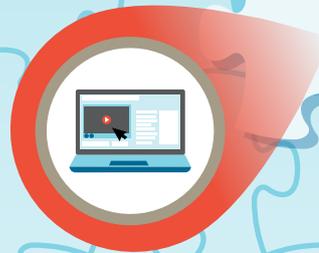
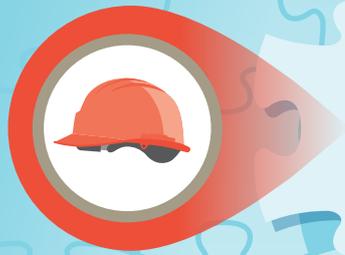


ENGLAND'S SKILLS PUZZLE: PIECING TOGETHER FURTHER EDUCATION TRAINING & EMPLOYMENT



March 2020

This report follows a year-long inquiry and was written by Simon Kelleher, Head of Education and Skills at Policy Connect.

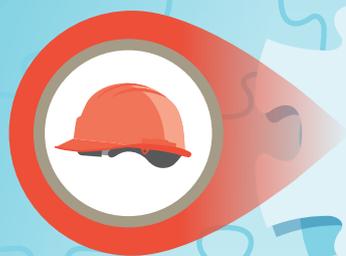
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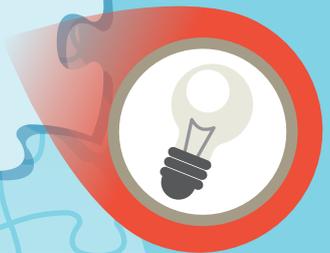
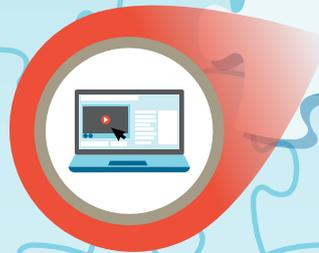
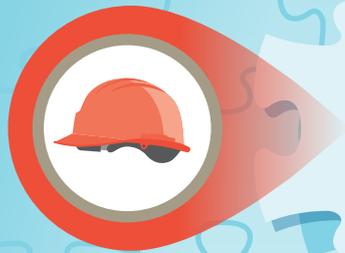
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“It is vital we invest now in further education and skills.”

Prime Minister Boris Johnson



Co-chairs' foreword

As politicians from different parties, we both believe that further education (FE) and skills and human capital should be a macroeconomic priority. In our assessment, in the last parliament it was not. This must change, because improving the skills of our workforce is integral to efforts to end glaringly disparate opportunities and different levels of productivity across our country.

Aligning adult FE and skills provision with job opportunities would seem a straightforward task for policymakers. However, our lagging productivity and unfilled vacancies in key sectors tell us the skills system is not working for workers or employers.

The FE and skills system is characterised by an overly centralised funding regime where local knowledge can have no bearing or influence on the provision. This Commission heard too many examples of a mismatch between what the FE and skills sector is told to provide and what employers and local areas say they need. We must do better.

FE and skills requirements vary between and within the different parts of our country. We must utilise local area intelligence and data to plan, forecast and organise FE and skills provision. This will help employers have confidence that the FE and skills system is agile, flexible and can be tailored to what is needed – a one-size-fits-all model is not fit for purpose.

The good news is that the Commission saw early examples of where devolution is having the desired effect on FE and skills provision. We witnessed local strategies in place with providers competing on quality, not student places. The next step to further embed quality is for funders to award multi-year budgets so providers can have the confidence to invest in staff and expensive kit.

Devolution in England, in various forms, points the way to where policy is headed, for FE and skills and this is to be welcomed. The government should pay close attention to the lessons learned on the journey so far when considering FE and skills within its expected Devolution White Paper.

Too many people simply do not know about their prospects; good career advice should not be determined by a person's background. We need to do better so that everyone can receive quality face-to-face, independent careers guidance, whatever their age and wherever they live.

The new Skills and Productivity Board could be of great significance. Our vision for this body is for it to help establish the same long-term unity of purpose for FE and skills that exists amongst our friends in Germany. We think the new government has an opportunity to have a British answer to the success of the German skills system. To do this, the Skills and Productivity Board should be put on a statutory footing, sponsored by the Cabinet Office, to measure progress by reporting to parliament and be led by senior political figures on a cross-party basis alongside key sector experts.

We are grateful and appreciative to the many people and organisations who have contributed evidence to this Skills Commission inquiry. The passion and dedication for FE and skills is inspiring. Particular thanks are due to our hosts, Boston College in Lincolnshire, TTE in Teesside and City of Bristol College.

We would like to pay tribute to our fellow Commissioners; their deep knowledge and expertise in FE and skills have been invaluable. Thanks to Policy Connect and the Learning and Work Institute for inviting us to co-chair and for the delivery of this inquiry. Finally thanks to the Further Education Trust for Leadership for their commitment to getting the FE and skills sector to think about the future and for their commissioning and generous sponsorship of this work, without which this report would not have been possible.



Rt. Hon Sir John Hayes CBE MP



Barry Sheerman MP

Recommendations

Long-term stable framework

Recommendation 1: England should have a long-term framework for skills and lifelong learning. This should be underpinned by medium-term 10-year and long-term 20-year targets for skills and productivity, set out in legislation that also puts the newly established Skills and Productivity Board on a statutory basis as a non-departmental body.

The Board should be led by senior and experienced politicians from across the political divide, business leaders and representatives from FE and skills, local government, key sectors and the workforce. It should provide independent oversight and monitor progress on the delivery of the target, reporting to the Cabinet Office and Parliament every two years. The targets will also provide the basis for decisions on the scale of skills funding investment needed.

Employer-led commissioning based on needs analysis and devolved powers

Recommendation 2: To provide the basis for a truly employer-led system, stronger geographical and sectoral skills needs analyses are required, coupled with new devolved commissioning powers:

- a. Local and regional bodies – likely to be combined authorities, LEPs or Skills Advisory Panels - should build an assessment of their skills needs into their Local Industrial Strategies based on labour market intelligence and local employer engagement. This assessment will form the basis for funding allocations and incentives.
- b. Local bodies will need better labour market intelligence to provide insight on innovation in key sectors and emerging industries. There need to be processes in place for this data to flow between localities and sectors, or greater geographical bodies such as the Sector Deals and Northern Powerhouse. The government should instigate systematic mechanisms for identifying skills needs on a sectoral basis.
- c. The government should incentivise all parts of England to put in place governance arrangements that allow further devolution of skills funding and decision-making. It will be for the localities to ensure decisions made and funds spent are consistent with the skills and productivity targets outlined in the long-term framework.

