

Rising to the UK's Skills Challenges

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Conclusion

Key findings

This report has synthesised evidence on skills challenges facing the UK. It has focused on employer investment in training, the role of managers in skills development and utilisation, the role of partnerships, and the promotion of lifelong learning.

Key findings include:

- Automation, an increase in the pace of change in skills demands, the need to maintain and update digital literacy and longer working lives increase the importance of lifelong learning. Lifelong learning needs to become the new normal if individuals are to respond to changing skills requirements of UK firms and the UK is to remain competitive internationally.
- Employee participation in training in the UK declined after the financial crisis and has continued to fall in recent years. There is relatively low employer investment in training in the UK relative to many international competitors. Reasons for low investment include uncertainty about returns on investment, poor access to suitable training, and a lack of flexibility in provision. A prevalence of low-skills and low productivity firms in some local areas and sectors contributes to a lack of demand for training. This has implications for regional inequalities.
- Changes in the structure of employment and in working lives mean that there is increased onus on individuals to develop their own skills. Yet financial, temporal, geographical and dispositional barriers prevent engagement in learning. The skills system is failing to reach those most in need of upskilling and reskilling, with those with the lowest skills participating in training least. This has negative consequences for social mobility.
- Apprenticeships offer potential to drive up employer investment in training. Recent reforms aim to make provision more responsive to employer needs and encourage employers to identify potential for career progression. Yet, some medium-sized and small employers face difficulty in accessing and utilising apprenticeships.
- The role of managers in workforce skills development and utilisation will become increasingly important. Although managers play a crucial role in business strategy, performance, successful implementation of high performance working practices and productivity, their skills development needs are often overlooked.
- Relatively frequent policy change has created confusion for employers, making it difficult to establish effective partnerships to fully understand and address issues and to develop long-term approaches.

- International evidence indicates that key elements of successful VET systems include strict work placement requirements, an important role for social partners and a strong evaluation culture. If employers have better data on training outcomes they can make informed decisions about the training they invest in. Learning credits have been suggested as a way of increasing participation in lifelong learning. International evidence emphasises the importance of keeping skills systems simple to use.
- Evidence suggests that sectoral and local partnerships have value in helping understand and address specific skills challenges in a co-ordinated, analytical and collaborative way. International evidence and employer insights emphasise that it takes time to build partnerships which address complex issues in a coherent way.

Lessons for policy and practice

There is a need to balance structure and stability with flexibility in the skills system. Policy stability aids in building knowledge of, and forming relationships in, the skills system. Skills provision needs to be forward looking and sufficiently flexible to adapt to future skill needs. There is a balance to be struck between flexible funding, provision and delivery, and the necessary structure and strong guidance about different learning routes to provide clarity for employers and learners. Employers suggest that there are benefits from refining rather than revolutionising when reforming the skills system. Better communication of the rationale and vision of new initiatives would be welcomed by businesses.

Apprenticeships are important but only part of the solution to increasing employer investment in training. A wider skills levy redeemable against the cost of quality training beyond just apprenticeships could better suit some employers. In many cases there will be shorter, more cost-effective means of addressing upskilling and retraining needs than apprenticeships. Digital developments offer opportunities to develop innovative approaches to training and provide greater flexibility in when and where individuals can engage in learning.

Managers and leaders can play a crucial role in championing and monitoring learning. They need clear goals and more and better organisational support systems in order to more effectively facilitate skills development and skills utilisation within organisations. The development of clear organisational progression pathways will aid in the identification of skills needs and the communication of the benefits of training.

Developing a responsive skills system requires a long-term holistic view of working in partnership. Effective partnerships, with increased involvement of local employers and employer organisations can help better align programmes and policies to local economic development needs. They offer potential for improved access to a responsive local learning offer, delivering skills employers are seeking, at the right level, with flexible delivery, in the right places. Better monitoring and evaluation data as part of a co-ordinated approach will also help partners work together to address local skills challenges, including low skills equilibria and skill underutilisation as well as skill shortages. It will also aid in anticipating changing skills needs.

Lifelong learning is an economic imperative. It is essential in enabling the UK to compete successfully in the global economy. A positive lifelong learning culture would inspire adults to want to learn and encourage employers to invest in and utilise skills. It would have clear progression pathways, providing transparency for learners and employers. Information campaigns could help engage more people in learning and strengthen a culture of learning across the life course.