

Delivering an efficient skills policy

Skills are seen as a key policy lever for delivering economic performance and social mobility, but there is a continued emphasis on skills supply rather than employers' skills demand. Research indicates that policies on skills need to be better integrated with policies on economic development and business improvement

The general policy thrust over the past 30 years has been to engineer a 'skills revolution', with publicly-funded improvements in the supply of skills seen as key to international competitiveness, productivity growth and improved social mobility. However, some academic commentators have argued that this approach is insufficient and that more attention needs to be given to addressing problems of weak employer demand for, and utilisation of, skills.

Research Fellow Jonathan Payne and Professor Ewart Keep at the ESRC Centre of Skills, Knowledge and Organisational Performance (SKOPE) have examined the challenges for skills policy in England under the Coalition Government, and consider the prospects for a more integrative and holistic approach.

They found that the previous Labour Government's strategy rested on three assumptions which have proved problematic:

- 1) Increasing the supply of qualified labour would make employers adopt higher skill-based strategies – whereas many employers use a low-skilled workforce for competitive advantage.
- 2) Raising qualifications of the low-skilled would enable them to get jobs and rise up the labour market – whereas some employers will always need people to fill low-paid, low-end jobs.
- 3) Using public subsidy to encourage investment from the employer to build a 'world-class' skills base – whereas co-funding has been difficult to achieve.

More recently, interest has shifted towards employers' demand for skills. Issues around the demand for, and use of, skills figured prominently in Scotland's 2007 skills strategy. The UK Commission for Employment and Skills has argued the focus must be as much on stimulating demand as on enhancing supply.

In the Coalition Government's white paper Skills for Sustainable Growth the emphasis is placed on demand-led funding, with the Skills Funding Agency routing funding to providers according to the purchasing choices of learners and employers. However, the central assumption of a latent or pent-up demand for education, training and skills in both employers and individuals, to be released in a more flexible market for education and training, remains to be proven.

Key findings

- The Coalition Government has focused on a combination of voluntarism, markets and private investment to develop a world-class skills base.
- This has translated into new skill supply policies that give providers more freedom over how they use their budget:
 - a shift away from centralised planning
 - greater importance of apprenticeships
 - focus on delivering basic skills to the most disadvantaged
 - greater reliance on employers to contribute more.
- However, the Government has retained the focus on improving the supply of skills, rather than looking at

what skills are being demanded and used by employers. Skills policy in England is tied to a set of fixed policy positions that raises serious questions about its ability to develop the integrative policy mix needed to address the UK's long-standing 'skills problem'.

- In Scotland skills policy is moving in a different direction, with policymakers addressing problems of skills demand.
- The ability of the new Local Economic Partnerships (LEPs) to shape local economic development in England remains questionable. They have little leverage over local skills provision, as all adult skills funding will be routed through the Skills Funding Agency to colleges and other providers according to demand from individual learners and employers.

Policy relevance and implications

The issue for policymakers is whether in a more voluntary training system and deregulated labour market, employers and individuals will increase investment in education and training sufficient to achieve a world-class skills base, given current patterns of employer demand for skills.

- Policies must not only focus on delivering the skills that employers presently need and use, but also do more to raise employer ambition.
- Pilot schemes should be launched to ensure the existing stock of skills in the labour force is deployed to more productive effect.
- Skills policies need to be integrated with strategies for economic development and business improvement, and well resourced within current spending constraints.
- Skills policy trajectories will continue to diverge between England and Scotland. The more Scotland can make progress on this agenda, the more it will present a challenge to the approach being pursued in England.
- A wider concept of innovation needs to be adopted, covering workplace innovation and ensuring the technology and innovation centres – Catapult Centres – are adequately funded.
- Skills policies must be grounded in a clear long-term vision of the UK economy and society and a realistic assessment of what can and cannot be achieved given the UK's deregulated labour market.

The Coalition Government has focused on a combination of voluntarism, markets and private investment to develop a world-class skills base



BRIEF DESCRIPTION OF THE RESEARCH

The ESRC Centre of Skills, Knowledge and Organisational Performance (SKOPE) examined the challenges confronting skills policy in England under the new Conservative-Liberal Democrat Coalition government, and considered the prospects for a more integrative and holistic approach to tackling the 'skills problem'.

Jonathan Payne, Ewart Keep: *One Step Forward, Two Steps Back? Skills Policy in England under the Coalition Government* (SKOPE Research Paper No. 102 July 2011)

Web: www.skope.ox.ac.uk/publications/one-step-forward-two-steps-back-skills-policy-england-under-coalition-government

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