


Perhaps inevitably, given the complexities of systems and imperfect information, unintended consequences have been wrapped into many of the policies first foreseen by many of the skills reviews. These have included:

• **Redefining existing learners and workers as apprentices.**

A focus on targets, not outcomes, can mean incentives lead to the rebadging of existing training, rather than creating wider opportunities for upskilling. Interviewees also mentioned incentives for employers to focus very narrowly on who they train as apprentices. ‘There’s a lot of recruitment of existing workers into apprenticeship standards, which may or may not be a good thing, but it wasn’t quite what the policy intended. There’s been a shift away from lower-entry qualifications and young people.’ One of the reasons for this, said an expert, is that apprenticeships are more cost-effective when they are undertaken by existing employees. ‘Young people are more hard work and money compared with adults, and might leave.’ This focus on pre-existing employees also leads to sectoral gaps – for example, in adult social care.

• **Removing options for young people to train in key occupations through the qualifications reform programme.**

‘Where Level 3 qualifications are going to be defunded to enable T Levels to flourish, there are unintended consequences of qualification areas that would not be



funded as alignment is required with T Level routes, for example Uniformed Public Services. Thousands of 16- to 19-year-olds who do those qualifications won't be able to do them – what happens to those young people? What are their options? They may not want to do areas that T Levels are in.'


- **Excluding the apprenticeship route as an obvious option within the current framing of policy.** 'We've... had the policy of staying in education and training. In the psyche, that's more about staying in education – a school, college or training provider, not with an employer.'

- **Placing greater pressure on the FE sector to offer learners work experience.** The Wolf Review removed a focus on access to work experience in schools, so, according to one expert, 'a bit of rewinding, with Gatsby, has pushed some of the work-related insights into the post-16 world, which it is fair to say was unintended.'

Unintended consequences can be mitigated by early sector involvement in the policy design process, and also thinking about aligning activities between non-departmental public bodies and different government departments. 'When politicians come up with a policy and they run it through the civil servants, they don't know the sector... Experts... have an idea of the unintended consequences.'

The pandemic and the economy

For some experts, COVID-19 reinforced existing issues rather than creating new ones. The pandemic and the challenging economic backdrop of the past few years have highlighted pre-existing structural issues, including inequalities and access, that vary according to financial circumstances and people's location. '[The pandemic] got into the cracks and made them obvious,' said one interviewee. 'The digital divide was there. It didn't matter until everyone needed to be online.' Someone else said this digital divide still needs to be addressed, especially if we see hybrid learning as the future. The pandemic has highlighted domestic labour market



issues and a need to replace the skills we have previously imported from elsewhere, according to another expert. He added that it has highlighted the weaknesses of apprenticeships, as they could not all be continued during Covid. 'All the pandemic has really done,' said another interviewee, 'is that it has made life worse for students whose life was already pretty crap. They missed out on two years of learning and social development. They were living in digital poverty. It hasn't changed the fundamentals, but it has changed the urgency of getting to grips with some of these problems.'

It sped up a move towards education technology, although integrating digitally enabled learning still needs further attention. 'What we did in the crisis was not the best pedagogically.' There are, of course, challenges that neither education technology nor the crisis-point of the pandemic could solve. 'You can't have a welder in your sitting room.' The broader impact of the pandemic has varied by sector, and in some cases, this has implications for curricula. One expert highlighted a need for more focus on play, emotional development and mental well-being in curricula studied by early-years practitioners, due to the emotional impact of the pandemic on young children. 'Before you can get anywhere near literacy and numeracy, the child needs to be able to make eye contact and feel safe in the space.'

Diversity and divergence in the devolved administrations

Although qualitative interviews with people in the devolved administrations were beyond the scope of this report, we think it is relevant, in looking back at the past decade, to examine briefly the extent to which constituent parts of the United Kingdom are increasingly moving away from skills policies, qualifications and delivery systems that were once more common across the whole of the United Kingdom.

Scotland

Scotland has always had a distinctive education system, even prior to the (re)establishment of the Scottish Parliament in 1999.

In June 2023, the Scottish government, led by the Scottish National Party (SNP) in Holyrood, published the final report from an independent review panel. 'It's Our Future – Independent Review of Qualifications and Assessment',⁵⁴ led by Professor Hayward, acknowledges the importance of an education sector which is reflective of a changing society; influenced by the impacts of COVID-19 and Artificial Intelligence (AI). Almost 30 recommendations were made over five chapters of the report, including adopting the Scottish Diploma of Achievement (SDA), strengthening parity of esteem by attaching Scottish Credit and Qualifications Framework (SCQF) points to all qualifications, establishing a cross-sector committee on AI and building a national strategy for standards.

On 7th June, another independent report commissioned by the Scottish government: 'Fit for the Future: developing a post-school learning system to fuel economic transformation',⁵⁵ led by James Withers, was published. It reviews the skills landscape in Scotland and makes several recommendations on how to prepare for future skills needs, including the need for the Scottish government having a clearer role in post-16 policy, delivery and performance. It also recommends that the Scottish government have full oversight of sector and regional needs, with the introduction of a clear template for regional skills planning. The recommendations will be considered by the Scottish government as it begins to implement its 'National Strategy for Economic Transformation' plan.

⁵⁴ Scottish Government (2023). *Professor Hayward's Independent Review of Qualifications and Assessment – public consultation*. Available at: <https://consult.gov.scot/education-reform/professor-haywards-independent-review/> (Accessed: 15 August 2023).

⁵⁵ Withers, J. (2023). *Fit for the Future: developing a post-school learning system to fuel economic transformation*; Report of Independent Review of the Skills Delivery Landscape. Available at: <https://www.gov.scot/publications/fit-future-developing-post-school-learning-system-fuel-economic-transformation/> (Accessed: 15 August 2023).

These reviews are likely to have a significant impact on the evolving post-compulsory education and skills landscape in Scotland, as the government looks to replace or streamline several existing quangos, including creating the successor body to the Scottish Qualifications Authority (SQA).⁵⁶

Wales

Major education and skills reforms have been underway in Wales. The governing Labour party has signed a cooperation agreement with Plaid Cymru, as part of political deliberations which take place in the Welsh Senedd.⁵⁷ This includes, from September 2023, the establishment of the Commission for Tertiary Education and Research.⁵⁸ The new integrated body will be fully operational from April 2024. It is expected to: 'Take a whole system approach to research and innovation funding with an ability to provide funding to a wide range of HE and FE institutions.' The commission will also be responsible for skills and apprenticeship training, making it one of the most streamlined education quangos to be found anywhere in the UK.

The Welsh government commissioned Sharron Lusher to be the independent chair of the Vocational Qualifications for Wales steering group.⁵⁹ Minister for Education and Welsh language, Jeremy Miles, tasked the group with six objectives, including to make recommendations about how to minimise any adverse impact on Welsh learners of qualifications reform and defunding decisions in England.⁶⁰ The group


⁵⁶ Matchett, C. (2022). 'Qualifications Scotland and new Education Agency to replace SQA and Education Scotland', *The Scotsman*, 9 March. Available at: <https://www.scotsman.com/education/snp-plan-education-overhaul-as-sqa-and-education-scotland-scrapped-3603623> (Accessed: 14 August 2023).

⁵⁷ Welsh Government (2021). *The Co-operation Agreement*. Available at: <https://www.gov.wales/sites/default/files/publications/2021-11/cooperation-agreement-2021.pdf>

⁵⁸ <https://www.gov.wales/tertiary-education-and-research-commission> (Accessed: 15 August 2023).

⁵⁹ Welsh Government (2022). *Sharron Lusher named Chair of Vocational Qualifications Review Board*. Available at: <https://www.gov.wales/sharron-lusher-named-chair-vocational-qualifications-review-board> (Accessed: 15 August 2023).

⁶⁰ Vocational Qualifications for Wales Steering Group (2023). *Review of Vocational Qualifications in Wales*. Cardiff: Welsh Government. Available at: <https://www.gov.wales/review-vocational-qualifications-wales#:~:text=About%20the%20review-During%20the%20review&text=The%20vocational%20qualifications%20review%20has,priority%20areas%20for%20further%20action> (Accessed: 15 August 2023).



was tasked with how to provide for high-quality ‘Made-for-Wales’ vocational qualifications in the future. The Federation of Awarding Bodies fully participated as a member of the steering group (between July 2022 and June 2023), at the same time as other devolved governments in the UK were completing their own reviews.

Welsh Ministers are expected to respond to the review group’s recommendations in the autumn of 2023, with implementation following thereafter. Despite the Westminster government aiming to see T Levels rolled out beyond England, it is (at the time of writing) very unlikely that Welsh ministers will decide to make this technical qualification available in Wales.


In June 2023, Qualifications Wales published the outcome of the consultation on Welsh GCSEs. Qualifications Wales, WJEC and the Welsh government are working together to develop the detail of the new Made-for-Wales GCSEs. The first wave of new GCSEs will be approved by September 2024, giving schools a full academic year to prepare for first teaching in September 2025. A small number of new GCSEs will be introduced in a second wave in 2026.

Northern Ireland

The power sharing Assembly of Northern Ireland and Executive is still not fully functioning, following the political log-jam in post-Brexit talks, which has resulted in the Windsor Framework agreement between the UK government and the European Union. However, consultative work is ongoing in Northern Ireland to ensure the suite of vocational qualifications help underpin the country’s economic vision and objectives.⁶¹

The vocational qualifications reform in Northern Ireland is responding to changes in England, Wales and Scotland. The NI Skills Barometer shows that there is a need for more people qualified at Level 4 and Level 5, but enrolments have declined. This has driven a particular focus on Levels 4 and 5, followed by broader vocational qualifications.

⁶¹ NI Department for the Economy (2021). *Skills Strategy for Northern Ireland: Skills for a 10x Economy*. Available at: <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/Skills-Strategy-for-Northern-Ireland-Skills-for-a-10x-economy.pdf> (Accessed: 15 August 2023).



The reform covers three broad phases to be completed by summer 2024. It will also consider the role of state-owned and independent awarding organisations in the provision of vocational qualifications. The underpinning principles of vocational qualifications in Northern Ireland include the value of transversal skills, inclusive growth throughout people's lives, the importance of purposeful assessment (e.g. NOS), progression, innovation and flexibility of learning.

English mayoral combined authorities


As part of increasing devolution to sub-national parts of England, mayoral combined authorities (MCAs) are local government entities set up by two or more neighbouring councils for the purpose of coordinating responsibilities and powers over services. No one single devolution deal in England appears to be exactly the same, although the Department for Education has devolved the funding element of the AEB to all metro-mayors.⁶²

There are currently 10 MCAs in England, all of which have agreed devolution deals with Whitehall as part of the UK government's levelling-up agenda.⁶³ Additional powers and budgets, like the 'single financial settlement', are planned for some of these authorities. These settlements essentially treat MCAs like separate government departments. Their introduction forms part of the aspiration to build strong city regions in England with more integrated public services in order to boost economic growth.

Time will tell whether the ongoing experiment with English devolution will be a successful one. Unlike political settlements in Scotland, Wales and Northern Ireland, elected politicians in England do not have the same decision-making powers. Neither can they decide on a wide array of

⁶² Parliament. House of Commons. (2023). *English Devolution: What's in the new deals?* House of Commons Library Research Paper. Available at: <https://commonslibrary.parliament.uk/english-devolution-whats-in-the-new-deals/> (Accessed: 15 August 2023).

⁶³ Secretary of State for Levelling Up, Housing and Communities (2022). *Levelling up the United Kingdom* (CP.604). Available at: <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom> (Accessed: 15 August 2023).



resource allocation budgets, in crucial areas like skills and healthcare. Without statutory powers devolved to create education provision, it is still unclear what the future really holds for MCAs. It is perhaps no wonder that this ‘crisis of spatial governance’, as it is called in the academic literature, will continue to be a discipline of huge interest to experts.⁶⁴

Moreover, it has been apparent, from interactions between Whitehall and the Conservative mayor of the West Midlands and the Labour mayor of Greater Manchester, that a significant power play tension exists between central and local government. It led Andy Street, mayor of the West Midlands, on one occasion, to speak out against the then skills minister in Westminster for what he saw as reneging on previous promises to control more of the skills agenda regionally, including securing greater influence over post-16 technical education and apprenticeships.⁶⁵

The Greater Manchester Mayor, Andy Burnham, has similarly sought to put pressure on Whitehall to allow him significant flexibilities in post-16 skills policy, including coming up with his own locally branded qualification, the Mbacc, which is an extension of the existing Ebacc model, potentially bypassing the roll out of the Conservative government’s flagship T Level programme in the rest of England.⁶⁶

Both mayors are under no illusion that if they are to get more control over skills and education policy in the future, then they will need to convince civil servants and ministers in Whitehall to give up significant levers of control.⁶⁷

⁶⁴ For example, see Jones, M. (2019). *Cities and Regions in Crisis: the political economy of sub-national economic development*. Cheltenham: Edward Elgar.

⁶⁵ Chowen, S. (2022). ‘No Madam Minister’: Street slams Jenkins’ devo-sceptic remarks’, *FE Week*, 4 October. Available at: <https://feweek.co.uk/no-madam-minister-street-slams-jenkins-devo-sceptic-remarks/> (Accessed: 15 August 2023).

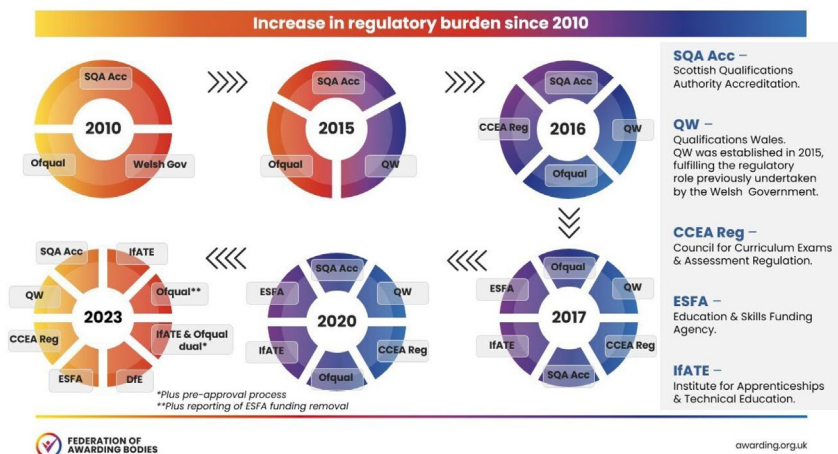
⁶⁶ Burnham, A. (2023) ‘Greater Manchester is revolutionising technical education, whether London likes it or not’, *The Guardian*, 7 July. Available at: <https://www.theguardian.com/commentisfree/2023/jul/07/greater-manchester-technical-education-government-city-region-devolved-andy-burnham> (Accessed: 15 August 2023).

⁶⁷ Tulasiewicz, J. (2023) ‘Trailblazer deals: reflections from mayors Andy Burnham and Andy Street’, *Centre for Cities*, 19 April. Available at: <https://www.centreforcities.org/blog/trailblazer-deals-reflections-from-mayors-andy-burnham-and-andy-street/> (Accessed: 15 August 2023).

One of the ironies of the history of British education policy is that, in times past, local municipalities in the early 20th century wielded far more power over the pattern of teaching and learning provision than they do today. With the onset of multi-academy trusts (controlled by the DfE); and the re-classification of local further education colleges (controlled by the DfE), it is plain to see how the onward march of the unprecedented centralisation of skills policy is still taking place. As critics point out, however, this centralising tendency in the DfE runs almost totally counter to the devolution deals being struck by ministers in other Whitehall departments.

Figure 18

The growing regulatory burden and divergence in tertiary education and qualifications since 2010



The downside of postcode lotteries and parallel skills bureaucracies

One of the flip sides of devolution in more recent years has been the growth of central and devolved nations' bureaucracy. For example, Figure 18 shows the growing regulatory burden across the UK, from a qualifications and post-16 tertiary education perspective.

Research by the Federation of Awarding Bodies shows how the sector was once subject to only three qualifications and assessment regulators, across all four nations in 2010. In the space of just a few years, this figure had increased to seven quangos – all of them directly involved in regulating the awarding and assessment of UK-based qualifications, occupational standards and apprenticeship end-tests.⁶⁸


This doubling of bureaucracy not only costs taxpayers significant amounts of money to maintain, but there is also evidence from some empirical studies of how overburdensome regulation can adversely affect levels of product innovation and business investment over time.⁶⁹

The Tony Blair Institute report on regulation recognised that now outside the EU, the government should instigate a thorough review of the UK's regulatory model. The think-tank also called for a more critical eye on whether current regulatory regimes are serving the country's longer-term economic and strategic interests. On the point about devolution and divergence in policy, Blair's institute makes this important point:

'The new internal-market legislation and the new arrangements to manage regulatory differences between the 4 nations will sooner or later lead to serious political

⁶⁸ Federation of Awarding Bodies (2022). *Feel the Weight: Regulatory Impact in Awarding*. London: Federation of Awarding Bodies. Available at: <https://awarding.org.uk/wp-content/uploads/2022/02/Feel-the-weight-2022-Final.pdf> (Accessed: 16 August 2023).

⁶⁹ Sanghoon, A. (2002) *Competition, Innovation and Productivity Growth: A Review of Theory and Evidence*. Hitotsubashi University: Social Science Research Network. Available at: <https://dx.doi.org/10.2139/ssrn.318059>



*tensions, threatening to undermine the case for the union. The government should urgently reconsider its approach to managing the UK internal market.*⁷⁰

In the context of skills policy, qualifications are critical to the smooth working of the UK internal market, facilitating the free movement of people. However, there is evidence that some current devolved practices are leading to postcode lotteries, where a person living on one side of a political administrative boundary is able to gain access to improved life chances via educational initiatives and qualifications, whereas the same citizens living in another part of the country are denied access to these forms of public goods.


For example, a British higher education student resident in Glasgow pays a capped amount of tuition fees, regulated by the Scottish Government, at £1820 for the 2023/24 academic year. However, the same 'home student', resident elsewhere in the UK, will pay the maximum tuition fee of £9,250 per academic year (including the higher fee if they enrol in a Scottish university, when they are ordinarily domiciled in some other part of the UK).⁷¹

These postcode lotteries are also starting to become evident in MCAs in England, as metro-mayors use flexibilities under the adult education budget (AEB) to fund some qualifications and enhanced bootcamp provision, which is not recognised or funded by the national Education & Skills Funding Agency (ESFA). Moreover, 'parallel skills bureaucracies' can come about where MCAs decide to recreate the ESFA structures, to some extent, at the sub-national level. In London alone, the mayor, Sadiq Khan, has employed an additional 50 skills policy administrators just to handle the capital's devolved AEB allocation, costing more than £3 million per annum in salaries.⁷²

⁷⁰ Spisak, A. and Britto, D. (2021) *After Brexit: Divergence and the Future of Regulatory Policy*. London: Tony Blair Institute. Available at: <https://www.institute.global/insights/economic-prosperity/after-brexits-divergence-and-future-uk-regulatory-policy> (Accessed 16 August 2023).