Collaborative local skills provision to meet employer need

Recommendation 3: Providers should receive multi-year adult education budgets from the ESFA and devolved authorities. This will provide longer-term certainty to deliver the required local learning and skills. Furthermore, funding settlements should incentivise and require providers to meet local learning aims and skills gaps, competing on quality not student capture.

Recommendation 4: To seed-fund collaborative projects and partnerships between providers and employers, the government should establish a new collaboration fund for localities. The fund and bidding process should be designed to encourage cooperative behaviour and build local capacity.

Recommendation 5: The DfE's welcome Taking Teaching Further initiative should be expanded into a national campaign. This campaign should be aimed at encouraging experienced and skilled technical trades people to pass on their expertise to the next generation by retraining to teach in FE. Training bursaries should be offered to help attract such people into the teaching profession and to strengthen ties between FE, work and new technologies.

Informed individuals in a changing labour market

Recommendation 6: Learners and employers need a better understanding of career pathways arising from local and national economic trends, especially if we are to improve social mobility. Careers information, advice and guidance should be coordinated and signposted at the local level, based on local skills needs analysis and developed through the local collaboration model.

Recommendation 7: The government should use new, secure technology to pilot Personal Learning Accounts with local area partnerships that have the right governance arrangements. These pilots could be initially targeted at areas where there are identified skills shortages. Ultimately these should allow for individual and employer co-investment as a means to develop long-term solutions for stimulating through-life demand for retraining and reskilling.

Executive summary

The UK is beginning a new era, with huge opportunities to grow and develop its unique strengths. The government is to be commended for its determination to 'levelling up' all parts of the UK. For England this must mean providing renewed commitment to the value and promise of FE and skills.

To grasp the opportunities of the digital age we need to have long-term, cross-party commitment to a stable national framework for skills provision. This framework would facilitate employer engagement with the future workforce, collaboration between training providers to allow them to focus on local business need and would ensure learners have clear signposting and support to access outstanding learning.

This vision is within our grasp. In many areas there are examples of excellent practice. Reforms around devolution and policies such as the National Skills Fund announced in the Conservative 2019 manifesto can also move us in the right direction. However, these are still individual initiatives and we need a 'glue' to make the most of them. Specifically, we need to construct FE as a joined up 'ecosystem', so that the efforts of employers, colleges, training providers, local commissioners and agencies can fully complement each other. It is imperative that we also avoid the introduction of piecemeal initiatives that, however well intentioned, impact on individual elements of the ecosystem and threaten to damage the ecosystem as a whole.

In this report we make the case for our vision for a locally-focused and forward-looking skills ecosystem. Analyses of the strengths and weaknesses of the current system, informed by our visits across the country and engagement with over 75 contributors, are provided along with a route map for change.

The imperative for change

As we begin this new decade, our society and economy face a number of longstanding and emerging challenges to which FE and skills can play a key role in overcoming:

- Adapting to structural changes in the labour market due to innovation and technological change
- Responding to the needs of an ageing population working longer
- Closing the UK's productivity gap internationally and improving regional output in England
- Overcoming stagnating rates of social mobility
- Creating resilience in communities and the economy to manage climate change

If utilised effectively the FE sector, in collaboration with employers and local partners, can respond to these national challenges. Operating through our concept of a skills ecosystem, FE and skills can provide opportunities for people and businesses to flourish at all stages of an individual's working life or a business's growth.

Our findings

Over the course of this inquiry the Commission was presented with a mixed picture of how well the different elements of England's FE and skills system work together in harmony. It found that there is plenty of good practice across the country, but this is not systematic and significant instances of market failure mean that the system is less than the sum of its parts.

While employers who spoke to the Commission generally felt positive about the direction of travel to make the sector less provider-driven, this inquiry heard that employers struggled to engage with a fragmented system of FE and skills. This difficulty was particularly apparent for Small and Medium-sized Enterprises (SMEs) who, in the absence of formal channels, had little collective influence over provision. England's skills policy is far more centralised than that of other developed countries, and the lack of local levers to tailor skills provision to local market need was described as a 'one-size-fits-all model', ill-suited to the diversity of England's regional economies and communities. The turbulence of the policy environment was also described as a barrier to engagement by employers and providers alike.

The impact of poor careers information, advice and guidance (IAG) was repeatedly emphasised to the Commission over the course of the inquiry. Despite there being a wide range of different opportunities across FE, learners and prospective learners are not sufficiently informed about these options. As a result of the lack of local market data and poor advice and guidance, learner choice, and therefore funding, is not ideally aligned to pathways that could lead to better financial returns for individuals and local economies. In a system where funding follows learner choice, this mismatch between the choices of individuals and labour market need has the knock-on effect of then limiting the feasibility of providing higher value vocational and technical courses.

Funding arrangements were also found to be encouraging the wrong kinds of behaviour across the system. A restricted and complex funding environment was elevating competition between providers for enrolling learners onto courses. It would be better for providers to be competing on quality and collaborating around addressing labour market need. Employers wanted to see an adult education offer joined-up locally across providers and coupled with specialist provision in individual establishments. Providers often struggled to recruit the specialist teaching staff they need, and found it hard to share staff and facilities given the atmosphere of financial competitiveness and dubious subcontracting practices.

The collective failure of our system to promote and encourage lifelong learning, as evident by steep falls in adult learning, was another major concern emphasised to the Commission. The need for a long-term solution to addressing this issue and stimulating demand for retraining and reskilling was felt to be a key task for the new government.

Despite these clear instances of market and systems failure, there are green shoots of hope and reasons to be cheerful. Across England the Commission found numerous examples of good practice and models which could be scaled up or adapted elsewhere. Mayoral Combined Authorities from the Tees Valley to the West Midlands are pioneering devolved strategies for improving their local skills systems. Through new approaches to commissioning they are coordinating provision and bringing together the employment and skills agendas. Elsewhere in the country local authorities are joining together to provide learners with a coherent offer on careers information advice and guidance, such as in the Humber.

Leadership and initiative is being shown by employers and providers across the country. In Cheshire and Warrington a business-led Local Enterprise Partnership (LEP) activity is aggregating employer skills needs and commissioning providers to fill local jobs, scaled to a feasible delivery level for providers. Providers in the Innovation Corridor between London, Cambridge and Stansted are coming together to present a regional offer to employers.

From this basis and with the political will and long-term dedication, England can build a locally and future-focused skills ecosystem that delivers for young people and adults, and for SMEs and large employers alike.