⁷¹ Lewis, J. (2023) *Eligibility for home fee status and student support in Scotland*. London: House of Commons Library. Available at: <https://commonslibrary.parliament.uk/eligibility-for-home-fee-status-and-student-support-in-scotland/> (Accessed: 16 August 2023).


⁷² Camden, B. (2018). 'London Mayor to use AEB top-slice to lobby for more powers', *FE Week*, 5 June. Available at: <https://feweek.co.uk/london-mayor-to-use-aeb-top-slice-to-lobby-for-more-powers/> (Accessed 16 August 2023).



Of course, one counter argument is that devolution inevitably means different priorities, policies and programmes. Why shouldn't Londoners get a different deal? And for students resident in Scotland, why shouldn't they be able to pay lower tuition fees than residents elsewhere in the UK, the argument goes? After all, elected politicians in these distinctive jurisdictions have taken different decisions about education funding. But one of the dangers of this line of argument, particularly where concerns about fostering UK citizenship and access to equal opportunities are apparent, is that divergence can become a divisive tool that delivers the opposite of what policymakers intended. Or perhaps even worse, it starts to breed significant resentment among certain social groups, helping to exacerbate identity politics.

There are no easy answers, but if devolution is to work from a skills policy and UK perspective in the future, then government may have to consider reclassifying some aspects of what constitutes employment legislation and regulations, and therefore make them 'reserve matters' to Westminster. One obvious place to start would be to create a single UK-wide employment, skills and qualifications regulatory body.⁷³

We shall return again to this issue in the concluding part of the report.



⁷³ For an insight into the complex nature of 'reserved matters' and how the devolution settlement between Westminster and Scotland, Wales and Northern Ireland varies, see: Torrance, D. (2022) *Reserved matters in the United Kingdom*. (CBP8544). London: House of Commons. Available at: <https://researchbriefings.files.parliament.uk/documents/CBP-8544/CBP-8544.pdf> (Accessed: 16 August 2023).



Part 3:

LEARNING THE LESSONS OF ENGLISH SKILLS REFORM

Matilda Gosling and Tom Bewick


Shifting from a low-trust to a higher-trust model

Part 3 looks at what we can learn for the future of skills policy from the vantage point of previous skills reviews, the recommendations they made and the way they were implemented (or lack thereof).

In this analysis of what expert interviewees told us, we examined the purpose of education; how we can better respond to complexity; the machinery of government changes; the role of consultation and consensus; measuring success and reviewing ambitions; reinvention and loss of previous reforms; and how sector experts think we can move towards a higher-trust model of skills policy design and implementation in the future.

Defining the purpose of education

Some interviewees highlighted a need to return to the purpose of education – including the knowledge, skills and attributes that we want to build – before deciding on the detail of policies and considering whether the skills architecture is set up to meet such a purpose once it is defined. ‘We expect that more and more adults are going to carry on learning,’ said one expert. ‘Is our current compulsory education system fit for that purpose? Is there a platform from which everyone can engage fruitfully with adult learning [and develop skills] so they won’t fall for lies on Facebook about vaccines and global warming?’ These debates are being held in other nations, he said, but not in England.



Political and philosophical considerations may, of course, inform policy makers' views of what the purpose of education should be. Sometimes, philosophies encounter real-life challenges that make their wholesale adoption no longer feasible, and in these instances, they may need revision and adaptation. One interviewee, for example, said that the prevailing philosophy in recent years had centred around the market, but there has been a more recent recognition that government may need to act in cases of market failure – perhaps getting young people who have struggled at school to achieve a Level 3 or 4 qualification, or facilitating progression opportunities in a hollowed-out labour market.

Successfully answering the question of what the purpose of education should be is likely to require nuance, both in terms of overall objectives and the details of how you get there. 'There is a straight argument between a skills-based curriculum or a deep knowledge-based curriculum,' said an interviewee. 'There's nothing that makes it a binary choice. You can have both, but it would require a rather more subtle and varied range of pedagogies in the classroom and the lecture hall and the workshop – and, of course, we struggle with that notion.'

'The point around who the skills system is there to serve is a massive problem that we haven't bottomed out,' said another expert. The skills reviews have demonstrated that we do not have a shared understanding of quality or of what different programmes are there to do. 'If still, after all those reviews, we can't agree what an apprenticeship is, we have a major problem on our hands.'

Part of the work of deciding on and defining this purpose is one in which honest, robust shared dialogue may be helpful (see below under Collaboration and Consensus). 'There is a real appetite to do the right thing,' according to one expert, 'but everyone is struggling to work out how.'



Recognising complexity

The complexity of the skills system, already discussed as a barrier to policy implementation, needs to be recognised in order to craft and deliver reforms that work. People struggle to see the system as a whole, said one interviewee: 'The complexity defeats people.' This complexity operates at a systemic and individual level, with complex needs that vary between learners.


While there was acceptance of these intricacies among some, others believed that they require further unpicking to make things simpler and more effective for learners and employers. 'What is the elevator pitch for the skills system in England?' asked one interviewee. 'I couldn't begin to tell you.' 'When the government spoke about simplifying the process,' said another, 'what they have done is complicated it more. The reason they haven't simplified it so much is about worry around financial fraud, etc. There is too much due diligence around funding so that it is no longer friendly.' The issue of simplicity and choice as it relates to qualification reform is explored later in the section on Qualifications and curriculum.

There are large parts of the skills system whose complexity is likely to remain in the face of further reforms, however. These require deeper understanding to support effectiveness and prevent unintended consequences, which can be supported by engaging people who understand how the different parts of it work. This would, again, require a greater openness to collaboration than has traditionally been facilitated by top-down policy making.

Machinery of government

This section looks at the machinery of government and the facilitating structures that need to be in place to enable skills policy to be implemented successfully.

There was a sense among many interviewees that expertise within the DfE has been lost over the years, in part due to civil service churn and in part due to the paring back of the




Department and the historical loss of some of the bodies, such as the UK Commission for Employment & Skills (UKCES), that sat around it. 'The same people tend to move between the agencies,' said one expert, 'and in this case, they got rid of agencies, so there was nowhere for them to go.' Finding ways of reintegrating this expertise would help to ensure that policy is shaped with a full understanding of the further education sector.

The presence of silos is another barrier to successful implementation. One expert said: 'There is a T Level silo and an apprenticeships silo and an 'other qualifications' silo. I think that is a great mistake.' Another went further: 'DfE is run like a terrorist organisation. It is run in cells on a need-to-know basis. It's really incredible how little people in one workstation on floor five know about what people on a workstation in another floor in Sanctuary Buildings are doing.'

Suggestions for improvements made by interviewees included:

- **Working out how to change culture to being a more open one.** One interviewee cautioned that a one-size-fits-all top-down approach will not bring the flexibility the Department needs. Another asked: 'How do you challenge the conviction of policy teams that don't have the information to make the decisions and do have the conviction to think it is right?' There is a broader point around management and leadership within the Department here, as a culture shift could also encourage civil servants to remain in their roles for longer, preventing the knowledge attrition that arises from constant flux. If some people can be inspired to remain within their positions for several years, said one expert, 'they can be anchors, which means the rest of the change [around them] can happen but not be detrimental'.
- **Rethinking who gets commissioned to conduct external reviews.** 'We go to the same people to conduct the reviews. We risk creating our own echo chamber. Michael Barber *again* on [technical and vocational education and training] – is he the best person to be doing that? Do we need to



begin again and get the people with grassroots experience around the table, not the same-old same-old?’

- **Getting officials to visit providers.** ‘Because they don’t stay anywhere very long, they have a personal view of academia and a lack of understanding below Level 3, and knowledge gaps of how the sector works. Take people to see what the world is really like.’


- **Working more closely with sector bodies and other external experts on policy implementation issues.**

Collaborating with others who have deep knowledge and understanding would help to address some of the gaps within a slimmed-down Department, as long as this is approached in a way that genuinely focuses on policy, not discussions around it. ‘Some are a talking shop, rather than being about the policy. The merry-go-round of officials and ministers doesn’t help.’ Collaborative working is explored further in the next section.

- **Revisiting the idea of intermediary bodies.** One expert highlighted the loss of an intermediary body function since the demise of the UKCES and its ‘minimalistic form of social partnership’. This intermediary body function enables a way of communicating anticipated and unanticipated consequences to the government when it considers different types of policy reform, and its absence represents a structural weakness. UKCES was, he said, ‘a million miles better than nothing, which is what the government replaced it with’.

- **Setting up a What Works Centre covering skills policy⁷⁴ to mitigate the knowledge attrition that comes from individuals changing roles frequently.** This was raised independently by two interviewees, one of whom suggested situating it within the Cabinet Office as a cross-government function, and the other who recommended it operates with a specific focus on skills. While there is precedent for this

⁷⁴ The 10 existing What Works Centres are listed here, along with 3 affiliates and one associate: Evaluation Task Force (2023). *Guidance: What Works Network*. Available at: <https://www.gov.uk/guidance/what-works-network> (Accessed: 27 March 2023).



with the Education Endowment Foundation, ‘it shouldn’t be lumped in [with academic education], otherwise the academic will win out’.

Looking outside DfE, the current operation of the Treasury was named as being a barrier to successful implementation of skills policy by a couple of experts. One said: ‘I have a hope where the Prime Minister tells the Chancellor to get his tanks off everybody else’s lawn and stop behaving as though they ran the whole of policy, as well as the financing of government.’

Another said the DfE’s relationship with the Treasury has gone downhill irretrievably. The ‘toxic relationship’ means both that DfE is less likely to get its requested financial settlement met when it comes to skills, and also that it lacks key information it needs for future planning. ‘We’ve just enshrined the lifelong loan entitlement in legislation. Do we think whoever is in power in 2025 will let all adult learners go on an adult loan book that is already collapsing? The only organisation not to know that is DfE.’ Restoring trust between the two departments is necessary here, but experts were unsure how this could be achieved. More general ideas on building trust are given in the following section.

Better cross-departmental collaboration, not just with Treasury, was thought to be necessary by some interviewees. Skills sits across other departments, including the Department for Work & Pensions, but there is a lack of connection between them. An overarching skills group might help to connect different initiatives, suggested one expert. Another thought that closer collaboration could also lead to cost savings. ‘I think if government departments worked better together around policy, we wouldn’t need more money, as it would be distributed in a more efficient way.’

There is an overlap between machinery of government considerations and sector regulation, which is considered in the section Regulation and Institutions.

Consultation and consensus

Better consultation, with the ultimate ambition of delivering a broad consensus around policy and its implementation – while recognising that we cannot solve for all differences of opinion, and that the broad direction of travel will be set by government – forms the backbone of a more facilitating environment for the delivery of skills policy. ‘We need to make change more inclusive,’ said one expert, ‘and involve headteachers, lecturers, school staff, awarding bodies. We need to get people around a table and say: “This is the vision. How do we get there?”’

Involving people early

People with a range of expertise need to be involved in the policy-making process from a much earlier stage, according to some experts. ‘The mechanism is proper workshopping with them in the room from the start,’ said one. Another said there is a need to ‘engage those who are going to deliver in the sector earlier... and involve them as positive actors in change. Too often, it’s government leading, and [others are involved] too far down the line on the change curve.’

The start of the process is often where issues can be picked up and resolved – for example, flagging that setting certain targets will misalign incentives and undermine implementation. In another perspective, there can be ‘a lot of noise’ generated by involving the sector in early-stage discussions. This could be mitigated by changing culture around certainty and opening up discussions to a variety of different outcomes that are not perceived as predetermined, or structuring conversations to minimise this noise.

Where those who will be ultimately involved in delivery are engaged at an appropriate point in the design process, their input also needs to be taken seriously. ‘When T Levels were a concept,’ said one interviewee, ‘they did do a big job in getting stakeholders round lots of different tables to discuss them, but it’s difficult to see how that translates into the decisions that are ultimately made.’




Greater diversity of voices

There was widespread recognition that employers are involved in the policy process much more significantly than they have been previously, and that this is a positive development. Other voices are lacking, though. ‘You have to have employers onside,’ said one interviewee, ‘but you can’t afford to dance to [only] their tune.’ Another said that if you are employer-led, you cannot be provider-driven. This means policy makers lack the full range of information they need to make decisions. Homogeneity of input leads to poor policy design and implementation, according to experts, as important considerations are missed – for example, that current apprenticeship design can lead to the wrong groups being trained.

Increasing the skills base of the country, and delivering productivity and growth, requires ‘partnership between government, providers, employers, employees and communities. If those are missing, the chances are that you are not going to be delivering very positive outcomes.’ Other missing organisations and groups mentioned by interviewees included local Chambers of Commerce, sector bodies, provider representatives (higher education, as well as further education) and world-class academics.

‘In education, you need people who are educationalists to help you make the decisions,’ said one expert. ‘People don’t realise what a skill it is to understand education and skills.’ Another suggested that practical implications get missed if only employers’ perspectives are considered, giving the example of employers who want a specialist course to be run, but the funding and staffing are lacking to deliver classes of only five students. ‘There need to be more conversations with providers to work out where those tensions are and how to alleviate them.’

Within the existing group of consultees, there may be duplication of perspectives. ‘Is there an echo chamber? They don’t want to listen to people like me.’ Some experts also pointed to a lack of diversity within employers who have a




voice within this employer-led system. ‘Which employers are they talking to? The vast majority of employers haven’t got a clue what a T Level is.’ The CBI does not represent everyone. The SME voice is lacking too, as they can struggle to find the time and other resources they need to engage with the policy-making process. One interviewee suggested there needed to be more involvement from the Federation of Small Businesses across reforms, and that a representative sample of SMEs could be incentivised by paying them for their time, making their involvement more viable.

Part of the challenge, according to one expert, is that this absence of diverse input is a cultural issue. ‘We have not created a culture of partnership. We have prioritised employers’ wishes and desires above everyone else’s.’ These voices should include that of government, too: ‘The government says it is up to employers to decide on the levy,’ said another. ‘But the government has a perfectly legitimate voice on whether employers are delivering what is good for the economy and for local communities. It is absurd to say, “It is not our problem.”’

Building trust

Trust may help to facilitate this more collaborative approach to policy making. Expert opinions diverged here, with some believing trust is an essential ingredient and that it can be built. A different perspective is that we need to recognise there is a set of private and vested interests involved, be honest about it and plan for it, which – again – involves getting people around a table. ‘We have ended up in a bad place without people breaking the rules. It shows how basing a skills system on running it by creating funding rules and trying to close loopholes and stop people abusing the system... is getting you nowhere near that goal of people coming together and putting their heads together.’ Having employees and other learners as part of this conversation can help to act as a brake on private interests, this interviewee proposed.




Trust is about relationships, according to one expert, and runs in both directions – government to sector and sector to government. There is also mistrust within the Department: ‘Some politicians don’t always trust civil servants,’ said one interviewee. Other experts perceived the mistrust to be levelled more towards the sector: ‘There’s... a sense that if we don’t keep an eye on you, you won’t get it right. This is true of practical issues, but also values.’ Covid and historic provider fraud may have contributed to this. Trust is also undermined by having conversations under Chatham House rules that later appear, in a slightly different format, in FE Week.

Several interviewees mentioned consultation fatigue and trust being eroded when it is felt that consultation findings are designed in advance. ‘In some areas, there is a collaborative approach to a solution, but in others, they rewrite history by writing questions to which they will get a predetermined set of answers... They are asking questions that don’t challenge the concept.’ The consultation on qualifications at Level 2 and below is an example of this, said an interviewee. ‘They have decided what they want to do. “We’re going to defund BTECs. We’re going to defund these... Level 2 qualifications.”’

Even within this framework of very limited questions, consultation responses do not always give the answer sought, according to an expert. This creates further trust issues. ‘If you are going to do reviews and consultations, if you are going to ask opinions and do research, you need to listen to it, not retrofit what people are saying into what you want to do... Quite often, we will respond to a consultation, knowing it will not get listened to.’ Consultations also need to be written in plainer English – especially those published by Ofqual – to build engagement and therefore trust among providers and awarding organisations.

Understanding the factors that erode trust in the system may help it to be rebuilt, or at least to prevent its loss. A lack of awareness about existing mechanisms may be one such factor. The DfE has reference groups containing college principals to test ideas, according to one expert. These



may not be known by a wider group of colleges; perhaps disseminating information about these mechanisms can help to build trust. A clear sense of purpose and willingness to work together among different stakeholders is a potential success factor. Earned autonomy for providers is another.


Cross-party working

Despite political challenges, a need for cross-party collaboration on skills policy was mentioned by several experts. 'We can't have partisan timelines. We need to have whole-party agreement in terms of direction of travel.' Changes in policy direction linked to changes in government and leadership are unhelpful to the sector. 'It is trying to get that joined-up thinking working. If everything didn't switch out with changes of governments, we would buy ourselves time to get it right.'

Practically, this is a good moment to be thinking about a collaborative approach. 'There are lots of good people across the party spectrum who are willing to work on an all-party basis. With an election coming, it would be stupid not to want something really strong about skills,' said one expert. Another said that the level of economic challenge we currently face, coupled with climate change and other mega-trends, make this consensus working more feasible than it has been in the past.

One expert gave the Browne Review as an example of successful cross-party collaboration. 'It was explicitly set up with cross-party buy-in. It didn't just have the ear of one party – Browne explicitly worked with the Conservative front bench to get the Terms of Reference and the individuals that they agreed, even if they were in opposition. You could imagine something like that happening in skills.' Sainsbury was mentioned by another interviewee as a review done on an all-party basis that secured all-party support.

Three interviewees suggested that skills be taken out of government altogether, thereby depoliticising the issue. 'If this was cross-party managed outside of government, you would be providing for the nations rather than it being




a political football – which education and skills should not be.’ One expert suggested forming a body to run it, with appropriate processes, policies, governance and law set up to facilitate this. ‘Government would have to make some of those decisions, and it would have to go through Parliament. If you can set up a government framework to govern the country, you must be able to set up a governance to drive and lead education... and skills development.’

Other, potentially less radical, steps towards cross-party collaboration might include ‘finding the low-hanging fruit that make sense across the political divide, and support productivity and growth’. Messages to political parties could include seizing the opportunity to make the system better for learners and employers by working together, and highlighting that there are few differences between the parties in terms of the details on skills. One expert said: ‘Try to bank particular areas of policy where there is enough consensus that parties can say they would continue to support them.’ Another suggested making the focus about principles. ‘When you think about law, everyone has principles of what you think are right and wrong, and you create laws about [those]. And a principle would be to agree that because the goals of education and training are long-term, we don’t try to change them every 3 to 4 years.’

Measuring success and reviewing ambitions


An important challenge for future planning is that we do not know, fully and with confidence, what has worked in the past and why. ‘We have all this data, but we have no clue what is going on,’ said one interviewee. ‘The only way to find out is to do something expensive.’ This means long-term studies of learners, she believes. ‘We know quite a lot about young people and the relative merits of pathways at 16 and 19. [For adults,] we need a single large evaluation by the people who run big, long-term studies.’ An evidence-led approach, said another interviewee, means the baked-in understanding that evaluation is key.



We have, historically, focused on measuring targets at the expense of measures more focused on impact and outcomes. 'When you are targeted, you are chasing the target, not the overall benefit to students and the sectors. You are going to find the quickest way to that, not the best way... If it is targets, you put 100,000 people onto the easiest short-course apprenticeship, and you have missed the point.' Another expert suggested that linking quality to achievement rates gives us a narrow view. 'It should be a wider look at longitudinal outcomes and earnings.' Even earnings may not be the right metric, according to someone else – if learners are going into public service jobs, for example, these are critical – but wages will be lower than they might be in the private sector. We need 'good discussion around what impact is meaningful'.

Part of the process of learning and evaluation – over and above looking at outputs, outcomes or impact – is a full assessment of effectiveness. One expert put it this way: 'What is missing is an impact analysis which is warts-and-all. These bits worked, these bits didn't. The trap we keep falling into is cherry-picking what proof points... substantiate what was put into place, rather than a true evaluation.' Impact evaluation can only be done if there has been clarity around the purpose and the intended outcomes, she added. Time is also needed to support this process – both in terms of allowing time for policies to bed in, and to evaluate them effectively.


Learning from the past is another part of measurement that needs fuller attention. 'It's depressing,' said one person, 'how much we know about what works and what doesn't work – but we keep coming up with things that don't pay attention to that. It's basic programme design. If you come up with an idea and think it has legs, look to the past. Be prepared to learn. Ask people what didn't work and why.' This may link back to the idea discussed earlier about a departmental or cross-departmental What Works Centre.



Better measurement – and return on investment in particular – would help the DfE to articulate funding cases more effectively to the Treasury. This could include an assessment of how many people are in good jobs and contributing to the economy, as well as social return on investment. While the return-on-investment approach can be challenging to monitor and achieve, understanding the longer-term benefits means ‘the case for change can become stronger’. It is also important to see what has not worked and why, which would help us to avoid future, costly errors. One interviewee said: ‘Billions were spent [on the Diploma] and then it was disbanded, not even counting the development costs. What is the business case for this?’

Part of this measurement approach means being able to say that a project, programme or other approach is not working. It may be politically easier for governments to change their minds if they keep an open, evidence-led approach over their term in office. ‘If things aren’t as intended,’ said one expert, and it is clear that a change in direction is needed, ‘how do we have that happen safely without people saying ‘I told you so’? It’s about understanding human nature.’ This message is made easier by our current context, said another. ‘The government has an opportunity to make a positive message out of... the pandemic, Brexit and the cost-of-living crisis. It is enough to be able to say: ‘We’ve listened... This is what we are doing.’ Step forward, not back, into a changing landscape.’

A more measurement-focused approach helps us to know whether we are spending money on the right things, and if we are not, to assess how money can best be apportioned to make a difference to learners, business and society. This means reviewing the ambitions, as well as the detail. ‘Where are we now?’ asked one interviewee. ‘What has been achieved, and is it still appropriate?’ A related question is whether policies that were set before the pandemic are still right and fit for purpose.




As we have already seen, policies need to be planned in the inevitable context of unforeseen circumstances. These can be mitigated, to a certain extent, by bringing in a wider range of expertise at an earlier stage of planning (see Consultation & Consensus) and allowing time for thoughtful reflection: 'Not rushing into anything. Ensuring that we have the full picture. Not assuming that because it works in another nation, it will work here.' One part of the answer may lie in more small-scale piloting of policies – for example, using colleges to try new policies out, which can be done rapidly, and using feedback to make appropriate revisions before wider roll-out.

The nature of human behaviour and society means that we do not have perfect information, however, even with trials or pilots. This necessitates a willingness to keep reviewing and revising policies in the light of new information as it arises.

Reinvention and loss

Policies that have previously been trialled, implemented, adapted and abandoned often come back to centre stage when new people form fresh ideas. One expert said that skills bootcamps look like the discontinued Train to Gain; another said that T Levels are linked to Tomlinson's proposed 14–19 reforms from the 2000s: 'This stuff comes round again.' Another impact of policy cycles is that useful policies and structures get lost along the way. 'IfATE [The Institute for Apprenticeships & Technical Education] and DfE are starting to realise what has disappeared,' said one expert. 'We don't have [labour market information]. We don't have good recommendations from employers. There is lots of reinventing of things they got rid of, which is always the case for policy cycles.'

Some of this reinvention links back to the point made earlier about unintended effects. One consequence of getting rid of the UKCES and the sector skills councils, according to an interviewee, is that IfATE – which was originally designed as a regulatory, lightweight institution – will have to take on the role of the sector skills councils. 'Is it up for that?'




In one view, surface-level change hides deeper stability in the direction of skills policy. 'There has been a kind of coherence from Wolf, Richard, Sainsbury, Augar. You can see a consistency about trying to improve the skills system... and a simpler funding system. You can see consistent ambitions. That's the most important thing.'

In another perspective, there is constant flux linked to a thirst for change, which will continue until there is greater parity between academic and vocational routes. 'Once the parity issue is cracked, other things become easier.' In the meantime, one expert suggested that there is a hierarchy of policies ministers think about and want people to notice. 'Changing institutions is very visible. Qualifications are second best. Curriculum is not very glamorous – you can't put a ribbon on it. Pedagogy and teaching always get left behind, but they should not be paused. They are so important. Learning through real project briefs should be a mainstay of the further education sector.'

For some who believe the weight of evidence to fall on change rather than consistency, it needs paring back. 'If we commit to technical and vocational qualifications, we need to stick with it. We had an Industrial Strategy. It lasted 5 years... and then it died. Boris Johnson was 'green skills, green skills, green skills'. Rishi Sunak is not talking about it anymore. We can pivot as a sector very quickly, but the constant change means that we are wasting energy and effort. We need stability and commitment.' Colleges, said another interviewee, are change-weary.

There is a practical barrier to getting policy cycles working effectively and with a long-term view in mind. This is the short-termism inherent in a system that has 4-to-5 year political terms, which has been raised exhaustively in previous work on skills policy. 'It depends on whether you have a workable majority to allow for longer-term thinking,' said one interviewee. 'You can have as many reviews as you like. Unless government is brave and invests for the longer term, it's just going to be tinkering around the edges.' Political pragmatism may be necessary, too: 'There is always limited



resource, and it's where politics comes into it. You don't have all the people and the tools, so you are always prioritising. It's the value-add things that start to wither.'

The pace of change was highlighted as a further issue by several interviewees. A case was made for incremental change in place of constant reinvention, loss and big system upheavals. 'You need to give people time to be good at things,' said one expert. Policies also need time to bed in before the next swathe of changes gets introduced. Rapid change leads to more fragmented outcomes. According to another interviewee: 'Change takes time to happen. It's not all easy wins. We need incremental change across time.'


One expert pointed to the German apprenticeship model as something employers and policy makers here are constantly trying to emulate. It is not something we are fully able to understand or capture, however, as the German model has been improved continuously – we look for a static model that does not exist. 'Continuous improvement and iteration can get you to where you need to be... If there are proper cycles of feedback, and colleges and awarding organisations don't feel that everything is being done to them, it becomes a positive virtuous cycle rather than a vicious cycle of doom.'

Messaging

The final point about a facilitating infrastructure for successful skills policy implementation is that the messages need to be right. Suggestions made by experts include the following:

- **Ensuring that messaging takes account of reality.**

According to one interviewee, for example, getting the public interested in skills: 'is difficult... People have been saying for 20 to 30 years that we need to get people to take an interest. You're not going to get people interested in something they're not interested in. You could ask a specific question – how do you get young people engaged in apprenticeships?' People within the sector need to work



within the parameters of what is possible, he said. Another expert suggested pushes to raise awareness of skills do not cut through. 'Look at the column inches spilled on childcare versus construction and engineering courses closing.'

- **Articulating affordability through joint working.** 'It's about... getting employers to articulate that colleges can't afford to meet their needs. Getting people aware of it – get MPs into colleges, small employers, Chambers of Commerce – they need to be part of an informal coalition raising awareness of this. It's about hammering away at your local MP.'

- **Advocacy through evidence.** 'Reputation is the gap between belief and reality... We need to be better at convincing [policy makers], at running colleges so they don't crash and burn, at advocacy – and clever enough to provide them with evidence that we are really good at it.'

- **Getting key policies into party manifestos.** 'If something is mentioned in an election as a manifesto commitment and makes it into a [King's] Speech, I am hopeful it will come through as a policy. It is important that stuff gets into the manifestos.'

- **Encouraging transparent messaging from policy makers.** 'There are many reports that suggest recommendations and the government says 'yes' [to implementing them], but the funding is not there or you are expected to find funding from within the envelope you already have. There is a need to be honest: 'We understand this needs to be done, but we can't fund it at the moment.' It needs some transparency. It's incumbent on new ministers to say: 'Give me the list of good things you would like to have done, but couldn't do.'




SKILLS POLICY REFORM – STABILITY & CHANGE

The Mechanics of funding

The skills funding system in the UK weaves together a complex set of funding rates and accountabilities, with providers accountable to the Education & Skills Funding Agency (ESFA), the combined authorities or the Office for Students, depending on the students being taught and the stream that funds them. Funding streams include funding for 16- to 19-year-olds via the ESFA, funding for skills bootcamps, the Adult Education Budget and additional needs funding for children with special educational needs and disabilities. Some of this complexity is inevitable. Adults need to have a wider range of shorter courses, for example, which require a different funding mechanism to younger learners on longer courses.

Experts made varied assessments of whether and how the system needs changing. On one view, the structure works fine, although it is under-financed; on another, there is a need for greater clarity, simplicity and flexibility. Questions were also raised about whether we are currently getting the balance right between state, employer and learner contributions, and whether incentives and pathways operate optimally. ‘Some of it is employer-led, some is learner-led, some is delivered through contracts and allocations,’ said one interviewee. ‘We have a smorgasbord of incentives and pathways.’

Conditions of funding may, in some cases, provide incentives that fail to align with local labour market or learner needs. Vocational courses are subject to tight conditions of funding in areas such as work experience, with funding clawback a risk if these conditions are not met, whereas academic courses are subject to less scrutiny. ‘If we value people being employment ready,’ according to one expert, ‘both [routes] should have that condition of funding, so it doesn’t put




[institutions] off from offering one type of course.’ Similarly, conditions of funding around English and maths may contribute to poor learner outcomes: ‘I know we get an uplift,’ said another, ‘but the more we are spending on English and maths, the less we are spending on vocational. We don’t spend enough time with [learners] to make them excellent.’

Covering new policies

Most outstanding recommendations from past skills reviews are not cost-neutral, and nor are many of the other areas covered in this report. As a greater overall funding allocation presents political and practical challenges, interviewees were asked whether there were any areas in which cost savings could be made – or in which funding could reasonably be clawed back – to pay for additional commitments.

There was an overwhelming strength of feeling on the overall funding settlement from many interviewees in response to this question. Several interviewees mentioned funding inequalities between further education and other areas of education: ‘When you compare school and [higher education] funding with FE [further education], the disparity is writ large.’ The sector needs to be better funded to support stability and growth. ‘The sector is on its knees... and yet it’s seen as the area that’s going to see the economy grow and thrive. It doesn’t add up,’ said one expert. Another cautioned: ‘Evaluation of the resource should be looked at most urgently. You can’t carry on running an undernourished skills sector.’

Funding rates are insufficient to deliver what is needed. ‘We want a Switzerland system without Switzerland money,’ said one interviewee. This is not simply an economic issue, though. ‘Colleges are the fourth emergency service,’ according to one expert. They often have to pick up challenging situations with young people or adults who have fallen through the gaps.



One expert spoke fiercely about balancing spending with economic returns. He suggested the Government could easily borrow an extra billion, which he believed would give a return of £30 billion through employment, productivity and economic growth. 'If you commit to the sector, it will produce the future talent that will get the economy back up and running. There is profit at the end of it. The availability of money is a red herring – an excuse for the now.'

While a new funding settlement was a critical issue for many experts, some also gave ideas on how funding could be reallocated or delivery mechanisms shifted to enable funding to be allocated to areas of greater need:

Shifting adult education priorities and moving away from poor-quality training

'I do think that quite a lot of the adult budget is spent on stuff that isn't doing much good,' said one expert. 'If someone goes on their fifteenth low-level numeracy, literacy or CV course, there is no evidence that it does much for them.' This expert said that she shares Treasury scepticism of community learning. Another said that money was often spent in the wrong places, and that too much was being spent on poor-quality training. Someone else mentioned waste, highlighting that some providers are delivering large volumes of low-quality courses online. People sign up through social media to study First Aid or Health and Safety, and providers offer what he perceives as a 'completely and utterly pointless' qualification within the context of low overheads.

These points tie back to the one made earlier about impact assessment. Better measurement of success – including both economic and social measures – could mean that courses are prioritised where there is evidence of impact.




Re-examining existing structures

Experts were divided on the apprenticeship levy. Some thought there should be greater flexibility to spend levy money on other forms of training; others thought the focus on apprenticeships is correct. These views are explored further in the Apprenticeship levy and employer funding section below. One expert suggested regulation was an area in which money could be saved by stripping it back. Another thought that £500,000 could be saved per college by simplifying data collection (see the Regulation and institutions section below), allowing it to be redirected to learners.

Reallocating higher education funding to further education

While one interviewee suggested that it is not possible to reallocate money from higher education into further education, it was explicitly recommended by two interviewees as a way of getting more money into the sector. One advocated capping higher education numbers, returning to the system that was used before 2014: 'This is within the memory of the current government. We know how to do this.' Another suggested transferring some money from outstanding student loans from higher education into further education, on top of a cap.

A related issue is the number of students in higher education and the funding required to manage this. Entry and/or completion criteria for higher education are now often lower than for vocational courses. 'People will flow into the path of least resistance. It's easier to get an honours degree in Business and Management from the University of Bedfordshire than it is to take a Level 3 Business and Management Apprenticeship in every way – accessing the funding, in terms of competitiveness, and in terms of what qualifications you need to pass.'




Tighter criteria for higher education, paired with looser criteria for further education, would help to address this issue. 'The growth in higher education has cannibalised further education,' said this interviewee. 'There is only so much money that government is going to spend on post-16 education. If it goes in one place, it's not going somewhere else. This is common sense.' Another expert suggested the pooling of resources, rather than caps or changed criteria, to address disparities, through the formation of a single tertiary education sector.

Devolution of funding

National strategies need to link to regional and local growth agendas to support successful devolution of funding, and the provision of accessible, transparent information is a current barrier to this. 'Skills plans have been devised nationally, not taking into account regional need, so there is a disconnect,' said an interviewee. 'It is virtually impossible to see what is funded in the regions... It is not on a list anywhere.' She cautioned that while it would be logical to devolve all adult funding, it is not yet happening – and that it is currently unclear how national, regional and local needs will be articulated and met in practice.

Elected mayors were singled out by some interviewees as a positive development for the devolution of skills funding. According to one: 'They are far closer to the local labour market. Any mayor can talk to all their college principals in one room, easily.' Another highlighted mayors' powers, budgets and abilities, saying that local authority federations and combined authorities pale into insignificance compared with mayors.

One expert warned against funnelling funding through mayors, however: 'Nobody is brave enough to disagree with [the notion of] place. I'm not disagreeing with localism – but it is based on an assumption that colleges are not doing what is needed locally.' Alternative local structures are not necessarily the solution to this; the same interviewee



cautioned against mooted proposals to place colleges under local authority control after the next general election, saying that 20 per cent of principals in the sector would retire. 'It will stifle colleges. It will weaponise colleges when they should be apolitical.'


Local Skills Improvement Plans (LSIPs) received mixed feedback. 'I had great doubts at the start,' according to one interviewee. 'Some are great. Most are mediocre and tedious.' He thought they have been in place for long enough to warrant a review to test their success. Another commented that people have pinned their hopes on LSIPs, particularly as they relate to levelling up – 'but we have been there before, and nothing changed.' He sees success or otherwise in the way the money gets channelled, believing that it should always follow the learner.

LSIPs should focus on meeting the needs of the many, not the few, according to another expert – the needs of the few can be met through other mechanisms, such as apprenticeships. Someone else highlighted the ability of LSIPs and their predecessors to make stakeholders feel that they are near the point of delivery and that they have the necessary access.

There are a number of challenges related to devolution of funding. These are explored below.

Interconnectedness

Local and regional areas do not exist in a vacuum. 'In an ideal world,' said an expert, 'you would have a mix of devolution and skills training to be able to leave the local area. You want a solution [through which] each individual feels what they are getting is bespoke to them. Some do want to be able to remain local; equally, you have those who are ambitious and want to spread their wings.' On another view, the market will provide: 'People move in and out of area all the time. It is not an issue, as you are offsetting all the time.'



It can be hard to plan for local need if specialist skills are required, but in insufficient volume to make a local course viable. One interviewee gave the example of training provision for mortuary assistants. In a town of 100,000 people, you might need 20 mortuary assistants working at the hospital, the hospice and the undertakers – but that is 20 people in total, not per year, so a non-apprenticeship course would be unviable. This perspective was challenged by another interviewee, who suggested remote visits, online learning and apprenticeships could help to fill this kind of need.


It was highlighted separately that it is unclear, as yet, how cross-regional funding will meet local needs – for example, how a childcare and early years provider based in Newcastle can meet the needs of Norwich if there is an under-supply of local provision. There is currently too much national oversight, according to one expert. ‘The centre has to dictate every little detail.’ He recommended following the lead from Scotland, where the details of allocation are left to regional and local decision-makers.

Infrastructure

One potential solution to the interconnectedness issue is to establish networks of colleges to offer larger courses, but this would require good transport links to enable young people to be able to travel to study. ‘Working collaboratively might work in an inter-city area. It’s not going to work on the Isle of Wight or in the Lakes or in Cornwall.’

Knowledge and capacity

There has been erosion in local knowledge and resources through the loss of local education authorities, according to one expert, which undermines the potential of devolution. There is also the question of who has the knowledge to make funding decisions. ‘Why is a city more local to a borough than a borough is to a borough?’ asked one interviewee. ‘Who are the people who are making those decisions?... How




are they more qualified [than somebody local]?’ Another interviewee suggested it would be interesting to trial colleges receiving an allocation of funding and deciding how to spend it, being careful to integrate impact assessment into the piloting process.