Putting in place the core elements of a stronger, coherent skills system

Creating a long-term and stable framework for a business-responsive skills system

In order to overcome the challenges outlined above and to meet our aspirations for the FE and skills system, the government must set a broad skills and lifelong learning framework that provides the flexibility for the needs of economies and communities across England to be determined and delivered locally. This framework should set a long-term direction towards medium-term 10-year and long-term 20-year targets. It should offer clarity on national and local responsibilities. It should provide strategic funding incentives for providers to plan longer-term to deliver what local job markets need. It should ensure the learning and skills system is geared to support retraining and upskilling. The framework and targets should form the basis for a substantially increased funding settlement for FE and skills.

A regular, independent and authoritative assessment of progress could help ensure we stay on the right track. To do this the recently created Skills and Productivity Board should be given statutory status as a non-departmental body to advise the Cabinet Office and Secretary of State. It should be led by experienced politicians and leading figures from business, industry and skills, and should report to Parliament on a bi-annual basis. Ensuring this approach works will require learning the lessons of previous attempts to introduce similar mechanisms.

Regular sectoral and local skills needs analyses by local and regional partnerships and drawn on by the Board, should enable it to assess the success of policy interventions. These skills analyses should also form the basis of local skills for jobs outcome agreements, allowing for further devolution pilots and deals to be awarded and assessed.

Creating collaborative local skills provision

To support the aspirations of learners, employers and local economies we need a more collaborative model of FE and skills provision. This means local skills providers working in partnership to deliver on the skills needs analysis developed locally/regionally, collaborating to make the most of each provider's specialist strengths and sharing resources where appropriate. This is currently hard in a funding environment geared towards chasing learner money.

National funding streams should enable and incentivise collaboration and partnership working between different providers. Funding contracts from the Education and Skills Funding Agency (ESFA) or devolved authorities in England should be structured so as to encourage longer-term planning, collaboration and partnerships between providers to meet local skills and learning aims.

A change of culture and working practices will need facilitation. To kick off a major change to this engrained cultural environment, we recommend that a collaboration fund be established. This fund could be used locally and regionally to seed-fund joint projects that bring providers and employers together to enhance the work-based curriculum, develop specialist provision, or ensure a joined-up local or city region-wide offer on adult learning.

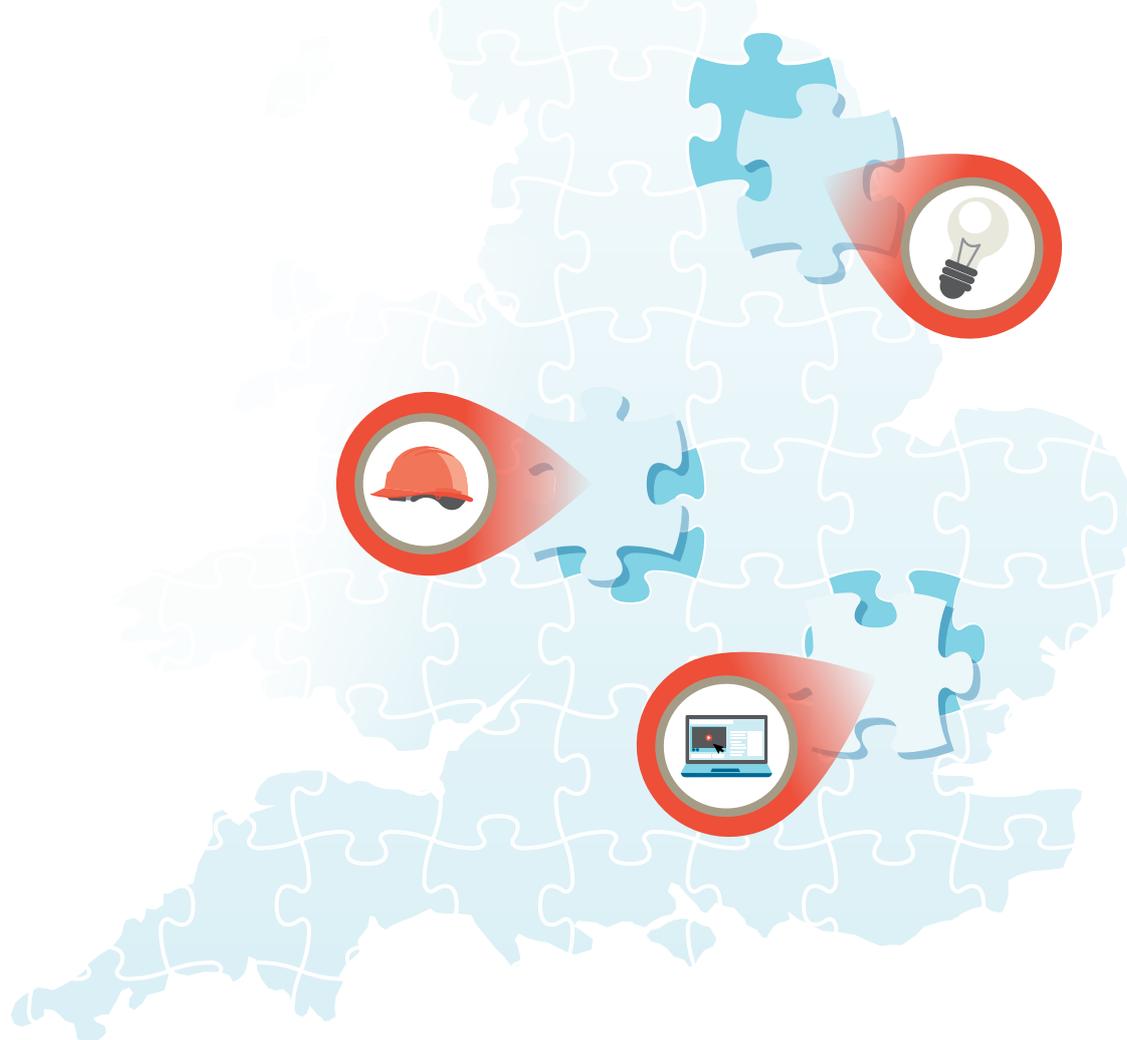
The Secretary of State for Education has recognised the significant recruitment and retention challenges faced by providers across England. The Commission welcomes his announcement of 5th February 2020 of a £10 million fund to support up to 550 more people to train as lecturers in a range of technical subjects as part of the Taking Teaching Further programme. This needs to be taken further if all localities are to have the trainers needed to fill the skills jobs available now, and the jobs that the green and digital revolutions are bringing. The Department for Education (DfE) should develop the Taking Teaching Further initiative into a national campaign aimed at engaging industry specialists in FE and training to support local and national skills priorities such as those in green technologies, digital and engineering.