A further challenge is how to make relationships work better between national, regional and local levels; the same interviewee spoke of a parent-child relationship between cities and the boroughs. Capacity is another obstacle, risking Chambers of Commerce and other institutions leaning on providers to help them to manage the funds.

Bureaucracy and funding levels

One expert said that before the devolution agenda came into play, colleges used to get a full funding allocation from central government; now, they lose a top-slice of between 12.5 per cent and 15 per cent on overheads before it reaches them. Delays are another challenge – money for the academic year that would previously have been received in March for the academic year starting in September is now received after term starts in October. Minimising bureaucracy and associated attrition of funding is both a priority and a challenge in the devolution agenda. Good use of public money means stripping out bureaucracy so that more money goes to the provision of training and, by extension, benefits learners, said someone else. One person commented that it can be hard to access devolved funding, and that there is money going unspent.

One expert has proposed devolving an expanded version of the National Skills Fund down to local areas, to sit alongside a national offer on apprenticeships. The fund would have minimum co-payments attached to it, ranging from 10 per cent for small employers through to 50 per cent for large ones. ‘You can start to minimise bureaucracy burdens,’ according to this interviewee, ‘by getting employers to put their hands in their pockets. They don’t mind doing so when you give them a product they want to invest in.’



Local employers would articulate skills gaps to devolved administrations, who would decide what constitutes worthy investments for each local area. Any fraud risk would be mitigated through transparency: ‘Sunshine is the best disinfectant. Publish everything – the outcomes, names of training providers – let everyone see where the money is going.’ A different interviewee said that the Government must invest in lower-level skills to force employer co-investment in higher-level ones.


Fairness

Devolution of funding can lead to a postcode lottery, according to one interviewee. Subcontracting out of the local area is a historical issue that still needs addressing within the framework of devolution, according to another expert, who described a substantial portion of further education budgets being subcontracted to other areas by colleges to ensure they hit their targets. This phenomenon has been reduced, but not eliminated. The Adult Education Budget ‘is calculated on area, on deprivation – and then for it to be spent out of area is unethical. They should put a stop to it.’ The same interviewee said that providers should get a fixed income for the same course delivered in different areas of the country, saying that it would be unethical for different amounts to be set.

Engagement

The local focus of LSIPs means that regional and sub-national conversations can be lacking. Existing frameworks for conversations are often one-size-fits-all, but often there are different needs depending on the sector. Nominating people to represent wider interests may be one step towards addressing this gap.

Another interviewee highlighted how difficult it is for employers, and particularly SMEs, to find a point of engagement in the system. ‘SMEs say getting multiple calls from different people is unhelpful and off-putting – but that gives you the solution.’ This solution would be a local skills



brand – LSIPs or local enterprise partnerships – presenting a single point of contact for employers. Trusted relationships are needed, said this expert, and this trust is not facilitated by 10 training providers getting in touch with the same SME to ask multiple questions.


One expert said that the Skills Act has specified local engagement through existing employer organisations – Chambers of Commerce or similar – where employers would have an existing reason to engage. It provides a better system than advisory committees, she thinks, which are usually made up of big businesses and human resources specialists. She commented: ‘No-one outside FE will notice, but it is really important as it locks colleges into local networks.’

Apprenticeship levy and employer funding

Differences in experts’ views on the apprenticeship levy were striking. It represents a shift to an employer-led system, which is ‘the best thing ever’, a ‘diluted success’ or ‘needs reforming’.

For those who see it positively, getting employers to pay into the system represents a significant mindset shift that has been implemented flexibly and with common sense. The levy has doubled the investment in apprenticeships. Alternatively, it lacks flexibility as it cannot be used for broader training or for modular accrual of workplace skills, it has led to employers using it to fund senior staff development in place of apprenticeships for young people and it has failed to meet the needs of SMEs.

There is a real philosophical divide between experts who see the value of a fund specific to apprenticeships and those who think any focus needs to be broader, with the weight of opinion falling on this latter perspective. ‘Ultimately, it is a tax on employers,’ said one. ‘If an apprenticeship is not the right mechanism, surely they should be able to use it for other mechanisms?’ The focus on apprenticeships rather than skills is leading to high levels of drop-out rates, according to someone else. Employees ‘start, get the skills they need, then




quit'. Another pointed to sectors in which recruitment and retention is challenging, saying that training and investment costs both time and money – and without greater flexibility in being able to choose how levy money is spent, this problem is amplified.

Those who wanted to see levy reform suggested either shifting the levy focus entirely or setting aside a portion of levy funds for investment in broader skills training. One suggested ring-fencing at least 50 per cent of funds for this. Another suggested expanding the scope of the levy in a limited way so that it does not become a broad skills top-up fund – for example, by enabling employees to undertake part-time higher technical qualifications where relevant, perhaps linked to micro-credentialing. On the other side were interviewees who believed the levy should remain dedicated to apprenticeships. 'Diluting the levy would have a catastrophic effect on SMEs,' according to one.

Other reform suggestions related principally to equity. Funding could be allocated more equitably by ring-fencing funds for SMEs on the employer side and for younger age groups on the learner side, reducing funding made available for degree-level apprenticeships, and ensuring that any underspend is redirected into training. Shifting the focus from targets relating to apprenticeship starts to measures that focus on increasing people's skills would also contribute to an equitable system with better-functioning incentives.

The entire concept of the levy was challenged by one interviewee. 'What needs changing is the way it is financed... A levy that isn't a levy that is actually a tax is used to fund apprenticeships. Unlike anywhere [else] in the world, the entire system is funded by a small number of employers.' Another cautioned against relying on public funds to supplement shortfalls, saying it could require significant investment. Tax incentives may be an alternative mechanism to encourage employer investment.

Two experts warned that the concept of a levy system hinders money from trickling down through the system, one



of whom suggested bringing together levy funding and the programme budget to get money flowing through to employers. 'More money in the system could mean more flexibility in the system and more flexibility to upgrade in line with inflation to maintain quality.' This could be facilitated through the creation of a ring-fenced pot for high-quality apprenticeships up to Level 6.


Others spoke of reforms to the structures that sit outside the levy system to address some of the related challenges. One said: 'Possibly, a good innovation would have been to not fund 16- to 18-year-olds through the levy, but to fund them through mainstream funding.' A couple of interviewees cautioned against getting rid of the levy just because it is working imperfectly – incremental improvements may be preferable to wholesale reform.

Individual funding

The tripartite model of state, employer and learner funding requires careful consideration of the individual portion – how can individual contributions be balanced against affordability, equity and incentives to engage in learning? A return to the concept of individual learning accounts (ILAs) was mentioned by some as a partial solution to incentivising individual behaviours. 'Lick your wounds – learn how to get it right,' said one interviewee. Another pointed out that we now have online systems and electronic catalogues; one of the contributing factors to the previous defrauding of ILAs was their paper-based nature.

Lifelong loan entitlements (LLEs) – which will allow individuals a loan entitlement for up to 4 years of post-18 study, covering both vocational and academic routes at Levels 4 to 6⁷⁵ – were mentioned by several experts, both positively and negatively. One said that LLEs make it easier to retrain and to avoid the sense as a young learner that your only option is a 3-year degree at the age of 18. Another said

⁷⁵ DfE (2022). *Lifelong loan entitlement: consultation response*. Available at: <https://www.gov.uk/government/consultations/lifelong-loan-entitlement> (Accessed: 18 January 2023).



bluntly: 'The government's lifelong loan entitlement will fall flat on its face... People won't take out the loan and won't get the skills they need.' He sees the fix to this as wrapping higher technical qualifications, including modules, into the apprenticeship levy. Two interviewees said the LLE would benefit from being extended to Level 3 and below.

There is a need to consider access to learning for those who face particular barriers to doing so. According to one interviewee, it is a question of 'thinking back to the [Education Maintenance Allowance], and enabling those who are least well off and facilitating them. The bursary for carers is going up to £3,000. Will that even scratch the surface? Are we paying lip-service to those in most need, or are we serious about it?'

Sector-specific challenges

It is insufficient to consider further education funding without considering the broader mechanisms that sit around it and how these affect the ability of certain sectors to invest in training. Funding for childcare and early years, for example, consists of at least 8 different funding streams delivered through three different government departments. This makes for an inefficient system in which resources cannot be utilised fully – greater efficiency would allow for greater investment in skills development. Funding needs also vary by sector within further education itself – for example, science, technology, engineering and maths (STEM) subjects require more expensive equipment and, in some cases, higher teaching salaries than other sectors to be attractive to industry professionals.

These ideas link back to the earlier section on machinery of government changes. Nothing exists in isolation – funding must be considered within the context of an interplay between policies, incentives, funding mechanisms and behaviours. It is likely to need careful, considered tailoring, not blanket solutions.


REGULATION & INSTITUTIONS

Regulatory infrastructure

The regulatory infrastructure of further education is complex. For some experts, this is something to accept, not challenge. Its complexity arises partly from the fact of it being multi-sector and partly due to historical policy factors. As one interviewee put it, 'we have a set of institutions that have come about with different remits at different times, on the basis of different statutory responsibilities.' Bureaucracy and political expediency were highlighted as underlying factors in the complexity of regulatory structures. An expert commented: 'Expediency is the main goal. Everything else is sacrificed at its altar. This was how the Institute for Apprenticeships became the quality assurer chosen by employers for their apprenticeships when they have no experience whatsoever in monitoring the quality of learning.'

There are reasons to be wary of government-led regulatory changes, according to one interviewee: 'The regulator has to act independently of government, and when they don't do what someone likes, there are machinery-of-government changes and a change in nameplate on the door.' 'There is no need to do a massive reorganisation again,' said someone else. 'There is no perfect set-up, so let it be.' Another warned about the resource implications of restructuring; institutional change is 'eye-catching... but it has such a drag cost'.

Others felt the regulation landscape is overly complicated and made problematic through the burden of regulation. 'Sainsbury talked about simplifying the landscape, but it now has more regulators and more qualification categories within it,' according to one expert. 'There needs to be absolute clarity of roles and responsibilities. It feels like regulation has tripled.' Another commented that he has no idea where the boundaries are drawn between the different regulators, and suspects that neither do they. 'Because




we've gone for a regulated marketplace and decided that one regulator would not be enough, we have designed a system that is utterly uncoordinated.' This can be particularly challenging for further education colleges, who often have to engage with 6 different institutions. It was suggested separately that there needed to be more agreement on quality measures and organisational purpose to facilitate clear roles and responsibilities across the system.

These opposing views on complexity and regulatory structures translated through to differences of opinion on institutional roles and overlap. One view was that there should be a single entity responsible for inspections, rather than separating Ofsted's and the Office for Students' responsibilities by level: 'Fundamentally, what you want is one body assuring qualifications – or that could be two (one for academic and one for vocational) – and one body inspecting you (probably Ofsted or the Office for Students), and you don't want that to be duplicated.' On another view, the separation fulfils a purpose: 'The Office for Students makes sense for higher technical qualifications. You need that for parity of esteem.'

Some interviewees saw a tension between the need to regulate and ensure quality on the one hand, and not overly burdening institutions on the other. 'We need regulation, and it's a poisoned chalice,' said one. 'You are damned if you do and damned if you don't. We can't have a free-for-all – regulation is needed.' Changes may not lead to positive changes for the sector. 'Be careful what you wish for,' said another expert. 'Someone has to end up fulfilling a type of role, and instead of Ofqual, you might get the Education & Care Commission – and new relationships, a new remit – and it's change, but they are trying to do the same thing.'

Regulatory scepticism may have trust issues at its heart, in one view. 'It is a byproduct of... mistrust and distrust, [some of which is due to] lack of understanding, some because of the latest disaster, some because we exist in a society that's dominated by league tables, and some because of return on investment – departments beg, and the Treasury says:



“Where am I getting my best return?” Trust may also be enhanced by clear regulation leading to thorough checks on quality and delivery. ‘There is something about picking up and measuring malpractice so the majority who do a great job don’t get tarred with the same brush [as] the few bad apples.’


The extent to which regulators successfully collaborate with each other was a point over which experts expressed different opinions. In one view, collaboration between institutions is happening more and more. The Institute for Apprenticeships & Technical Education (IfATE) is working well with the broader DfE; ‘they are joining up the technical and the apprenticeship piece’. In another view, there is little evidence of successful partnership working between the regulatory elements of government. ‘There is a real question... of how does the invisible, powerful IfATE and Ofqual sit down and co-ordinate?’

Data

One of the reasons that institutions find the complexity of the regulatory system to be so burdensome is the volume of data and returns they have to submit. Solving the data issue might therefore bypass the need to alter the regulatory landscape. One expert commented that data soaks up genuine resources, and that on the one hand, there is a big pile of data; on the other, there is no decent information. She added: ‘The more you are looking outwards, the less you are looking inwards – or to your local employers.’

Data overload was mentioned by several other interviewees. Regulatory bodies ‘all want a different flavour of a similar thing,’ according to one expert. It is not just the national regulators that require data returns; devolved institutions now add an additional layer to these requirements. Suggestions for reducing the data burden made by interviewees include the following:

- **Working out what is really needed.** ‘The amount [of data] DfE collects and never uses is ridiculous,’ according to one




expert. Another suggested trying to work out what we are trying to achieve through data collection, such as verifying security of funds or calculating return on investment, and then working out how to measure it. ‘Let’s find the 10 [key performance indicators] we need to measure.’ This could be done by getting a small group of colleges and other stakeholders to work out what should be measured if the system were being redesigned from scratch, according to one expert. Another said that all the relevant stakeholders need to be brought together to understand what is required and why.

• **Joining up systems and databases.** Although some systems are starting to be linked, there is more to be done – for example, mapping HM Revenues & Customs (HMRC) data to the learner records system. ‘There should be a golden thread from the [Individualised Learner Record] and everything else hangs off that,’ said one expert. This can be supported by background data exchange between agencies and departments, which should be done through continuous improvement rather than rapid change, he added. In policy, unlike the film, ‘you can’t do everything everywhere all at once’.

Although there was an emphasis on the need to streamline data collection systems, some experts articulated areas in which more and better data needs to be collected. Some of this links back to the need to measure success (see Part 3: Learning The Lessons of English Skills Reform above), and much of it can be facilitated by building better platforms, rather than by increasing burdens on providers and awarding organisations. Longitudinal data, for example, should be accessible through integrated platforms. Destinations data is another key gap.

College reclassification

The recent reclassification of colleges as public sector institutions garnered mixed responses from experts. One suggested that the ramifications, whether positive or




negative, would take time to become apparent. 'They... now have to split out their commercial activities from their public activities, and now government has taken on all the debt – so we'll wait to see whether that has implications for their operating model.'

Interviewees who viewed reclassification as a positive development said that it has saved institutions that were going bankrupt, that it has prevented ostensibly unfair competition with private training providers, and that it has the potential to increase trust. FE colleges 'are really unlikely to be just deliberately running down the system to boost their profits, because they are... public sector institutions'.

Perceived downsides were expressed by other experts. One mentioned a significant increase in regulatory requirements since Office for National Statistics (ONS) reclassification, linked to the Skills Act, and a loss of freedoms without benefit. Another termed the reclassification a 'gross blunder', saying that the government has taken a sledgehammer to a situation in which a very small number of colleges have got into serious financial difficulties – which, he believes, could have been predicted from their accounts five years ago. This 'results in less flexibility of the colleges to respond to lower workforce needs and a lower ability to borrow except under tedious bureaucratic circumstances'. Someone else said the reclassification would make colleges less entrepreneurial, less well able to deliver higher technical qualifications and more restricted in what they will do: 'It will take them backwards... It is obvious to people that this is a retrograde step.'

Four nations

Several experts highlighted the divergence of English skills policy from the other nations. 'It is confusing when you have four systems that are increasingly different.' It is particularly challenging for employers. One of the areas of divergence is in standards – England has moved to apprenticeship standards, whereas Scotland, Northern Ireland and Wales still use National Occupational Standards (NOS).



One expert recommended a comprehensive mapping exercise between apprenticeship standards and NOS to make it easier to understand how they link; another said they needed to be joined up. It was also suggested that cross-border learning could be used more effectively in cases in which there is divergence. 'We're fortunate in that we've got some sort of skills policy lab in the UK through the 4 nations – but nobody sees all of this as systems that you can learn from. It's political. Would England wish to learn from Scotland and Wales?'


APPRENTICESHIPS

Purpose

There was a sense among interviewees that we have not yet quite decided what an apprenticeship is for – is it for training young people to enter a vocation, is it for upskilling people already in the workforce, or should it – as with the current system – cut across these areas? The issue with the status quo, according to one interviewee, is that the system cannot do everything.

He added that assessment needs to be made of where interventions are appropriate and, perhaps, intervention is more necessary for getting young people into employment than it is for upskilling the existing workforce. Another interviewee concurred with the idea that there should be a greater focus on young people. 'Young people tend to be employed by SMEs and to be on entry-level roles at Level 2. There is a big view in Government that Level 3 is a suitable starting point. It is hard to get any focus on Level 2.'

There is an adjunct to the question of purpose, which is a need to decide the philosophy underpinning how the apprenticeship should operate. 'There is a contradictory wish,' said one expert. 'We want everyone to be free, but we also want to control every move... You have to decide.' If a decision is made to retain the marketplace linked to public



money, he believes that the regulation that sits alongside it should be more rigorous.

Employers


Some experts highlighted the challenge of developing an employer-led system. There is a tension between the involvement of employers and the information gaps that reside within any single group of stakeholders. Large employers tend to be more involved in the development of apprenticeship reforms than smaller ones, for example, as they have more capacity to do so – but their focus is on content, not on reducing complexity. This has led to a system, according to one expert, that is too complex for small organisations to engage with effectively. Another said that SMEs have the chance to consult, but that the extent to which they do so remains a challenge.

Another expert critiqued the route panel system, saying that broad consensus needs to take precedence over the views of individual route panel members. Someone else cautioned that everyone draws on the same pool of employers, and that it is important to get wider insight to understand what the standards require.

There are several barriers to employer involvement with the apprenticeship system that have not yet been resolved. In the early years sector, for example, employers lack the time, flexibility and financial resources to invest in apprenticeships, and childminders tend to be self-employed. Another expert mentioned the restrictiveness of apprenticeships: ‘Employers don’t necessarily want to put someone on an apprenticeship. They want [them] to do a top-up. The kudos and prestige have improved, but they are not meeting the needs of employers and young people.’

Standards and assessment

Apprenticeship standards should be the backbone for sector areas, said one expert. Another said that the system




was meant to be simplified, but this has not been achieved: 'We have 700... standards. Do we have the capacity and competency in the UK to deliver to those 700?'

Despite this proliferation, there are gaps. These affect current apprenticeship provision, as well as having the potential to lead to gaps in future qualifications that may be mapped onto the standards. A current gap in standards and progression routes is a Level 2 standard in Business Administration. Many organisations who might otherwise have placed young people on Level 2 are having to put them onto apprenticeships that are inappropriate to their role – Customer Services, for example – as they cannot put them straight onto a Level 3 apprenticeship. The expert who raised this highlighted the challenge of getting new standards approved, and suggested IfATE might review national occupational standards to inform gaps, as an interim measure, where they exist.

There are also gaps in supply and quality concerns, according to another interviewee. Insufficient numbers of young people take degree-level apprenticeships in STEM subjects, and in areas relating to digital and data in particular. The promotion of these routes has been increasing, he said, but it is not enough. He added that the quality of degree-level apprenticeships is not sufficiently high: 'We want that apprenticeship quality to be of equal currency to a university degree.'

Another interviewee was more positive: 'You might tinker around the edges [with apprenticeship standards] and add a bit more flexibility, but fundamentally, they have been established and they are valued by employers.' End-point assessment (EPA) reform has helped to improve both quality and impact, this expert thinks. 'It is steeped in employer-led thinking and employer-led design. It does try to attach to occupational standards... If you look at a basic principle in terms of trying to understand holistically whether someone is competent, EPA is a good one.' He cautioned, however, that it may not suit everyone nor every occupational specialism.




One of the challenges is how to recognise the learning of those apprentices who do not go on to complete their apprenticeships. 'We are missing the opportunity for existing workers to bank units without having to do the whole apprenticeship. [Doing so] could yield efficiencies.' A related issue is fragmentation and lack of consistency between apprenticeship units across different standards.

One expert talked about the challenge of avoiding this fragmentation without returning to National Vocational Qualifications (NVQs). These were focused more on equivalence and progression, she said, whereas the current approach is a standard that applies to a single occupation, making progression harder. 'There was too much accreditation in the NVQs in the end, but we may have lost something.'

Incentives and behaviours

There are a number of incentives and resulting behaviours wrapped into the apprenticeship system, according to some interviewees. Employer behaviours, for example, are affected by their knowledge and the resources available to them. Those companies with a team to navigate the levy system get the most out of it, one interviewee believed, while other levy-payers do not engage because they do not understand the system well enough to navigate it effectively. SMEs, in particular, may not know where to start or do not believe the returns are worth the input.

In areas of deprivation or rural areas, SMEs are often the locus of opportunities for young people, making SME engagement with apprenticeships especially important. One expert suggested better promotion of apprenticeships and building in more flexibility – for example, allowing small groups of SMEs to take on one or two apprentices between them. Someone else suggested using HMRC data to set up auto-accounts for SMEs. 'How can we use money in the system to incentivise them? SMEs are time-poor and apprenticeships are bureaucratic.'



System incentives may mean that good intentions lead to apprenticeships being used for the wrong purpose. One interviewee gave the example of people facing redundancy who were offered apprenticeships in a different role for which there was no market need. He recommended greater scrutiny of employers in their use of the apprenticeship levy. Good intentions were not always perceived by interviewees, however. One said: 'People are playing the system with degree apprenticeships for existing staff. Rules are [too] liberal.'

Provider incentives can also lead to inadvertent outcomes. One expert warned: 'The administration around apprenticeships has tipped them into making no surplus or contribution.' This may affect future provision. Another said that certain training providers are picking off the low-hanging fruit of degree apprenticeships, leaving the more challenging and expensive provision to be delivered elsewhere. 'Their model is mainly digital. It is easy to deliver, selective – it's not focused on the hard-to-reach, there is no focus on English and maths... They don't have to fund a construction centre. That's how they are making it work and making lots of money.'

A broader critique of the apprenticeship system and misaligned incentives was made by someone else. 'Don't have a system where you say: 'You have this little pot of money. Go out and spend it and, if by any chance you don't spend it, we'll have the rest back, please.' And therefore you set up a number of incentives and behaviours that are clearly and increasingly twisting the nature of what goes on in apprenticeships away from what the labour market actually needs and the role that you actually want it to play – which is to be an important alternative, an important route through for school leavers and for people who are genuinely changing occupations and retraining.'


QUALIFICATIONS & CURRICULUM

Overview

The qualifications reform journey has been beset by philosophical arguments about whether we should be aiming for simplicity or choice (this is explored later), as well as more practical considerations about how these translate into learners' and employers' understanding of the system, and whether there are sufficient alternatives for learners for whom major qualification pathways are unsuitable. This framing may be upside down, according to one expert: 'In England, we believe that if we reform qualifications, everything else will change. In other countries, they change the curriculum and then they change the qualifications.'

Other priorities and challenges were raised by experts relating to how, as a country, we can develop relevant curricula linked to high-quality qualifications that meet the needs of learners, employers and wider society:

- **Making the system function as a whole.** 'If you can get your whole system working well,' said one expert, 'if you can get the right programmes in the right place for learners and employers, and choice and opportunity is right for everyone, then people won't get squeezed into the wrong programmes.' Another said: 'A lot of the time, it's not the qualification; it's the funding behaviours and the [information, advice and guidance] that get the wrong learners on the right course.' A related challenge linked to whole-system functioning is how the needs of specific sectors are integrated into the wider system, especially when there are debates within specific occupations about the most appropriate training and qualifications.
- **Meeting the needs of learners whose needs do not fit conceptions of a standard pathway.** 'We don't want to be giving those learners a second-best option,' one person said.



‘We want them to be able to do well on qualifications that are comparable to their more elite counterparts... How are they going to compete on an equal footing if there is a high road and a low road?’

- **Ensuring international alignment and portability.**

One expert warned that we need to retain alignment to international qualifications frameworks post-Brexit. ‘We’ve got an ambition to have a highly skilled, internationally competitive workforce, but what are our qualifications going to equate to...? At the moment, they sort of align with the [European Qualifications Framework], but there’s not much political will.’

- **Allowing time for previous reforms to bed in.** A Levels and GCSEs have only recently been reformed, according to one expert, and we need to understand the impact of these – and of T Levels – before making substantial changes. ‘Colleges, teachers, students and parents are just learning about them... It just feels quite strange to disrupt it.’

- **Shifting the focus from where we are to what we want to achieve in terms of curricula and pathways.** ‘Why can’t there be a curriculum at 16... that equips someone to work in the green economy and green skills, and then at 18 and 21? That could be mirrored by health,’ said one interviewee. ‘I think we have got to be much more focused on what we want to achieve.’

- **Ensuring currency of curricula and qualifications.** ‘Let’s say you have a good mix of employers, including SMEs,’ one said, ‘it will take an awarding body 18 months to write [a qualification] – and then it will be out of date by the time it comes in.’ The point on currency links to relevance and what is funded: ‘Businesses say they want someone to do Python or SQL, but it is not funded.’

- **Creating a system that supports low-resourced awarding organisations to meet changing economic and social needs.** One expert said: ‘City & Guilds and Pearson can cope, but some of the smaller and weaker awarding



bodies will struggle given digital technical changes and the restructuring of work.'


Learners and employers do not always want or need qualifications, according to an interviewee. While they are important for initial training, 'as you get older, qualifications are not the point – it's about improving skills'. Skills bootcamps are key, she said, in that they are not qualification-driven and this facilitates uptake. Another expert said that unaccredited learning could provide useful bridges between the unemployed and employment.

One interviewee suggested introducing a flexible mechanism that would enable qualifications to be tailored more effectively to the needs of local employers. 'Why don't universities have this reputation of being slow to deliver?' he asked. 'One – no-one will challenge them as they are specialists. Two – they award their own qualifications.' He suggested having a consistent, national core representing at least 70 per cent of content, with certain providers – those who met certain criteria around quality, stability and finance – being able to develop up to 30 per cent of the content. This would be based on a trusted relationship between awarding organisations and these providers.

Pre-16

Some experts discussed the need to strengthen pre-16 education to solve some of the issues in further education. The sector has to support the 16-year-olds who come out without a set of minimum grades at GCSE and without maths or English. 'If we can solve that pre-16,' said one, 'there is less of an issue to solve post-16.' Learners who achieve these minimum levels are more likely to progress onto higher education or employment. Another expert commented: 'Prevention is better than cure.'

Areas of pre-16 education that could be strengthened to take pressure off the further education system include better information, advice and guidance (this is covered later), quality improvements and more funding. The teaching




workforce is another area in which work is needed. The Design and Technology teaching workforce has fallen by 70 per cent since 2010, according to one interviewee, meaning that workforce and equipment needs to be rebuilt.

A view that looks at all these elements together may be needed. One expert said: 'There are any manner of educational reforms that have tried to fix this. What is missing is a whole-systems view, looking at Key Stage 1, Key Stage 2, post-16, etc.' It is not enough to add in more requirements to the curriculum, he added, as doing so means that other necessary pieces – the arts, for example – get missed. In an alternative perspective, there is room for more technical education within the curriculum: 'I would work pre-16 to get technical education options with longer routes... I would slim Progress8 and the core to give students the opportunity to try out technical options.'

T Levels

The general consensus among experts, with a couple of exceptions, was that while T Levels are imperfect, they need to be allowed time to implant themselves within the system. One expert referenced previous transitions to different qualification systems: 'None of these things go smoothly to start with.' Another said: 'Perhaps they truly won't work in some sectors – but there are others where they really do lend themselves well. To come in with wholesale change is counterproductive.'

The more sceptical perspective is that 'they are a car crash in slow motion... They have been overloaded with expectations, so they are guaranteed to fail.' The pilots cannot tell us whether they will work, according to one interviewee, as those taking part have a very different profile to those who are expected to take them over the medium and longer term. These pilot learners are 'a very select band of students with very good GCSEs. A huge proportion are aiming to go into higher education, which is what T Levels were not designed to support. That expectation gets baked




into the mix through this pilot – they are a route into [higher education], not a route into work.’

T Levels have ‘all the hallmarks of an official’s invented qualification,’ according to another expert. ‘They were done without very much consultation, and one can see what was going on in their minds – we have A Levels in schools to get to university, and T Levels will be the equivalent. But FE doesn’t need an equivalent. What it needs are high-quality qualifications for young people and employers that they understand.’ One person highlighted the risks of forcing early specialisation. Academic routes and BTECs allow a range of specialisation, but T Levels imply one occupational focus. Someone else highlighted a need for research, consultation and a genuine examination of whether T Levels are working.

Potential improvements to T Levels suggested by interviewees include:

- **Moving them out of schools.** ‘Schools do not have vocationally qualified staff. The experience overseas of getting schools to do vocational stuff has been a disaster.’
- **Changing transition years to prepare students better for T Levels.** This preparation should include remedial maths and English, ICT, basic learning skills and perhaps some parts of T Levels, according to the interviewee suggesting this. Without these changes, the transition year ‘will be very tough for students and those teaching it.’
- **Reviewing work placements to make them more feasible.** ‘The huge flaw is that schools and colleges outside the large metro areas, particularly in areas of deprivation or in rural areas – where industry and commerce has been under threat for some time – find it hard to place young people in the required nine weeks of work experience. The pressures are piling up on colleges.’
- **Making the learner focus more targeted,** recognising that there are going to be many 16- to 18-year-olds for whom neither A Levels or T Levels will be suitable. ‘It may be that




a large, rigorous, heavily externally assessed qualification doesn't meet their learning needs. There is a lot of talk of academic rigour, but we are not all academic,' said one expert. They are unlikely to work for adults due to the level of involvement required to undertake them: 'If you are 35, going back to do a T Level probably isn't going to work, because it's not bite-sized.' The parts of T Levels that differentiate them from other qualifications may need affirming too, according to another interviewee: 'You have to be clear what your USP is. They were clear at the start, but they have diluted the clarity of the purpose by allowing UCAS [Universities and Colleges Admissions Service] points.'

• **Ensuring there are still viable options for those for whom neither A Levels or T Levels are appropriate.** There was a sense among some interviewees that the qualification reform programme is being driven by a desire to show that T Levels work by removing any competition. 'Switching off the qualifications that work is not the solution to making them grow – that's showing they work,' commented one expert. This is explored further in the section on simplicity and choice below. Structuring progression opportunities so that T Levels do not close down options is something else to consider.

Perhaps some T Level improvements need to be centred around equity in the system and ensuring that there is a level playing field for alternatives. 'In allocating £1.3 billion to T Levels,' said an interviewee, 'they have found as many ways as possible to make T Levels a success. They introduced UCAS points. They removed the requirement to have English and maths as a final qualification. Placements can be work-from-home rather than in the workplace. They have removed all obstacles and poured in money.'

One expert warned against change, even though work placements are not working for some sectors – they are working for others, and time has been lost to qualification reform as well as lost learning from Covid. 'There is a generation coming through with massive school disruption. If they were to get another change, it could be really




demoralising.’ If change does happen, said another, it needs to be gradual. ‘There’s something about evolution. Things do need to evolve.’

Higher technical qualifications

Higher technical qualifications (HTQs) are those offered at Levels 4 and 5 through further education or higher education, including Higher National Diplomas, foundation degrees and Certificates of Higher Education, and approved by IfATE. HTQs were generally perceived positively by interviewees, but there are barriers to both demand and supply. These include:

- **An inability to cover pay rates for staff with HTQs in certain sectors.** In the childcare and early years sector, for example, settings cannot afford to hire staff with HTQs in more deprived areas – even though there is strong evidence to suggest that highly qualified staff are better able to support children in areas of deprivation and disadvantage.
- **A lack of financial incentives for providers to run HTQs and an overly heavy emphasis on foundation degrees.** One expert suggested restricting funding for foundation degrees, saying that while they may sound appealing to a learner, they are of limited value to employers when compared with other HTQs.
- **Competition from graduates.** Higher education institutions are able to route students on HTQs into a full degree. Additionally, the value of HTQs has not been properly articulated as a high-quality end-point, leading employers to fill technician-level roles with graduates: ‘It is very inefficient for employers. We need to reinvent technical-level education and technical-level jobs.’ A final contributing factor is that learners themselves perceive a degree to be a better ambition than an HTQ.
- **Uncertainty for providers.** The HTQ offer is currently limited, but it is not known whether low supply leads to low uptake or whether young people feel these qualifications are not



right for them. Providers therefore face uncertainty around uptake and who will pay, in future, for HTQs – the employer or the learner, via the lifelong loan entitlement. One expert commented: ‘We know that the desire to have [HTQs] came from educationalists and economists looking at the decline of sub-degree qualifications and wanting to give more choice. It’s not clear how that demand is articulated.’

Effective promotion of HTQs seems to be a real gap, despite the perception that their brand is prestigious and well-received. ‘They are a really well-kept secret. If you asked the average woman on the street, they might ask: “What is that?”’ Generating demand through awareness-raising needs to be linked to a recognition that people in leadership and management roles stimulate demand within organisations and can shift them out of a low-skills equilibrium. Promoting HTQs to business leaders may therefore be an important first step.

English and maths requirements

Several experts flagged minimum requirements for English and maths as problematic for many young learners. ‘Many of our FE colleges are full of people who failed to get English and maths at GCSE, and they are stuck there trying to get the same old GCSEs that they didn’t get before,’ said one. Another commented: ‘We are reinforcing learning that has failed in a previous guise, and penalising institutions and learners. It is proving a huge barrier to success.’

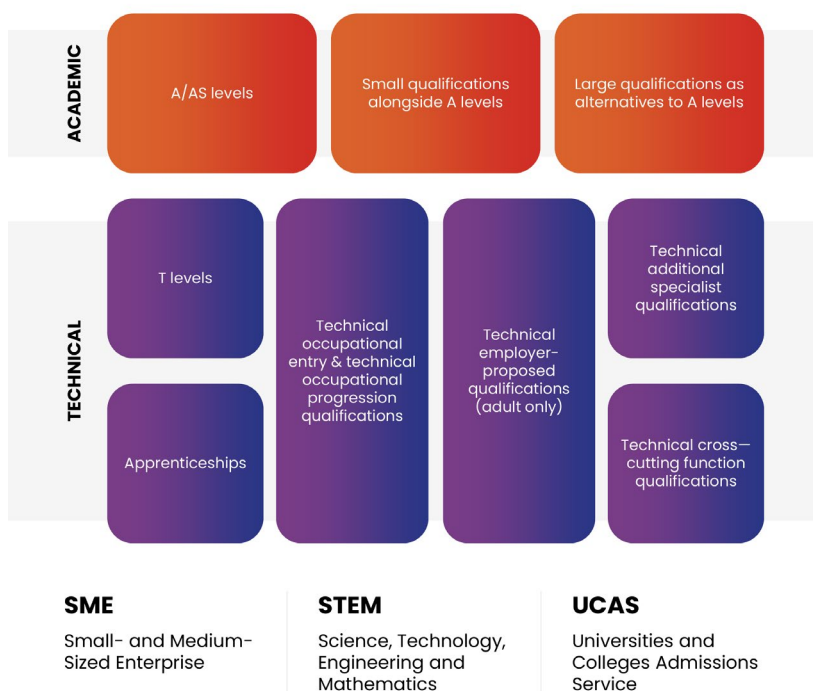
There is a disparity between apprenticeship requirements and academic routes. ‘If you take a History A Level, you don’t fail it if you haven’t passed your GCSE Maths,’ said one expert. ‘It’s blocking people who are not academic from being able to get good occupational jobs.’

Views on necessary changes ranged from removing the GCSE requirements and replacing them with more practical maths and English courses, through to removing these requirements altogether unless they are part of an apprenticeship standard. Removing or reducing existing

requirements would not only benefit learners, but would also improve measurement of what is necessary: ‘We’re valuing the ability to write... and do tests above the ability to perform task or function.’ The current maths and English requirements are, according to one expert, ‘a great ambition if everything else is in place, but it’s not. It’s a... wake-up call about what happens in the actual system.’ This includes the reality that it is hard to get qualified teachers in maths, in particular, in technical colleges, due to poor pay and part-time contracts.

Figure 17

Planned post-2025 qualifications landscape at level 3⁷⁶



Source: Department for Education (England)

⁷⁶ Adapted from Parliament. House of Commons (2023b). *The future of post-16 qualifications: Government response to the Committee’s Third Report of Session 2022–23*. (HC 1673). London: House of Commons. Available at: <https://publications.parliament.uk/pa/cm5803/cmselect/cmeduc/1673/report.html#> (Accessed: 15 August 2023).