Informing and supporting learners in a changing labour market

Delivering a world-class system of careers information, advice and guidance will require local leadership to bring together disconnected activities around data, advice and guidance. This should help career services to promote opportunities associated with investment flows into local economic development and infrastructure projects. Clearer responsibilities around careers advice and guidance will also facilitate the adoption of innovative approaches to provision. Local partners will be able to use Artificial Intelligence (AI) based Labour Market Intelligence (LMI) analytics for real time assessments on gaps and opportunities in local labour markets.

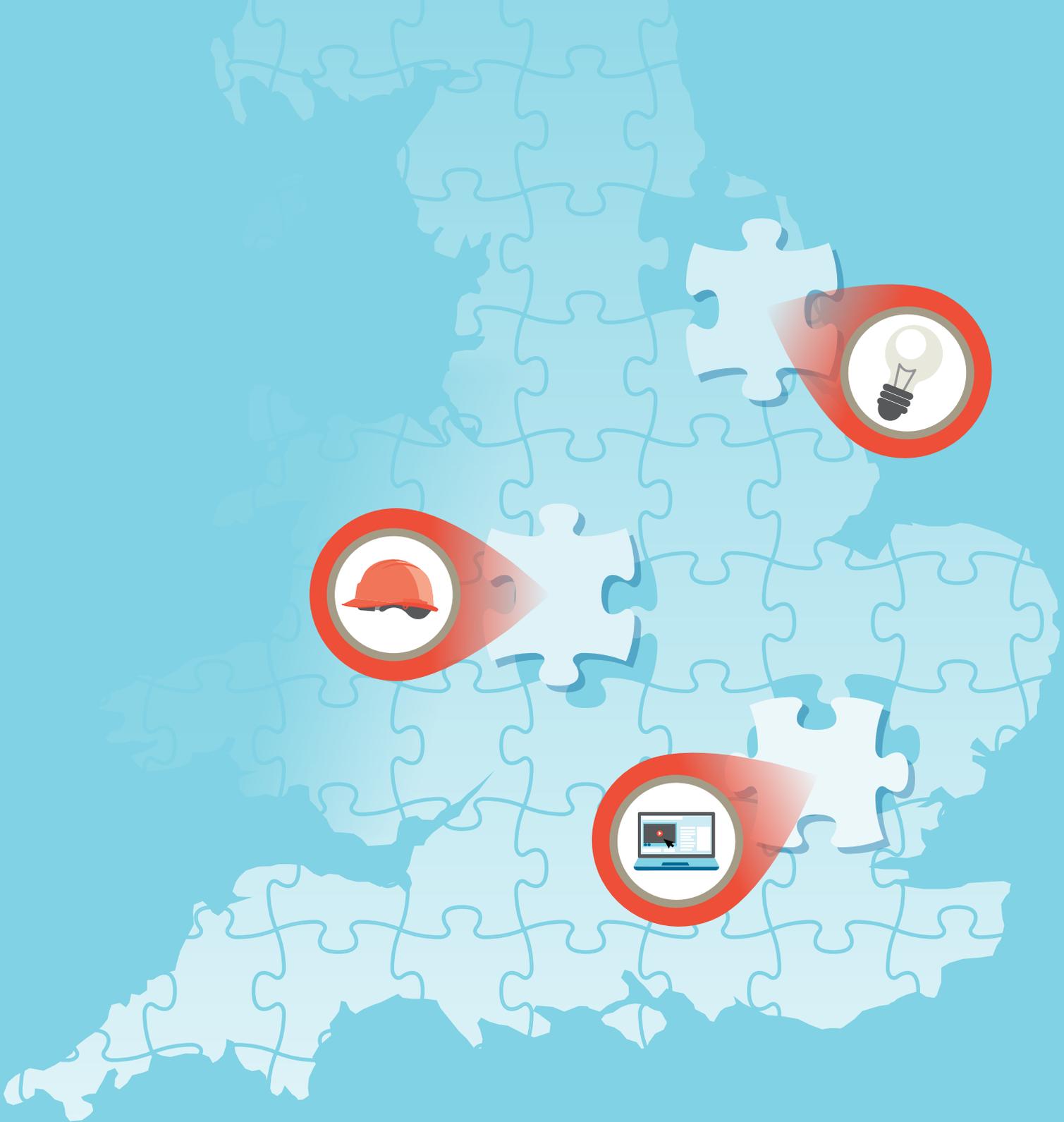
The national skills and lifelong learning framework will be the vehicle for outlining the short- and medium-term priorities around adult skills.

On a longer-term trajectory, the DfE and the Treasury should work with those local and regional partnerships that have built effective governance and accountability arrangements to pilot Personal Learning Accounts. We expect that Mayoral Combined Authorities are most likely to be in a position to start early pilots. Lessons should be learnt from past attempts and new secure technologies should be deployed in their development. We see the model for these pilot accounts being one of individual and employer co-investment, with state and local system learning entitlements and subsidies. The outcome of the pilots should provide the evidence base for designing a long-term solution for how to support individuals to retrain and upskill over the course of an extended working life.



PART ONE

THE CASE FOR CHANGE



Part I: The case for change

A once-in-a-generation opportunity

As we begin the 2020s with a new parliament, this is an ideal opportunity to set the foundations for building a world class FE and skills system in England that can deliver the economy of the future and lift up localities to take the opportunities of the digital age.

While the Brexit referendum of 2016 exposed many social and economic disparities in need of redress, the 2019 General Election campaign demonstrated a renewed enthusiasm from the major parties for the central role of FE and skills in improving the lives of individuals, supporting communities and developing local economies. The DfE is clearly open to suggestions as to how to deliver on the ambitions of the new government; and have helpfully listened to us as we have developed our recommendations.

Over the course of this inquiry the Commission was encouraged by the shared commitment to the value of FE and lifelong learning demonstrated by a diverse range of stakeholders from across the system. College leaders and practitioners, representatives from independent providers, employers, learners, and policymakers operating at different levels and in different parts of England repeatedly agreed on the features of an effective skills ecosystem. Through these conversations the Commission arrived at its vision for the sector and the foundations necessary to support its realisation.

This inquiry report encourages all parties and sector stakeholders to seize this moment. Below we set out the case for change and how a more joined-up 'systems' approach to FE and skills in England could be achieved. The model needs to draw on the strengths of evolving devolutionary trends and be flexible enough to fit different devolution models across the English regions as part of 'levelling up' the experience of all citizens. We propose a long-term vision set out in a national framework, significant devolution to existing city regions and new regional partnerships that fit the asymmetry of place across England. With a clear route-map that sees significant change being phased in, once shown to work via major pilots.