Levels 1 to 3: the simplicity vs choice question

The government's qualifications reform programme at Levels 3 and below aims to streamline qualifications, with large numbers defunded over the next few years, to ensure that 'every publicly funded qualification is necessary, has a clear purpose and offers good progression opportunities'.⁷⁷

In theory, the qualifications landscape will resemble the diagram in Figure 17 by the time of the next general election, and will sit within the context of a reformed approvals process. Expert opinions in this area fall into 3 main groups – those who think the reform programme is right and that qualifications need significant streamlining and simplification to support clarity, those who think the loss of qualifications undermines choice and restricts learners' options and pathways, and those who fall somewhere in between – they recognise a need to simplify and streamline, while thinking that the proposed reforms are damaging in scale and scope.

Despite this divergence, views were weighted more heavily towards the value of choice; there was a ratio of approximately 1 to 3 in those who mentioned the benefits of streamlining compared with those who mentioned the benefits of choice. One expert pointed out that the qualification reform programme goes against the government's philosophical commitment to market principles. 'You used to have so many awarding bodies on the basis that the market would decide. What is that about – market philosophy has driven decisions, but not this one?' He added that simplification is another defining feature of government philosophy, but said: 'Markets don't work like that.'

⁷⁷ DfE (2021). *Review of post-16 qualifications at Level 3 in England: policy statement*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003821/Review_of_post-16_qualifications_at_level_3_in_England_policy_statement.pdf (Accessed 31 January 2023).




For those providers who have got a sense of the scale of the impending changes, many do not have the capacity to future-proof. Others do not realise that change is coming. 'There is a lack of awareness,' said one expert, 'not just within the sector. You say [this] to the Labour Party and they have no idea – they think [the qualifications reform programme] is just curation, as they haven't looked in depth. 80 to 90 per cent of qualifications will be lost. It doesn't say that on the tin.' He said that Level 3 has been subject to plenty of scrutiny through the Skills Bill and its resulting Act of Parliament, but 'Level 2 and below doesn't have that scrutiny, so it has slipped under the radar'.

Benefits to streamlining qualifications included cost savings; if awarding organisations are working on qualifications development in parallel, there are inefficiencies in the system. A simple system also supports employers and learners to understand what is available to them. One expert said that employers in her sector 'would want simplicity... They are frustrated with the constant tinkering, and new and shiny things coming on board. As long as it is clear and consistent, and not constant short-term tinkering and churn, colleagues will get behind it.'

Another expert was vociferous about reforming awarding organisations, not just qualifications: 'In most countries, there is one awarding body – it's called the state. We need to move away from the stupid idea of the marketplace.' He recommended gradual mergers among awarding organisations. 'We have been through an exciting experiment with more and more competition. We need less.' This was expressed by another interviewee, too, who said: 'I don't understand why there is a market for assessment... I think we should have an honest conversation about a structural argument for multiple, competing awarding organisations, or whether we need to start again.'

A wide range of experts, on the other hand, said that there was a need to offer alternatives to learners at Level 3, for whom T Levels and A Levels are unsuitable. 'One size does not fit all,' said one interviewee. 'We need to have and show




clear progression routes for young people and adults... A T Level is a credible option in some sector areas, but it is not the only option.’ Another gave the example of a learner who wants to become a boiler installation engineer and is certain about this choice – for this learner, the T Level is perfect. For another learner wanting to work in education and childcare, a suitable combination might be an Education and Childcare BTEC, a Performing Arts BTEC and a Music A Level – ‘and then you can play guitar with the kids and you have breadth of skills’.

The question of choice does not relate only to learners’ intended occupation or to their preferences for academic or vocational learning. One expert highlighted that 16- to 19-year-olds do not necessarily learn in the same way as adults, meaning that variety is needed in the qualifications system. BTECs were singled out by several interviewees as meeting a particular need or gap. ‘BTECs have a solid reputation,’ said one. ‘They are known and respected by employers and parents. Are we at risk of throwing the baby out with the bathwater? We keep reinventing the wheel with [General National Vocational Qualifications], the Diploma – there’s a treadmill, and yet BTECs are still there.’

Even if BTECs will be eventually shut down, said a couple of experts, they must be retained until we know how well T Levels work. Another interviewee raised the dilemma that we need to see things working successfully before anything is defunded, and at the same time: ‘How do you persuade people to move to the new environment when you still have old qualifications in the system? But if the new system was better, people would use it.’

Qualifications at Level 2 and below were emphasised by some experts. One said: ‘There is an assumption that we only need Level 3 and above skills in this country. I worry that this drive for progression forgets that Level 2 might be the right destination point for some people. If you end up in a situation where you have rationalised it so far, could you be stranding learners?’ Another commented: ‘We are consigning so many people to the scrapheap, and yet these people enable cities,



societies and communities to actually function... This is the backbone and we are not taking it sufficiently seriously... Level 2 is a huge problem.'

Experts' suggestions on what needs to happen in future with qualifications reform tended to coalesce around 3 main areas:


In the first instance, the timeframes need extending.

'The timeframe is unworkable,' said one expert. 'They are planning to announce in July 2024 which qualifications will be funded in September 2025 – but everyone has printed their prospectus by then.... They need to understand that you can't operate in that short a timeframe.' Terming this a rescheduling, not a delay, might make it politically more palatable.

Any incoming ministers should conduct a broader review of qualifications reform, balancing the competing priorities of simplicity and choice.

On the one hand, said one expert, the incentive is to deliver more and more qualifications for the sector, when it is not necessarily what learners or employers need. On the other hand, 'current reforms have some complications. Level 2 is underdeveloped. Level 3 needs work. We need to think about portability and cross-referencing of programmes. Faced with all of that, an incoming minister [might think] we need to simplify – and that would be a mistake.' There was nuance in the recommendations made by others calling for a similar balance. 'Some of what they are trying to do should continue – there are too many qualifications that look exactly the same... but the current reforms are going too far. It's more like a slaughter than a rationalisation.'

Qualification reviews should happen regularly. What is right today might not be right in two years' time. One expert commented: 'The skills half-life of digital and data has shortened to four and a half years, and it is rapidly getting shorter. Nothing remains static, and we need to review it.' Students are suffering a disservice, according to this expert, without continuous reviews to ensure the currency




of qualifications. Another said that we need continuous review of the defunding list according to whether it still meets the needs of key sector areas and, in particular, areas where there are gaps – for example, health, social care and hospitality.

One way of rationalising qualifications and deciding which ones should continue to be funded would be to have criteria set at the different levels linked to progression, readiness and employment. One expert went a stage further than most on the issue of rationalisation, suggesting a new nomenclature of 3 levels into which the courses and qualifications we have already could gradually be altered so they fit within them. This might involve terms like Master Engineer or Master Electrician. ‘I would like to reiterate that we are not there yet with a set of clearly recognised, stepped qualifications... that are as recognisable to young people as a BA and BSc.’

Modularisation, portability and progression

The final area of qualifications and curriculum discussed by experts related to modularisation, portability and progression. Most spoke positively of modularisation, although one expert cautioned: ‘I bear the scars of modularisation and the final years of [National Vocational Qualifications]. Everything had to be stackable, awarding organisations had to measure the same thing – and it was horror. It was catastrophe.’ Her opinion was a contingent one, saying that some things should be modular, some things should not, some things need qualifications and some things do not. ‘There is no evidence,’ she said, ‘that employers can make sense of lots of little modules.’

Others view modularisation as supporting better recognition of prior learning and an ability to move from one course or qualification to another. This is the model used by higher education, enabling individuals to transfer between institutions: ‘The module is accredited, and then you have some way of managing what would otherwise be a very messy process.’ One interviewee suggested that




modularisation could start with apprenticeships and then move into the whole system, across and within awarding organisations and qualifications. This could be linked to a single version of qualifications.

Another highlighted a need for modular and bite-sized pieces that can work across awarding organisations and qualifications. ‘It’s about understanding where the learner is trying to get to, [which] is not just about big programmes.’ Those who want to upskill rather than reskill are more likely to need micro-credentials that can be stacked, said someone else.

Modularisation, as the start of this section acknowledges, has its challenges – for example: ‘You want all adults to be doing the same modules. That’s really hard to deliver without a better-funded system.’ There may also be tension between what learners and employers want. ‘What are you getting if you do a module on an apprenticeship? As an individual, you want it accredited on a skills passport – so you do need the qualification as an individual, but an employer may not want that... If we don’t have equivalence between the standards, what do they build towards? Would that have meaning?’ An interviewee suggested that IfATE lead a piece of work about portability and progression. ‘The occupational standards are meant to be the driving characteristic that binds all this together. Are we clear that the occupational standards are linking apprenticeships, T Levels and HTQs in a way that sees them as a whole system?’

One expert said: ‘Frighteningly, someone who is born today is going to have a 70-year career span. Imagine how many career changes there are within that... Add the pace of change of technology, and we are going to have to retrain and retrain many times... Not everybody wants to have a vertical career trajectory – people will want different careers, and we have to enable that.’ Even today, learners may need to move from one level to another depending on circumstances – one interviewee gave the example of a learner who has completed a T Level in brickwork who wants to get a job in construction, but cannot get onto a Level 2




apprenticeship as they have a Level 3 qualification. Being able to study an equivalent or lower qualification is a tricky policy issue, however, said a different expert. 'If you take the handbrake off, there will be a huge amount of gaming. It will be impossible to manage.' Perhaps the solution is to review how the system operates as a whole: 'It's not quite hanging together as a seamless system... [that] hangs together as a whole set of qualifications that's portable and flexible from the learners' point of view.'

Another interviewee suggested that government has a linear view on progression and a utopian perspective that 'you know what you want to do when you start, and 30 years later you are still doing it and you have mastered it.' It is probably too early to say whether progression linked to the current qualification reforms will work effectively. 'We're in the midst of Level 3 reform. Level 2 and below is still to come, but they have not even published the detail of Level 2... I would question whether progression is yet being met sensibly. You can see great qualifications, great programmes – but what is the next step?'

One piece of the progression puzzle is working out which qualifications support it most. An interviewee highlighted Level 2 Business Administration: 'There has been a ding-dong in government about 'Is it a real job?' It's a vital entry route for young people who don't know what they want to do. They want an office job – where do they start from? It's a high-volume entry route for young people and disadvantaged adults.' Level 2 Plumbing was another example of an under-looked area that supports progression. 'How does a young person get onto an apprenticeship to do plumbing, as its entry point is Level 3? It's a job for life, being a plumber. There's a snootiness around the overlap with Level 3, or it's not a proper job... but there is a stigma within the DfE and with ministers. They can't see why there is a need. They go to university and have A Levels – [and think:] "Surely everyone is like that?"'

Incentives may be necessary to help facilitate progression. One expert gave the example of making a learning loan




available to do an access course, which gets written off when learners start a higher-level programme, or linking provider payments to outcomes. Clarity of pathways (linking to the section below on information, advice and guidance) may also be needed, so that young people – and those with special educational needs and disabilities, in particular – can see the pathways from entry level through to higher levels.

THE LONG VIEW

Information, advice and guidance

Improvement in information, advice and guidance provision (IAG) was highlighted as an area that could support better outcomes in further education and skills. The system works best when there is perfect information, or as close to perfect information as it is possible to get. This means young people and parents being fully aware what options are available, and developing an understanding of which routes may not be suitable for them as well as the ones that are. 'A large number of people are being let down,' said one expert. 'Vast numbers are going into poor-quality higher education, leaving with £45,000 debt and not getting a job.'

It may also mean learning from what worked well in the past; an interviewee said: 'They finally got a decent careers service in Connexions and then closed it down.' Another pointed out that better IAG has been consistently mentioned across reviews and studies as a priority, and yet we are still talking about it. This may be due to the time needed to see improvements, which cuts across parliamentary terms. A different expert said: 'It comes back to that timing piece and allowing things to bed in and the collective leadership that goes with that, which is lacking, so that learners understand what their choices are currently. They go through that training and will then be in the workplace. It is years before that filters through.'




Resources are one barrier to strengthening IAG provision. 'Schools are strapped for cash. Budgets are tight. Time is tight.' Another is that it is hard to understand systems, as someone teaching IAG, if you have not been through them yourself. 'Many teachers have been through the traditional education route, so they have no reason to understand alternative frameworks.' Taking vocational qualifications and pathways is a stigma in some schools. Others, said one expert, have a financial incentive to steer students towards A Levels if they have a sixth form in order to keep it viable. Colleges, too, have financial incentives to steer students in a particular direction. 'They [have] 10 people in a class, then they can stick in those who don't know what they want to do and get 20.'

Experts suggested several ways in which IAG could be improved.

- **School IAG:** it would be useful to have more externally provided, impartial guidance in schools. 'There is some of this, but not enough.' Having someone on the senior leadership team within schools who leads on IAG would help to prevent the risk of schools paying lip service to the Gatsby Benchmarks, said one expert. Involving a wide range of providers in school IAG would help young people to understand the breadth of opportunities available to them; schools may need persuading of the value of doing so.

- **Target groups:** parents may need to be included within target groups for IAG campaigns. 'If parents have ambitions, they probably want [their children] to do traditional routes, and if not, [they might see them going] straight into work. Are we doing enough work to ensure the stakeholder groups are being informed?' Another expert suggested that more is done to raise awareness about apprenticeships among lower-income families: 'The earn and learn concept isn't where it needs to be.'

- **Embedding IAG:** one expert recommends embedding IAG through individualised plans. 'Every young person should have a clear careers plan, like an Education, Health




and Care Plan – whether you want to be a ballerina or a nuclear engineer... ‘If you want to do X, you have to do Y to get there, and does that feel realistic to you?’ And that takes time. It has to be student centred. That’s where the system has slipped up a bit.’ Another, moving against the weight of opinion, talked about embedding IAG provision in the sense that it needs to be left alone now: ‘Some of the mainstream provision is embedded now and needs to settle in. I encourage people to utilise these, not to start again.’

- **Continuing professional development (CPD):** training for teachers and lecturers with responsibility for IAG would help them to understand the breadth of opportunities available to their learners, with a caveat and recognition that CPD time is limited. ‘The people providing the advice and channelling the learners... need to understand the life chances that can be secured through the apprenticeship route. Take PwC or Siemens – you have careers for life with a good income, but that doesn’t come through.’

- **Lifelong IAG:** people who are no longer in formal education need to know where to access information. ‘Anyone who is being realistic knows there is no such thing as a cradle-to-grave career... There’s a movement towards moving around – for example, digital and data skills are transferable. Can that individual source information and understand how that might happen? We need a better understanding of how to get there.’

- **Innovative, locally led provision:** IAG developed locally can be incredibly successful, where people are able to find time and resources to facilitate this. ‘You get pockets of good practice... Leadership on this should come from government. They have the resource and scale.’ One interviewee discussed a successful programme called Together for Twos, through which young mothers on universal credit were offered training and childcare for their young children, and childcare was discussed as a career option. ‘There was a big difference. It wasn’t online, they didn’t need to search it out, and there was a job coach who they were obliged to see anyway – there was another human talking to you about



your options.’ Local leadership can also ensure that contexts are taken into account in the planning; in the case of Together for Twos, it was designed to help destigmatise the concept of putting young children into childcare, which acts as a barrier to maternal employment in some communities.


• **Narratives and communication:** national or local story-telling would help support institutional IAG provision. ‘We need to paint the frameworks and story-tell without it being a ladder... That’s publicity and communication, but people also need to understand what that means in reality.’ Specific campaigns for sectors struggling to recruit could sit within this – for example, a campaign focused on childcare and early years that ‘shines a light on the teaching workforce’. The value of occupations needs to be articulated to get people to consider them. Using data on destinations, earnings and funding options would help to supplement the more qualitative narratives.

One expert concluded: ‘Maybe the problem is something different to solve. How do you encourage the right kinds of choices for students and steering them in their career? Understanding our students better should be a better way of understanding that kind of reform.’

Planning for labour market needs

There are two issues relating to labour market requirements and skills gaps. The first is how we understand our current situation. The second is how we plan for future labour market needs given both rapid change and the lag time inherent in a skills development system.

Experts agreed there is a need to understand data and to plan, with differences apparent in the mechanisms necessary to do so. One said: ‘We need a national skills observatory with a labour-market information adjunct. We need to do a skills audit and skills forecast.’ Another said there was no need for a new mechanism, and instead proposed using lists published by the Migration Advisory Committee, which have not – to date – been joined up




with skills policy. 'We literally have a system that is well respected, that business engages with, which every quarter produces a list of which jobs are in shortage. If you go on their website right now, you will find a robust list that we use to determine our immigration policy. Why does that not impact skills policy at all?' One interviewee, who had previously contributed to the shortage occupations list, considered its bar to be set too high to be useful for skills planning, as multiple sectors need to express the same gap for an occupation to be added. It might, however, present a starting point for conversations.

Other thoughts around planning for skills gaps were clustered around the following broad ideas:

- **Planning for skills gaps is made harder by pragmatic considerations of the parts of the system that are not yet functioning optimally.** It is hard for colleges outside of large conurbations, for example, to find suitable work experience for their learners. Young people are unlikely to travel for 40 miles to do a work placement, so colleges tend to focus on those vocational areas in which there are local work placements available. 'It is pie in the sky to expect that most colleges will be able to prepare most young people for most vocational areas in most areas of the country.' Another challenge for colleges is that employers are not all as engaged as we might want them to be.

- **Conversations need to be held with multiple stakeholders representing a wide range of different interests.** 'We need conversation, including triangulation, to work out how together we can take things forward, because we do have skills gaps at Level 4 and Level 5. And we can argue about Brexit, but we are where we are. If we can identify skills for today and for 10 years, and what we will need, and greening of the economy and sustainability, and digitalisation of the economy – you need to have everyone in the room.'

- **The system needs to deal with complexity.** Lifelong learning, retraining and switching will become increasingly important. 'As an individual, you are travelling through your



journey of learning in terms of age and maturity. Everyone hits different points at different times, and the system needs to deal with the mass but also the diversity in adult education.’ Another part of this complexity is working out how changes to migration policy affect local, regional and national planning decisions. ‘We can’t just import the skills we need. It’s a long wait for people to go through the education system.’

• **Workforce planning may need to consider aspects of demand as well as supply.** Creating a demand for intermediate-level jobs, for example, is one potential challenge, as without them, there is no way for people to progress and productivity potentially stagnates. ‘How do people with low qualification levels, low skill levels, [progress], particularly when you have an economy and a workforce that doesn’t have any intermediate jobs? So you get stuck in a basic-level job, and there is no job for you to progress to in terms of an apprenticeship, because there are no middle jobs for you to take up.’ Automation is another area that may need facilitation from policy makers to work out how it translates into planning. ‘Automation doesn’t mean that work goes away. We need to do it differently, and employers aren’t doing that stuff.’