The future skills system: A vision for England

Our vision for the future of FE and skills in England is of a cohesive ecosystem that is driven by the immediate and long-term needs of learners and employers, and is both responsive to and taking the lead on delivering the skills of the future.

The system will be genuinely lifelong, catering for individuals of all ages. For young people entering the labour market, it would be driven by a clear and well communicated understanding of the job opportunities in each locality, led by employers who are best motivated to inspire and enthuse their prospective workforces.

It would offer a range of learning opportunities to suit those currently in work looking to upskill, and those looking to retrain or enter new industries and services appropriate to the 2020s. Choice and fair access, to both traditional and increasingly flexible forms of skills training, would be complemented by opportunities to retrain throughout adulthood as we live and work for longer – most likely via short, tailored training driven by business priorities such as to improve productivity through digital skills.

Learners and prospective learners would be empowered through access to AI-based labour market data (derived from analysis of job advertisements and skill requirements) and regional careers advice services to make informed choices.

Beyond being aware of their entitlements and the support available to them to learn, they would be able to easily access information on the labour market value of the pathways and providers available to them.

Businesses sharing intelligence on labour markets and innovation and pooling their common training needs would shape provider behaviour so that provision really is influenced by business as the customer. The system would be future-focused with course content swiftly reflecting industry developments – case studies show that providers can respond rapidly to local employer need if incentivised to see business as their customers. Working patterns and employment trends would be reflected, with provision and funding streams adapting to meet the needs of the increasing numbers of self-employed workers and those in precarious employment.

The system would be as relevant and easy to engage in for SMEs as it would be for large employers. Close links between employers and providers would help reduce skills gaps and facilitate the development of work-based learning options and work experience placements.

Providers would be incentivised to collaborate and 'level up' the quality of their courses, for example to provide a 'city-region' offer to deliver against the economic and industrial outcomes required in the region. Providers would specialise and share to a greater extent, rather than running competing duplicate courses or holding on to tight scarce training resources, such as expert staff and facilities in an attempt simply to capture student numbers. Colleges, many acting as anchor institutions for other providers across an area, would work collaboratively on curriculum development and ensuring that a joined-up offer on lifelong learning was available across a locality or sub region. Operating with a greater understanding of their role in a 'place' – geographical or system-based – sector leaders would regard active contribution to the raising of standards across the sector as a key leadership role. Some colleges would increasingly be known for their specialisms and intermediate offer of technical pathways at levels 4 and 5, rivalling the offer of many universities. Others might take on a sector or region-wide leadership role in curriculum development, forging close links with national industry and developing resources and development in a given field opportunities for others to benefit from.

Employers would be better able to engage with this more streamlined framework, for example through providing on-site learning as part of the curriculum. It would also allow for better use of scarce specialised teaching expertise in information and communication technology (ICT) and green technologies for example. For particular skills shortages in FE teaching across England, especially those that relate to national priorities such as our zero carbon targets, local providers would be helped through a national campaign to ensure that providers are able to recruit industry experts into teaching to ensure that their expertise is tapped into and benefits the next generation of technicians and professionals.

The system would be fit for context as well as purpose with the varying needs of local economies and communities recognised by policymakers and funding agencies. Rather than a one-size-fits-all model, it would be a cross-England system with flexibilities in which local areas could tailor provision to support local specialisms or ambitions to raise specific skillsets to meet local industrial and economic aspiration as well as those required in labour markets with high proportions of self-employment, older workers or people for whom English is a second language.

The economic and skills analysis carried out by local bodies such as LEP groupings and regional powerhouses would provide the basis for more streamlined funding packages which the local accountable bodies can flex appropriately, through devolved commissioning, to meet the growth ambitions of their own businesses.

Such analysis would also allow local and regional authorities to identify the linkages and overlap between FE and the schools, employment, and universities systems. They would be better able to bring provider partners together and coordinate activity for added value. The landscape of post-16 provision would be complementary, with activity clearly supporting progression into higher levels of training, sustainable employment or the local industrial strategy.

To ensure adults are able to stay in valuable employment throughout their working lives, there would be a gradual move over the years to Personal Learning Accounts. These would help to stimulate demand for learning, upskilling and retraining across one's working life by providing a mechanism for co-investment between individuals, employers and the state. Funding could be drawn down for a range of certified training programmes with approved providers. Depending upon the local job market and the individual's prior attainment, funding rates would vary to incentivise the uptake of certain programmes or support progression for low waged individuals who lack up to date qualifications.

This transition to a culture of continual learning and a more locally-focused and forward-looking skills system would be supported by a political environment that invested properly in FE and skills. A commitment to stability and robust evaluation of courses and the outcome of devolved labour market agreements would be in place. The regular reporting to parliament of progress on strategic skills and productivity goals by a high-profile body would be an important feature of the political cycle. Increasingly England's skills system would be cited in other countries as an example of a dynamic and inclusive skills system which responds effectively and flexibly to changing local labour market demand.

The route map for change

The skills system required to meet the opportunities and challenges presented by the Fourth Industrial Revolution and our changing society cannot be implemented overnight. Rather the move towards a more locally-focused and forward-looking skills system will need a long-term commitment to a series of phases of reform and evaluation over the next decade. This process will bring together the ingenuity of employers and providers across the country, sharing best practice and adjusting policy in line with learning.

The Commission is optimistic many of the required tools already exist. Throughout the inquiry it found excellent examples of local leaders in the skills system working against the odds to achieve great outcomes. It also found good models that could easily be replicated or adapted across the English regions. For example, there are existing examples of AI-based labour market data collection that merit communication and adoption across the LEP and other business-led networks.

Importantly, any changes need to work coherently together to deliver a skills ecosystem in which each element is in sync with the others. So changes should be strategic and cultural rather than merely financial and technocratic. The system will need to have incentives and drivers so that employer demand side falls out of their business strategies, and the individual demand side derives from clarity over job and career opportunities. The system especially needs incentives for the provider side to come together so as to increase the demand for skills, and ensure supply is matched to demand for the benefit of employers, individuals and the economy as a whole. To begin the transition to England's future skills system, the government should set out a clear framework of priorities offering clarity on national and local responsibilities and the future scope and scale of national funding streams. These should include the apprenticeship levy, the Shared Prosperity Fund and the newly announced National Retraining Fund. In order to effectively deliver this framework the government will need to assess the delivery costs and, as called for by the Education Select Committee, provide a 10-year plan for a substantially increased funding settlement for FE. This settlement should provide details on funding reforms intended to engender a more stable and collaborative provider base.

The launch of the Skills and Lifelong Learning Framework and funding settlement should be accompanied by the establishment of the new Skills & Productivity Board as a statutory body. The Board's terms of reference would require it to monitor the government's progress on realising the aims of the framework, reporting to parliament on this every two years. Local and sector based labour market intelligence should be fed into the Board for this purpose on a regular basis.

To support the implementation of the framework across the country the DfE should launch a national campaign aimed at recruiting industry experts into teaching in the FE sector. This should build upon the recently announced Taking Teaching Further initiative and be focused in areas where shortages of qualified teaching staff are limiting the ability of providers to deliver skills and training to support key growth sectors.

With the framework in place the government should then begin to agree a series of learning and labour market outcome agreements with local areas setting out the funding and services to be devolved. This will undoubtedly start in those areas where stronger governance has developed over the past decade such as the Midlands Engine or Northern Powerhouse. It should quickly start to encourage levelling up in areas of the country that still need to build capacity, for example to administer their adult education budgets. These agreements will also stipulate the economic and social outcomes that will be achieved with further devolution, in terms that contribute towards the top-level skills and productivity targets. Where this is not feasible the Education and Skills Funding Agency should give greater credence to local LEP priorities and learning goals in considering future funding bids from providers.

To further support the relationship between local labour market need and skills provision, a local collaboration fund should be established. Open to partnership bids from providers and employers through LEPs and accountable local authorities, this fund will provide seed-funding for collaborative projects around enhancing the local work-based curriculum offer for example. At the local level a designated body should take a lead on coordinating careers information, advice and guidance. This approach will help provide clear asks to local employers and provide a unified and coherent offer to young people, adults and education providers.

Over the medium term the nationally relevant elements of insight and intelligence gathered locally and sectorally need to be channelled to the National Skills & Productivity Board. For example, insights relating to England-wide investment programmes on net zero (homes, transport). This data should be used to inform funding arrangements and policy initiatives at a national level to ensure that specialisms and the Industrial Strategy are supported. Supporting the training needs of SMEs and self-employed workers will also be an important consideration as policy is designed and evaluated. This formalised approach of assessment and evaluation could form the evidence base and foundation for further devolution settlements or bespoke funding deals and policy pilots with local areas to better shape policy to place.

On a longer-term trajectory, the DfE and the Treasury should work with those local and regional partnerships that have built effective governance and accountability arrangements to pilot Personal Learning Accounts. We expect that Mayoral Combined Authorities are most likely to be in a position to start early pilots. We see the model for these pilot accounts being one of individual and employer co-investment, with state and local system learning entitlements and subsidies.

Beginning with funding entitlements and subsidies for target groups focused on key areas for economic growth, these pilots should then trial mechanisms for co-investment between individuals, employers and the state, along with digital platforms to provide a unified interface for users, signposting relevant services and information. The outcome of the pilots should provide the evidence base for designing a long-term solution for how to stimulate demand for retraining and reskilling as individuals face extended working lives.

Over the long term, regular assessments by the National Skills and Productivity Board, and structured local engagement with employers will allow policymakers to better judge the success of their interventions and ensure our skills system keeps pace with the fourth industrial revolution. The successful piloting of Personal Learning Accounts should result in their introduction across the country and the aligning of the FE and HE funding systems to create a unified system of tertiary education which supports lifelong learning.

Opportunities and challenges: FE and skills as a national necessity:

The centrality of learning and skills in addressing a series of both longstanding and emerging national challenges is clear. This is particularly true with regards to:

- Adapting to structural changes in the labour market due to innovation and technological change
- Responding to the needs of an ageing population
- Closing the UK's productivity gap (with other countries and between UK regions)
- Overcoming stagnating rates of social mobility
- Creating resilience in communities and the economy to manage climate change

Changes in the structure of the labour market and the onset of the Fourth Industrial Revolution have profound implications for the way skills and training are delivered. With automation and the increased use of AI it is estimated that between 10-35% of UK jobs are at high risk of replacement in the next 20 years.¹ This shift is not only changing and raising the skills requirements of the labour market, but the also the necessity of retraining across one's working life, with the Organisation for Economic Co-operation and Development (OECD) estimating that some two fifths of the UK's population will have to retrain over the next decade.²

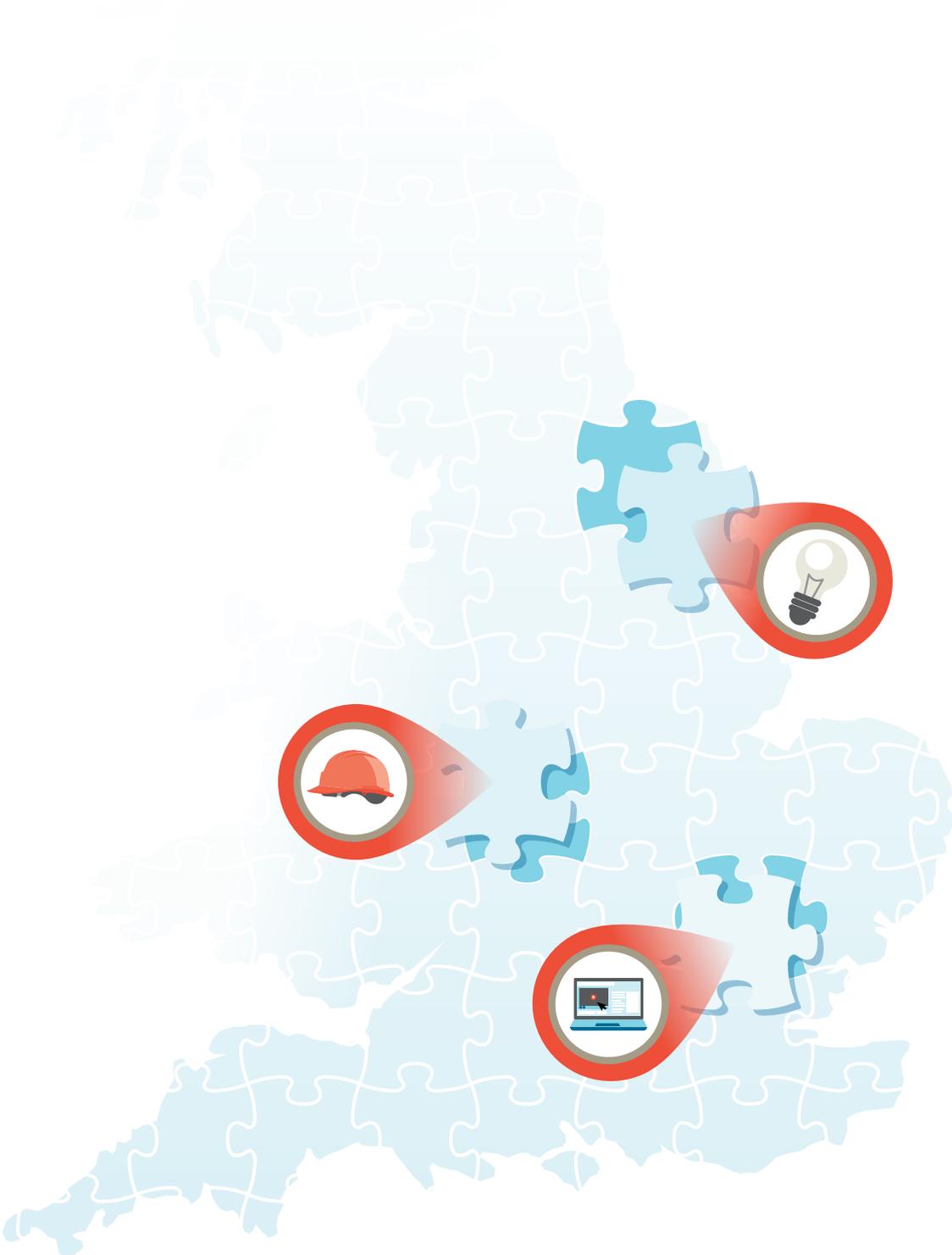
The significance of lifelong learning is reinforced further as the extended working lives of a population living longer will require adequate opportunities for reskilling. With 80% of 2030's working population already in the workforce³ the approach of frontloading educational investment at the start of one's working life is no longer sustainable. New ways of funding and delivering training will be required along with approaches to working across multiple government departments, services and stakeholder groups to support older workers to remain economically active.