• **Outcomes of discussions on skills gaps need to link back to the IAG system, among others.** One expert highlighted immediate workforce capacity issues that are going unaddressed because conversations are not being held about the value of those occupations. ‘It’s great that we are getting degree apprenticeships, but we need people who can direct road traffic and be comfortable in that space. They are going to be in a public service vocation that they will excel in because they develop those skills. That conversation is missing.’ Infrastructure and further education workforce planning (see the next section) also need to be linked back to this articulation of labour market needs. ‘You need the infrastructure there. You have to change hearts and minds to bring them on the journey. You need the teacher capacity there that is depleting massively.’


The further education workforce

There can be no skills system without skilled, knowledgeable people to teach courses. 'If you have the right teachers, you have solved 80 per cent of the problem,' said one interviewee, but workforce is a key challenge for the sector. 'You have a sector on its knees in terms of recruitment and retention,' said another expert, a view that was reflected throughout other interviews. These workforce challenges translate through into broader systemic issues very quickly; one expert said she had anecdotal evidence to suggest that in the agricultural engineering sector, there are lots of SMEs who want to offer apprenticeships, but are unable to do so due to a lack of people to teach it.

Pay and conditions are significant factors in this. 'If you are working as a hugely qualified mechanic in, say, Toyota, then the sum of money you are earning is such that you will not want to go to a college of further education and train young people instead. You might do near retirement or if redundancy has come along – but, generally speaking, colleges are finding it difficult to recruit suitably qualified people. It is a big problem.'

Poor pay also undermines the sense of value that teachers and trainers believe others attribute to their profession. 'They are undervalued and underfunded,' said one expert. 'The government should be... creating the right conditions for things to thrive – they need better pay, conditions and infrastructure.' While pay and associated recognition is the most urgent workforce priority, there are other issues that need to be considered:

- **Ensuring currency of skills and knowledge.** 'We... need some important methods of enabling [people who used to work in industry] to revisit their industries for in-service development to catch themselves up, and we need to be able to pay colleges and the industries to enable it to happen.' Another interviewee said: 'You have to do something more radical to think about that, like moving towards a tertiary sector with HE with the pooling of




resources... In the workforce space, radically thinking about part-time tutor roles alongside being a professional, like a two-day a week role in [a] college teaching project management while doing your job.'

• **Re-considering workforce qualifications.** Having an unregulated teaching workforce negatively affects the learner experience, according to one expert. 'If you were to invest in a workforce that invested in itself, it would [lead to] confidence and professionalism. It would become aspirational. The theory of change of investing in that space to feed the aspirations of a growing economy could be well articulated.' Another suggested that professional development structures linked to teaching qualifications would help with status. Ironically, this would require undoing one of the previous review recommendations that has been successfully implemented.

• **Facing up to the practical implications of gaps in provision.** On top of the systemic issues already mentioned, which means that some necessary courses and qualifications cannot be offered, a lack of value attributed to the workforce can compromise the quality of the teaching experience. 'Teachers need to be excited and interested in what they are doing,' according to an interviewee. This is hard in the face of depleted morale. In some cases, there is no choice about teaching certain courses or qualifications – while some may not be taught in the absence of suitably trained teachers, others require non-specialists to step into any gaps. 'If you are a sports specialist and you are having to teach maths, you don't want to expose your own vulnerabilities.'

• **Fostering mental health and well-being.** Helping staff to develop resilience and prevent burnout is another urgent priority within the sector. 'If you get the workforce comfortable, respected and confident, some of the other things would follow.'



• **Finding messages to supplement increased pay to make the sector attractive to potential staff.** This means 'changing the narrative from 'Those who can't, teach' to: 'These are the individuals who can unlock the potential of every individual in our society'.'

As with labour market planning, long-term further education workforce requirements need to be articulated and woven into current decisions. 'We are looking at the here and now, and priority occupations for next year – it is too late! Where is the long-term thinking, the occupations coming in 5 to 10 years? As we need to be investing in the teaching workforce for these.' Workforce issues are some of the most pressing facing the sector. 'Unless you have skilled professionals to deliver,' said another expert, 'you are constantly going to be pushing water uphill.'



Part 4:

CONCLUSION: THE UK ELECTION AND BEYOND

Tom Bewick

In this concluding part, we will briefly look ahead to the skills policy and delivery challenges facing the next UK government. Because of the nature of political devolution, these challenges will have to be managed through a combination of decisions taken in Westminster (on behalf of those living in England and the rest of the UK); as well as actions taken separately by ministers in Scotland, Wales and Northern Ireland.

There is not scope in this report to make highly specific policy recommendations. However, based on the analysis contained in previous chapters, including the interview feedback we received from sector experts, it is possible to identify the key policy 'pinch points' that an incoming administration will need to address from day one.

Whether the next UK general election results in a new government, a coalition of parties forming a government, or the current government of Rishi Sunak, re-elected for a further term, it is stating the obvious that any incoming group of ministers will face a challenging set of issues. Similarly, the cost of living crisis people have been experiencing since the pandemic may easily turn into another round of austerity cuts, because whoever forms the next government, ministers will face challenging public spending constraints.

Skills policy is about more than one government department


The skills and productivity performance of the nation is far too important to be the preserve of a single government department, or a solitary secretary of state for education operating out of an office in Whitehall. Indeed, as we saw in part 1, discussing the Leitch Review of Skills (2006), HM Treasury, where it takes the lead, can still manage to miss its own self-imposed skills targets. Similarly, [SPAD: Skills Policy Audit Database](#), developed by FAB to accompany this work, shows that even the most influential government skills advisers can see their recommendations fall by the wayside.

To tackle the deep-seated skills and productivity challenges detailed previously in this report, it will require a whole UK and devolved government effort, on a scale perhaps not seen previously. Ultimately, solving the UK's productivity puzzle goes beyond the contribution made by skills. The government has other serious considerations: like building enough homes, managing immigration, changing planning laws and investing in net-zero initiatives. All these issues matter to levels of output in the economy and the extent to which British living standards can improve over time.

Like Apple once famously said, we need to think different!

If the incoming government has a majority in the House of Commons, it will require the prime minister and the new cabinet to start to think very differently about the UK's governance model for growing prosperity in every part of the country. Levelling-up was not a bad ambition. It fell below expectations because ministers allowed much of the rhetoric to get ahead of reality.⁷⁸ We have seen hubris like this in the skills and qualifications reform debate, where ministers are adamant that what they are delivering is world-class, even before a single student has graduated from a programme.

⁷⁸ Dunt I. (2023) *How Westminster Works... and Why It Doesn't*. London: Weidenfeld & Nicolson.



Lasting reform will have to be about more than the balance of power and delivery between central and local government. Or ongoing discussions and differences about the nature of the devolution settlement. Instead, it will require fresh thinking about how to engage active citizens in the lifelong learning and skills challenge, wherever they may live in the UK. Only then will the country be in a position to run up the productivity and skills escalator the right way.

What is becoming clear is that after more than two decades of top-down skills policy making and programme delivery, mainly driven by Whitehall, the approach has largely failed. Some commentators would disagree with this assessment by arguing that the modern role of government is to be paternalistic, because not every citizen can make the right choices or know what is good for them.⁷⁹ But as we saw during the pandemic, this kind of 'nudge policy' has its limits, particularly when it comes to winning over more sceptical members of the public, who balk at the use of *fear* being deployed, as a basis for ensuring they do the right thing.⁸⁰


Skills development is no different. People will have to be inspired to make the shift to higher performance working. In the welfare system, it would seem sensible to move from a crude 'work-first' benefits regime to a 'skills-first' human capital investment model. That will require allowing some Universal Credit claimants to take up to a year to retrain in areas where there is an occupational skills shortage.

Parliament cannot simply legislate for prosperity. But MPs can enable the right legal and regulatory framework to be put in place: an institutional model that empowers people and workplaces to make the step-change required. This could include building on the Lifelong Loan Entitlement Bill going through Parliament⁸¹ by giving every working adult a

⁷⁹ Le Grand, J. and New, B. (2015). *Government Paternalism: Nanny State or Helpful Friend?* Princeton & Oxford: Princeton University Press.

⁸⁰ Dodsworth, L. (2021). *A State of Fear: how the government weaponised fear during the covid-19 pandemic*. London: Pinter & Martin.

⁸¹ FE News Editor (2023). 'Sector reaction to the Lifelong Learning (LLE) Bill', *FE News*, 1 February. Available at: <https://www.fenews.co.uk/skills/sector-reaction-to-the-lifelong-learning-bill/> (Accessed: 23 August 2023).



universal skills account to spend on courses at Level 2 and above. And for those working at the sharp end of post-16, representative bodies will continue to call for the tertiary education workforce to be better paid, better valued and more trusted in co-designing and implementing policy.


Stockholm syndrome?

Interviewees consistently told us they were frustrated by the progress of skills policy over recent decades, not because they believed senior civil servants and their ministers were somehow incompetent people. But because defining the *outcome* of getting somewhere positive – in terms of improved skills and productivity performance – is a whole lot different and far more complex than simply deciding on the *means* of delivery. Too often, we found, it is Whitehall knows best.

For some college leaders in England, the recent dismantling of the early 1990s legislation, which released them from the clutches of town hall bureaucrats, feels like betrayal. Of course, education sector leaders would always want to have positive and constructive relationships with public servants. But equally, we see evidence of the unrelenting march of centralisation in recent years, expressed most visibly, in ONS reclassification of FE colleges.⁸² In late 2022, the responsibility for the whole college estate was effectively transferred to the Department for Education, now fully inside the government sector. At least one senior college leader thinks that could start to resemble something more akin to a hostage situation, particularly if some of the gains of 1992 college incorporation are not kept.⁸³

⁸² Reclassification of FE colleges, sixth form colleges and designated institutions in England to the central government sector. Available at: <https://www.gov.uk/government/publications/reclassification-of-fe-colleges-sixth-form-colleges-and-designated-institutions-in-england-to-the-central-government-sector>

⁸³ Pryce, I. (2023). 'What's with the 'Stockholm Syndrome'?', *Think Further Blog*. Available at: <https://www.aoc.co.uk/news-campaigns-parliament/news-views/aoc-blogs/whats-with-the-stockholm-syndrome-ian-pryce>. (Accessed: 23 August 2023).




A UK-wide skills strategy that communicates and measures improved outcomes for learners

For the sixth largest economy in the world, it is extraordinary that the UK does not have a national mission committed to skills. At the moment, constituent parts of the UK can point to a collection of different skills strategies and publicly funded programmes. We highlighted some of these in part 2 of the report. Understandably, the reason for fragmentation can be because of devolution. Ironically, even in the most complex private sector organisations, many of whom will work multi-jurisdictional, it is still common to encounter only a single HR department and people strategy.

‘UK plc’ needs an integrated skills plan. For example, the Apprenticeship Levy is a UK-wide taxation measure raised from employers via HMRC. There is no constitutional bar preventing the funding of apprenticeships, linked to UK-wide occupational standards, being delivered in an integrated way and at a four-nations’ level. All it requires is the determination of the UK government, working with devolved ministers, to act in the interests of its own internal labour market. By judiciously using ‘reserved matters’ legislation in Westminster, it is possible for an incoming prime minister to create a **UK-wide Department of Employment, Productivity and Workforce Skills**, almost at the stroke of a pen.⁸⁴

Canada, for example, is a more devolved jurisdiction than the UK. The federal government must respect the policy remit of provincial premiers, which includes devolved responsibility to them for education and training matters. Canada is made up of 13 separate provinces and territories. Yet, in the interests of its own internal labour market, the federal Canadian government has agreed the Red Seal Program for apprenticeships, which ensures that

⁸⁴ The new department would be a merger of the current UK Department for Work and Pensions, with the post-16 skills and apprenticeship teams within the Whitehall based, Department for Education. In effect, this would create a UK secretary of state for skills, as opposed to the current situation, where each of the 4 nations have separate cabinet rank ministers in this area.



competency-based industry standards developed for each skilled trade, including the end-point tests, are administered exactly the same way in each province and are valid in every part of Canada.⁸⁵

MPs and the National Audit Office have produced a number of reports over the past decade, pointing to the lack of clear metrics for how, as a country and a skills system, ministers are defining and measuring success. It is perhaps understandable, given previous attempts to tightly manage government departments from the cabinet office, that senior civil servants may be reluctant to sign-up to a whole new raft of performance-based targets. The old phrase, ‘hitting the targets and missing the point’, may have some grain of truth about it.

However, the country cannot know what it does not measure. Plus, it is clear that where ministers do commit to being a world beater in education, then that is what can happen. For example, take the reading ability of 9- and 10-year-olds. In 1997, the incoming Labour government was so concerned about poor literacy standards, it had to hire Professor Michael Barber, from UCL at the time, to set up a special delivery unit at the education department. Fast forward to the spring of 2023, and school children in England are now ranked in fourth place out of 43 countries for reading ability (up from joint eighth place in 2020), according to a highly respected international study.⁸⁶

If our primary age children can become world-beaters in reading, since 2006, then it should be possible for the adult workforce to be world-class at skills in the next decade too.

⁸⁵ Employment and Social Development Canada (2023). *About the Red Seal Program*. Available at: <https://www.canada.ca/en/employment-social-development/programs/skilled-trades-apprenticeships.html> (Accessed: 23 August 2023).

⁸⁶ Weal, S. and Adams, R. (2023). ‘Reading ability of children in England performs well in global survey’, *The Guardian*, 16 May 2023. Available at: <https://www.theguardian.com/education/2023/may/16/reading-ability-of-children-in-england-scores-well-in-global-survey> (Accessed: 23 August 2023).

Focus civil servants on what they do best: policy


One way to achieve world-beating status in skills would be if ministers were to reform the Department for Education, in England, by focusing the efforts of the people working there towards making effective policy. The phenomenon of Whitehall government departments, like DfE and DWP, directly delivering skills and employment programmes, is a relatively recent development.

No one is calling for Whitehall to become a caricature of the comedy series *Yes Minister*, but it is the case that civil servants are increasingly becoming active participants in skills programme delivery themselves. Examples include T Levels, where a whole directorate based at DfE headquarters in Sanctuary Buildings, SW1, is responsible for ensuring these government owned qualifications are a success. Another example of ‘skills products’ the civil service are obliged to deliver on behalf of ministers, can be found at the Skills for Life website, where no fewer than 10 separate government skills interventions are listed.⁸⁷

Because civil servants increasingly have their own involvement and reputations to think about in the ‘skills and qualifications game’, it could make it more difficult for officials to provide impartial advice to ministers about the productivity challenge or to draw up critical assessments for Parliament. The next government should reinforce the impartiality of the civil service, by removing any temptation that may exist to gloss over, or to place an overtly positive spin on the skills and qualification programmes directly under the state’s control.⁸⁸

⁸⁷ See: HM Government (2023). *Skills for Life*. Available at: <https://skillsforlife.campaign.gov.uk/> (Accessed 23 August 2023).

⁸⁸ For an example, see: Department for Education (2023). *5 of the biggest myths about apprenticeships busted*. Available at: <https://educationhub.blog.gov.uk/2023/04/03/5-biggest-myths-apprenticeships-busted/> (Accessed: 23 August 2023).



It would be much better if Whitehall officials' time and energy were more focussed on evaluating the efficacy of the various interventions and programmes that are in place to improve the UK's workforce skills. Instead, what we see is an absence of any independent metrics or accountable measures of success, as has been highlighted by both the NAO and Public Accounts Committee on several previous occasions. Another observed downside of the current situation, in terms of the way the great civil service ship of state might be moving, is, in the words of a former education department permanent secretary, David Normington, the danger: 'technocrats not democratically elected leaders would be in charge.'⁸⁹

Hold the delivery ecosystem to account via enhanced consumer accountability measures


With full policy competence and impartiality restored to government officials advising ministers, after the next election, it should also be possible for greater transparency and accountability measures to be put in place for the entire skills ecosystem.⁹⁰

The world has come a very long way since it took days to access public services and performance data about programmes via manual based records and systems. Digitisation of government has genuinely helped deliver a progressive revolution in how most citizens connect with public services. To give government its due, this is also an area where the UK has excelled in recent years, claiming second place among OECD countries in 2020, in government digital rankings; and fourth place in the UN's open data index.⁹¹

⁸⁹ Normington, D. and Hennessy, P. (2018). *The Power of Civil Servants*. London: Haus Publishing, pp. 7.

⁹⁰ <https://katiemartin.com/2020/06/13/now-is-the-time-to-design-a-new-accountability-ecosystem/>

⁹¹ McEvoy, J. (2020). 'UK claims 2nd spot in OECD digital government rankings', *Government Digital Service*, 16 October. Available at: <https://gds.blog.gov.uk/2020/10/16/uk-claims-number-2-spot-in-oecd-digital-government-rankings/> (Accessed: 23 August 2023).



The challenge currently in the FE and skills sector is the evident lack of transparency. Digital records and data reporting are only partial. Again, with potentially their own skin in the game, as well as perhaps the fear civil servants will be blamed for the government programmes they manage if they go wrong, there is very little incentive for the department or its agencies to place more robust, consumer orientated accountability measures into the public domain. For example, despite regulated end-point assessments being a feature of the skills landscape since 2017, to measure the quality of apprentices in England, it is still not possible for the public to view the independent pass rates online, broken down by each EPAO operating in the marketplace. Yet, it is in the gift of statutory bodies like Ofqual and the Institute for Apprenticeships and Technical Education to make this happen.

Agree a 5-year funding settlement for all UK tertiary education providers


The chronic and systematic underfunding of FE and skills since 2010 for some in the sector is bordering on national neglect.⁹² To be fair to the current government, spending on FE per student has marginally improved since 2019, although with higher inflation, associated with the pandemic and soaring energy costs, sector budgets have still been hit hard.⁹³

What is really required after the next election is a 5-year plan for FE, skills and productivity, with a 5-year funding settlement attached for both revenue and capital spending. The aim of the funding settlement would be to increase investment per student in FE by at least 40 per cent over the period, largely reversing previous cuts since 2010.⁹⁴

⁹² Bhattacharya, A. (2021). 'Why is further education still neglected?' *The Critic*, 27 April. Available at: <https://thecritic.co.uk/why-is-further-education-still-neglected/> (Accessed 23 August 2023).

⁹³ Association of Colleges (2022). 'Colleges demand action on soaring energy bills', AOC, 7 September. Available at: <https://www.aoc.co.uk/news-campaigns-parliament/aoc-newsroom/colleges-write-to-kwasi-kwarteng-demand-action-on-soaring-energy-bills> (Accessed 23 August 2023).

⁹⁴ Institute for Fiscal Studies (2022). *Further education and skills*. Available at: <https://ifs.org.uk/education-spending/further-education-and-skills> (Accessed 23 August 2023).



Although unlikely to happen under the current government⁹⁵, there is also a case to be made for lifting of the price cap on higher education tuition fees, in England. One way this is more likely after the next election is if higher education providers implement variable fees charges, linked to the real market value of the courses students undertake. One way of validating the price of degrees in future would be through publication of stronger data sets about long-term student destinations and wage-levels following graduation.