The UK economy has an entrenched productivity gap relative to other advanced economies. The lower proportion of individuals with intermediate level skills in comparison to our global competitors holds back business and individuals. Despite the rising levels of participation in higher levels of learning through increased university enrolments, skills gaps are becoming a growing concern for many sectors of the economy and individual employers. The latest Employer Skills Survey suggests that skills shortage vacancies accounted for 22% of all vacancies in the UK, and that 1.27 million staff lacked full proficiency, amounting to 4.4% of the UK workforce. In addition to these skills gaps the survey has also reported a steady increase since 2011 of the proportion of the workforce who have underused skills and qualifications.⁴ These figures demonstrate a mismatch where the needs of the labour market are not fully reflected in the outputs of the education and training system.

Social mobility is also low by international standards and does not appear to be improving.⁵ Too many people are disadvantaged in the labour market due to our low rates of literacy, numeracy and digital skills. Raising these rates and ensuring that the growing numbers of workers in casualised work and the gig economy have opportunities to upskill will be a crucial part of restoring the county's social contract.

Amongst the many areas of national importance where the FE and skills sectors can be mobilised in the national interest, responding to the challenges of climate change will become increasingly important over the decade. Building resilience into communities and services and making the shift to a zero-carbon economy has the potential to provide new employment and progression opportunities if the skills infrastructure can be geared to deliver the training required.

The challenges posed by these trends, and the opportunities afforded by them for new jobs, ways of working and progression routes, will require fresh policy approaches and interventions. Given the cross-cutting nature of many of these issues, their novelty and the distinct social and economic situations across different geographies in England, skills policy in its design and delivery will need to be increasingly integrated with relevant departments and multiple levels of government. How the sector, the various decision-makers and stakeholder groups perform as a system, will determine our success as a country in rising to these challenges.



PART TWO

SETTING THE FOUNDATIONS FOR A SUCCESSFUL SKILLS SYSTEM



Part II: Setting the foundations for a successful skills system

Creating a long-term and stable framework for a business-responsive skills system

The current situation

Competing markets and sub-systems in a turbulent policy landscape

Learning and skills has always been a hybrid of market-based and government-supported provision. The government sets funding rules and minimum legal entitlements to training and grant-funds basic skills provision through different funding streams. Providers compete for tenders to deliver training and enrol learners, some of whom will be directly funded while others will fund their training via Advanced Learner Loans from the Student Loan Company. The recent apprenticeship reforms are the closest to a market-based approach and give large employers a ring-fenced budget to spend on apprenticeship training with approved providers.

This model of quasi-market segments brings several policy tensions. There is the long-standing three-way tension between what employers want, what learners choose, and what government aspires to; balancing FE's dual mission of social inclusion and delivering high-quality vocational training; and ensuring the right levels of competition to deliver quality and cooperation to achieve strategically desirable outcomes. There are also cultural clashes with employers wanting to influence the skills system in their area to deliver rapid real-world outcomes, but baffled and discouraged by the public sector culture with its focus on frequent initiative changes coupled with the additional bureaucracy associated with new initiatives.

While skills has always been a complex area, there is now a larger range of actors involved. A diverse provider base of colleges, independent training providers, and the community sector offer an array of opportunities. Employers and universities have also increased their activities in the FE space. Jobcentre Plus, employment programme providers, health and social care services and European Social Fund project deliverers add to this mix. In doing so they bring in an extended set of commissioning, funding and regulatory bodies beyond the DfE, ESFA, LEPs and Ofsted – such as the DWP, and the Ministry of Justice. From August 2019, the Greater London Assembly and six Mayoral combined authorities have also taken on responsibility for administering half of the Adult Education Budget (AEB).

Unlike other parts of the education sector protected by statutes and royal charters, FE has been subject to frequent policy change, or as the Institute for Fiscal Studies put it: 'a near-permanent state of revolution'. Over a 40-year period there have been 71 ministers responsible for FE and skills, in comparison to 21 Secretaries of State for schools and universities.⁶ This has created an unstable sector in which policy has been chopped and changed, undermining capacity in the sector. Policy has too often considered elements of provision in isolation rather than part of a system, and change has been subject to little evaluation.

Skills mismatches and limited employer influence

Amidst this complex, competitive and changing landscape contributors to the inquiry presented a troubling picture: learners making poor decisions with limited careers advice and guidance, and providers offering low value courses or operating beyond their specialisms to maximise income in a volatile environment. The difficulty partners had in navigating the system was repeatedly expressed:



Employers don't understand how to engage with the current skills system. [...] It's become so fragmented. Employer, Tees Valley roundtable



Employers informed the Commission of their experiences of skills gaps and the difficulties in making their voices heard. Many felt unsure of who to articulate their skills needs to and the view was expressed that the burden was increasingly being placed upon individual employers to design, procure and deliver training.