Explicitly link skills investment to productivity outcomes

To focus public investment on outcomes, government should link reform to the production of industry skills plans, devised locally and sectorally, with the full participation of local democratically elected leaders and employers. Unlike the current Whitehall-driven LSIP process, a designated local board of employment interests, under the direction of democratically elected leaders (e.g. MCA mayors or council leaders), would sign-off on the plans. Civic leaders would also be given new statutory powers to create, merge and close post-16 provision in an area.

The last piece of the investment jigsaw relates to the Apprenticeship Levy and improving employer investment in training. Here, the next government has a number of options available to ensure the private and public sectors invest more in productivity enhancing skills, including the option of extending the scope of the levy. Because skills are a shared responsibility between the individual, the employer and the state, reform of the Levy could be the beginning of a proper co-investment model of lifelong learning in future.⁹⁶

⁹⁵ Weale, S. (2023). 'Minister rules out lifting cap on student tuition fees in England', *The Guardian*, 2 August. Available at: <https://www.theguardian.com/education/2023/aug/02/minister-rules-out-lifting-cap-on-student-tuition-fees-in-england> (Accessed 23 August 2023).

⁹⁶ Bewick, T. (2023) 'Obfuscation and double-speak wont solve the country's skills crisis', *Lifelong Learning Institute*, 28 March. Available at: <https://www.lifelongeducation.uk/post/obfuscation-and-double-speak-won-t-solve-the-country-s-skills-crisis> (Accessed: 23 August 2023).



One way to get the devolved administrations on board, including MCAs in England, would be to offer them a 5-year funding deal, outside the usual Spending Review or block-grant-in-aid cycle. In return, DA ministers would sign up to a UK-wide national skills mission, in which all four home nations would collaborate. Whether this could be delivered in a similar way to when the UK Commission for Employment and Skills (UKCES) once existed, remains to be seen. But it is certainly a goal worth striving for.

Focus on building the base of the skills pyramid, not only the capstone

Data highlighted in this report and elsewhere shows that access to adult skills and apprenticeships, as a total participation measure, have declined in recent years. It is particularly noticeable that the UK, when compared to other advanced economies in the OECD, has turned into a *skills laggard* by comparison. That said, the UK performs particularly well at higher education level, with a significant number of under 35-year-olds (57 per cent) in full-time residential degrees or starting higher-level apprenticeships, beating Australia, Germany and France on this measure.⁹⁷

Where more work still needs to be done is in ensuring fairer access to entry-level qualifications (L1–L3), as well as apprenticeships for under 25-year-olds and other underrepresented groups.⁹⁸ The missing 2 million adult learners, as expressed in the decline of certificated qualifications below Level 3 in recent years, should be of major concern to incoming ministers, because it is a significant reason why the UK's productivity record is so poor. Social mobility charity the Sutton Trust found that only 5 per cent of those starting a degree apprenticeship in 2020/21

97 Borett, A. (2023). 'Is a degree worth it?', *Financial Times*, 18 August. Available at: <https://www.ft.com/content/490b8aa2-99c2-497f-ab75-1f8c74215803> (Accessed: 23 August 2023).

98 Doherty, K. and Holt-White, E. (2021). *Apprenticeship Outreach: engaging with under-represented groups to improve social mobility*. London: The Sutton Trust. Available at: <https://www.suttontrust.com/wp-content/uploads/2021/12/Apprenticeship-Outreach.pdf> (Accessed: 23 August 2023).



were from lower income areas, compared with 6.7 per cent of those going to university.⁹⁹

The approach of all the various government agencies involved should be examined more closely. Ultimately, qualifications are about progression and opportunity for the many jumping on the UK's skills escalator, as opposed to becoming the preserve of a lucky few. For that reason, it is odd that the Department for Education is not planning to publish progression data for students achieving T Levels, going directly into skilled employment and apprenticeships, until after the next general election. Why this matters is because the policy intent behind these government-owned qualifications at Level 3, was that they were explicitly designed to directly support industry skills needs. As the then secretary of state for education at the launch of T Levels made clear:

*'If we're ever going to close the productivity gap then we need more people getting into the top half of the hourglass, and essentially we need to change the shape of the hourglass so it bulges out in the middle...with more skilled jobs for people doing high quality training when they finish school.'*¹⁰⁰


Closer scrutiny of qualifications reform

The cross-party group of MPs involved in the House of Commons Education Committee have looked extensively at the government's qualifications reform plans in England. They are right to urge caution and to make the reasonable request of ministers that learner choice in post-16 course enrolment should be a fundamental part of any upper-secondary system of education.¹⁰¹ Even the government's

⁹⁹ Camden, B. (2022). 'Middle-class grab' of degree level apprenticeships intensifies', *FE Week*, 8 December. Available at: <https://feweek.co.uk/middle-class-grab-of-degree-level-apprenticeships-intensifies/#~:text=Social%20mobility%20charity%20the%20Sutton,of%20those%20going%20to%20university> (Accessed: 23 August 2023).

¹⁰⁰ Hinds, D. (2018). 'Technical Education Speech', *Department for Education*, 6 December. Available at: <https://www.gov.uk/government/speeches/damian-hinds-technical-education-speech> (Accessed 23 August 2023).

¹⁰¹ Parliament. House of Commons (2023a). *The future of post-16 qualifications. Third Report of Session 2022-23, House of Commons Education Committee*. (HC 55). London: House of Commons. Available at: <https://committees.parliament.uk/publications/39333/documents/193104/default/> (Accessed: 15 August 2023).



own impact assessment found that some disadvantaged groups, particularly white teenage males and those with SEND, will lose out significantly if the current trajectory of qualifications defunding and reform takes full effect from September 2025.¹⁰²

Skills integration: towards a single post-18 tertiary organisation?


One of the consistent messages we received from experts who participated in this research was a strong sense of *institutional loss* involved in the constant chopping and changing of bodies committed to skills. This is particularly the case in England, where every single skills and qualifications quango, that was in place in 2009, no longer exists. In fact, Ofqual is one of the longest serving of any of the public bodies created or reformed since 2010 to support skills policy and delivery.

The tension for the next UK government to resolve will be how to reconcile these perceptions of ‘sector fatigue’, with a countervailing sense that the institutional architecture currently in place to support productivity and skills across the UK is not firing on all cylinders.

Above all, we need institutions that really add value to industry efforts to improve the performance of employees, trainees, apprentices and the self-employed. Quangos should not become simply performative bodies, or worse, extractive institutions in the economic sense of the term, introducing lots of new regulations and processes that lack efficacy.¹⁰³ This is especially important when the UK’s productivity numbers continue to go down the tubes. Instead, we need public bodies that understand the part they play in the national skills mission. It requires the public

¹⁰² HM Government (2022). *Review of post-16 qualifications at Level 3 in England: Impact Assessment*. London: Department for Education. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/109184/Revised_Review_of_post-16_qualifications_at_level_3_in_England_impact_assessment.pdf (Accessed: 14 August 2023).

¹⁰³ For a summary discussion of what is meant by extractive institutions see: Acemoglu, D. and Robinson, J. A. (2012), *Why Nations Fail*, London: Profile Books, pp. 372–373.



servants who work in them being held to account for the outcomes they achieve towards the agreed mission.

Labour plans

Wales has sought to deal with concerns about bureaucracy and duplication of effort of competing post-16 quangos, by creating an integrated (FE and HE) Commission for Tertiary Education and Research (fully operational from 2024). We also see echoes of this approach in the Labour Party's UK policy statements related to the creation of 'Skills England', which the party is committed to establishing if they win the next general election.¹⁰⁴

The idea of a single tertiary system model is supported by the Association of Colleges, in a policy statement that included calling on the next government to introduce a statutory right for individuals to lifelong learning.¹⁰⁵ It is probably too difficult politically to call for a UK-wide statutory qualifications regulatory body (replacing Ofqual, CCEA regulation, SQA and Qualifications Wales), although if the logic was followed of the importance of vocational qualifications being portable and available across the UK's internal labour market, it would be an attractive proposition to create one. It might also help address concerns among some educational experts and commentators that the growing divergence in setting qualification grade boundaries, for example for A level and GCSE qualifications between England, Wales and Northern Ireland, could be administered in a fairer way.¹⁰⁶

¹⁰⁴ UK Labour Party (2023). *Report of the Council of Skills Advisers*. Available at: <https://labour.org.uk/skillsreport/>. (Accessed: 23 August 2023).

¹⁰⁵ Association of Colleges (2023). *Opportunity England – Policy statement*. Available at: <https://www.aoc.co.uk/news-campaigns-parliament/work-in-parliament/opportunity-england> (Accessed: 23 August 2023).

¹⁰⁶ Telegraph View (2023). 'A-levels are not a level playing field', *The Telegraph*, 18 August. Available at: <https://www.telegraph.co.uk/opinion/2023/08/17/a-levels-are-not-a-level-playing-field/> (Accessed: 23 August 2023).

A genuinely integrated skills system

There is little doubt that the current fragmentation and competition among public skills and qualifications bodies in England – including the perception of growing regulatory overload – is getting in the way of progress. Incoming ministers, if they are to engage in restructuring existing public bodies, should ensure that any disruption is kept to a minimum, perhaps by initially integrating many of the existing post-16 quango functions, including TUPE staff, within an integrated umbrella tertiary body. From day one of the next government, it would be important to appoint an interim board and chief executive of the umbrella body, reporting to both ministers and Parliament.¹⁰⁷ Such a body could be tasked with drawing up a coherent post-16 skills strategy, working closely with the devolved administrations, before a final structure is put in place. For inspiration of what's possible, in terms of creating a genuinely integrated tertiary education and skills system, incoming UK ministers could look no further than Norway.¹⁰⁸

¹⁰⁷ The bodies potentially in scope for merging into a single tertiary education body in England would include: ESFA, Institute for Apprenticeships and Technical Education (IfATE), Office for Students (OfS), and Ofsted's post-16 inspections of colleges and independent training provider provision. Such a move would decrease the 'transactional and regulatory load' felt by providers in the current English skills system. For example, Norway has recently merged 6 post-compulsory education quangos into a single body (see following footnote).

¹⁰⁸ OECD (2020). *Case Study: Norway's Skills Policy Council and Future Skills Needs Committee*. Available at: <https://doi.org/10.1787/3a4bb6ea-en>

Conclusion: the road to a higher-trust skills system

People may not care much about the word productivity. But everyone, including policymakers, would want to live in a successful country, where economic growth is both environmentally sustainable and inclusive.


At the centre of any future debate about how we improve real wages is the importance of improving the relative position of UK skills. At the moment, we are neither bottom or top of the class of advanced nations. For example, the UK has never been placed in the top five of nations competing in the bi-annual World Skills Competitions.¹⁰⁹ This should be made an explicit ambition of the next UK government. Indeed, the current post-compulsory education and training landscape, including investment put in by government and employers, requires much improvement.

The UK and similar countries are now entering a second decade of what the economist, Larry Summers, has referred to as 'secular stagnation'. According to this economic theory, large swathes of advanced economies, including the UK, maybe stuck in a low-growth future.¹¹⁰ If this is the case, it will require a very different model of human capital development from the one we've been used to.

Ultimately, the future is decided by the path people and policymakers choose to take. And there is nothing inevitable about accepting sluggish productivity and stagnating real wages as a permanent feature of the UK's economic story. Demography is not destiny.


¹⁰⁹ The UK joined World Skills in 1953. For more information see: WorldSkills (2023). *United Kingdom Participation in World Skills Competitions since 2003*. Available at: <https://worldskills.org/members/united-kingdom/>. (Accessed 23 August 2023).

¹¹⁰ Summers, L. (2020). *New approaches are needed to deal with sluggish growth, low interest rates, and an absence of inflation*. International Monetary Fund. Available at: <https://www.imf.org/en/Publications/fanda/issues/2020/03/larry-summers-on-secular-stagnation>



The central message from this research is that the FE, HE and skills sector wants to play a fulsome part in solving the UK's skills and productivity puzzle. But the path to achieving success lies in building a higher-trust delivery model than what currently exists; as well as much greater transparency and consideration of the skills outcomes to be achieved.

Productivity is about the nurturing of human potential. Through the power of education, everyone can be included and inspired to develop a love of learning. To that end, it is why running to move forward is always going to be a better outcome for a nation's long-term prosperity and growth, than simply running to stand still.





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-

LIST OF FIGURES

Figure 1: The UK has experienced the second weakest productivity growth of the major European economies since 2010

Figure 2: Workers in the UK started to become relatively poorer before the global financial crisis in 2008

Figure 2a: Britain's economy is highly London-centric. Without the capital, the UK would be poorer per head than Mississippi.

Figure 3: Poland is forecast to be richer than the UK by 2030, although not as wealthy as Germany (2017, USD)

Figure 4: UK employment rate aged 16–64

Figure 5: UK productivity growth since 1971

Figure 6: Wages have stagnated since the 2008 recession

Figure 7: Total hours worked in the UK, by qualification level (ONS compositionally adjusted labour input)

Figure 8: Total hours worked in the UK, by qualification level

Figure 9: Average earnings by qualification level from 2000–2020

Figure 10: Qualifications of the UK population by country of birth

Figure 11: Qualifications of UK population aged 16–66

Figure 12: Qualifications of selected OECD countries



Figure 13: Businesses experiencing a shortage of workers

Figure 14: Vacancies in the UK economy are still significantly above pre- pandemic peak, showing a tight labour market

Figure 15: Lagging productivity in the public and private sectors

Figure 16: Adult FE spending is down by two-thirds since 2003-04

Figure 17: Planned post-2025 qualifications landscape at level 3

Figure 18: The growing regulatory burden and divergence in tertiary education and qualifications since 2010





GLOSSARY

AEB: Adult Education Budget

CPD: Continuing Professional Development

DfE: Department for Education

EPA: End-Point Assessment

FE: Further Education

HE: Higher Education

HMRC: HM Revenue and Customs

HTQ: Higher Technical Qualification

IAG: Information, Advice and Guidance

ILA: Individual Learning Account

IfATE: Institute for Apprenticeships & Technical Education

LLE: Lifelong Loan Entitlement

LMI: Labour Market Information

LSIP: Local Skills Improvement Plan

NOS: National Occupational Standards

NVQ: National Vocational Qualification

ONS: Office for National Statistics

SCQF: Scottish Credit and Qualifications Framework

SME: Small- and Medium-Sized Enterprise

STEM: Science, Technology, Engineering and Mathematics

UCAS: Universities and Colleges Admissions Service




METHODOLOGICAL APPROACH

Quantitative metrics presented in this report were supported by the labour market economist, Paul Bivand, which includes data presented taken from other secondary sources. Further commentary and analysis was provided by Prof. Tom Bewick.

The qualitative review, led by the social researcher, Matilda Gosling, looked at what we can learn from history to inform the future of skills policy. It combined a retrospective assessment of 6 government-commissioned reviews into skills policy, assessing what was implemented, what was not and what we could learn from this. It also looked to the future: what are the things we need to change to facilitate better policymaking, and what are the priority areas for skills policy reform, with a view to prioritising those that are low cost, high impact and that minimise potential burdens on the sector? A desk review, high-level survey and 25 expert interviews were used to answer this brief. Findings were tested in April 2023 through a validation workshop with sector experts.

Recommendations from each review were pulled out into a map and converted into measures that could be used to assess their implementation status. They were tagged by theme –apprenticeships, curriculum, data, employers, funding, progression, qualifications and assessment, regulation, standards, teaching/training and other. Measures were tagged more than once, where appropriate. Policy papers were reviewed to ascertain the implementation status of each measure (fully implemented, partially implemented or not implemented) and – for those that had been fully implemented – the timeframe to implementation. The initial government response to each review was also examined to identify whether there was an initial commitment to implement the recommendations in question.



The Federation of Awarding Bodies disseminated a brief survey to its contacts during February and early March 2023, looking at the extent to which participants believed overall review ambitions have been achieved. It was not included in the analysis due to a limited response rate.

Interviews were delivered online with experts whose backgrounds included skills policy, research and implementation. They included representatives of providers, awarding organisations and employers. Two review authors were also interviewed. All interviewees were promised anonymity in the detail of their responses to enable them to speak freely; only the independent interviewer (Matilda Gosling) was privy to who said what. Where views of interviewees included in this report were identifiable – if, for example, they mention a specific sector – they were checked with the person in question before inclusion.

Limitations

- The measures needed a degree of creativity to convert them from broad recommendations into clear indicators against which progress can be assessed; it may be that the review authors – or government implementors – interpreted the broader recommendations differently.
- Some may disagree with the assessment of whether certain measures have been implemented. The government's response to the Wolf Review, for example, stated that a range of recommendations had been implemented, but closer examination suggested that some key elements remained untouched.
- As it is not possible to cover every relevant document published over the last 13 years, there may have been an occasional omission in assessing policy implementation status. The 'timeframe to implementation' is likely to include inaccuracies, especially for the older reviews, as information on government websites tends to be current, not historic. This has been addressed as far as possible

by using an internet archive to access contemporaneous policy documents. This repository does not archive every page regularly, however, nor is it able to identify where historic documents were held on a different URL.

- Given the nature of project, interviewees tended to focus on where improvements are needed in place of what is working well, even when questions were framed around what works. There is a human propensity to focus on what needs changing.
- A qualitative project cannot fully determine consensus areas. The open-ended nature of the questions meant that interviewees focused on the areas they perceived to be most important. This was deliberate; much richer data and insights are possible when questions follow the specialist knowledge and focus of interviewees within the parameters of the broader research questions. Where we say 'One expert mentioned...' or similar, it is not necessarily because others disagree, but because they did not bring it up. Similarly, where there was consensus around a particular topic, it may not be a consensus view of all interviewees – instead, it is a consensus view of those who discussed the topic area.

These limitations notwithstanding, there are rich insights here from people who have a deep understanding of the sector and skills policy, offering a resource to policymakers as they start to prepare for the next general election.



RUNNING TO STAND STILL

The public, politicians and policymakers are talking about productivity – the only way a country can improve living standards and workers' their take home pay. In this comprehensive research report, authors **Tom Bewick** and **Matilda Gosling** examine the contribution skills policy has made in recent decades to address the UK 'productivity gap'. Based on quantitative analysis and interviews with leading education experts, including former policy advisers, the authors outline why the UK has been 'running to stand still' when it comes to upgrading skills and qualification levels in the workforce. Despite strong ministerial leadership, including the well-intended efforts of civil servants and delivery bodies, none of the fundamental metrics appear to have shifted in a significantly positive direction since 2008. As the UK prepares for a general election before January 2025, the report provides critical insights into the main skills and policy challenges facing the next government.