If you take the Digital Apprenticeship Service, at the moment, as a provider you can advertise the courses that you have available, but there doesn't seem to be a way to use it the other way around, for an employer to say what exactly they're looking for, and for the providers to then use that as a guide to what they offer. Employer, Tees Valley roundtable



I feel the burden has been placed on employers with yet another thing that they're responsible for in a long line of things that keep getting passed on. Employer, Lincolnshire roundtable



SMEs have particular difficulty engaging in the current system. Their limited capacity affords little time to partake in apprenticeship design or co-commissioning providers. The lack of official channels for aggregating their needs and the limited powers available to influence local provision to address skills gaps led some contributors to question the extent to which the skills system was working for SMEs.



SMEs don't get a say in the system. It's corporates, and like many areas of the country we don't have many corporates in Lincolnshire. Employer, Lincolnshire roundtable



Centralised skills policy dominating local priorities

The lack of opportunities to tailor skills provision to local labour markets and economic priorities was brought up repeatedly by witnesses to the inquiry:



Planning and economic development policies are all set locally and driven by locally-led evidence, yet skills, a key component in delivering prosperity to an area, is not controlled locally. Elisabeth Gray, Essex County Council



Outside of the recently devolved AEB areas, the English system is highly centralised. Policies are determined from the centre and delivered locally without any power to coordinate locally. This was a source of frustration for many who gave evidence to the inquiry:

“ I think we have a national system that doesn’t include local place partners, or looks at demand from businesses or learners. It’s one-size-fits-all and we need to be much more mindful around what our local economies require. ” LEP, Tees Valley roundtable

The combination of funding following learner demand and the lack of power to coordinate provision at a local or regional level, means that skills gaps are being exacerbated as provision can be completely detached from local priorities. For example, the Commission heard of a respected college principal who, despite their engagement with their LEP, had no intention of amending their provision in line with the newly devised Local Industrial Strategy given the lack of incentives to do so and the potential financial risks it could pose.

An underinvested sector

Funding arrangements and reductions are also driving negative behaviour across the system and holding back innovation and specialisation. The disparity in funding between further education and other parts of the education sector was much commented on during this inquiry. For the year 2017/18 there was an £8 billion difference between the HE and FE budgets despite there being twice the number of learners in FE.⁷

There have also been significant shifts and reductions to budget lines in FE over the past decade. The biggest of these being the 47% reduction of spending on adult learners between 2009-10 and 2018-19.⁸ All provider types have been impacted. College income fell by 23% between 2009/10 and 2016/17⁹ and notices to improve financial health were issued to seven colleges in 2019.

Ofsted has raised concerns over the “the clear impact that real-term cuts to FE funding can have on provision” and the Augar Review of Post-18 Education and Funding cited a direct link between declining rates of participation in Level 5 courses (such as Higher National Diploma (HND)) in colleges and the complexity of the funding system as the sector “has been given no sensible way of making investments in expensive courses”.¹⁰ Following its inquiry into the economics of post-16 education, the House of Lords Economic Affairs Committee concluded that:

“ The structure and distribution of funding in the post-school education sector is unfair and inefficient. Further education is the poor relation to higher education and its position has been weakened and undermined by reductions to its budgets and a complex funding architecture. The separate funding mechanisms create educational silos that prevent innovation. ” House of Lords Economic Affairs Committee

Where we want to be

A long-term and stable skills framework for investment and accountability

A skills and lifelong learning framework with 10 and 20-year targets

To build a skills ecosystem that works for the future, we need to invest in learning and skills. However, we also need to think carefully about how to create the right conditions for employers, employees, trades unions and local and national government to work together to make a difference.

England needs a long-term and stable framework for skills that sets out a clear direction of travel and national priorities. It must offer clarity on national and local responsibilities and provide the flexibility for the needs of economies and communities across England to be determined and delivered locally. Reflecting the calls of the many stakeholder groups that fed into this inquiry, the direction of travel, or skills framework, should offer:

An overall vision for a learning and skills environment which should be one of joined-up provision with clear coordination on the ground, ensuring limited funding is maximised to its best effect. It is crucial that all funding is maximised to drive local growth and that planning from procurement and commissioning through to on-the-ground delivery is coordinated.

Elisabeth Gray, Essex County Council

The framework will offer employers and providers stability and clarity, enabling them to play their part in a system geared to support retraining and upskilling. Strategic funding incentives, should also be included for providers to plan longer-term to deliver what local job markets need. The framework should form the basis for a substantially increased funding settlement for FE and skills.

To avoid the plethora of new initiatives that have over the past decades pulled the skills ecosystem in different directions, this framework should set a 10 and 20-year targets for skills and productivity. This should be underpinned by legislation which also establishes a regular, independent mechanism for authoritative assessment of progress to help ensure we stay on the right track. In some other countries, such as the Netherlands, independent statutory agencies have been set up to provide national-level functions and oversight.

The Skills and Productivity Board

In October 2019 the government announced a new Skills and Productivity Board to provide the government with expert advice on how to ensure that courses and qualifications are of high-quality, are aligned to the skills that employers need for the future and will help increase productivity.

This was a positive move recognising the importance of business advice on the demand side of the skills system. It is difficult to see, however, how a national-level body can advise on courses delivered locally to meet local skills need. As we set out elsewhere, this needs to be done at the local or regional level by engaged business leaders, together with a national sectoral analysis of industry needs. The evidence from our inquiry, along with examples from other developed countries, suggests that what is needed at the national level is:

- Assessment of progress to support government decisions especially on the level of funding required for skills investment across England
- Business leader advice to government on skills framework, including on devolutionary mechanisms to further enable devolved, business-led skills commissioning
- Holding steady the long-term cross-party model through regular engagement of parliament

Other functions could include advising government on how to get the right incentives into the provider side to drive collaboration in response to business need, and on national campaigns such as to inspire business people to reskill as trainers, which we return to later in this report.

Our inquiry concluded that a statutory model for the Skills & Productivity Board as an independent, executive non-departmental body would raise the profile of skills, allow for the development of long-term targets, and cement the cross-party approach. Sponsored by the Cabinet Office, it should be led by experienced politicians and leading figures from business, industry and skills to advise the Secretary of State. This will ensure a link between macro-economic policy and skills.

Ensuring this approach works will require learning the lessons of previous attempts to introduce similar mechanisms. The Climate Change Committee (CCC) has been successful as a statutory body and would be an appropriate precedent for skills. Like the CCC, the Skills & Productivity Board should regularly report to parliament.

Recommendation 1:

England should have a long-term framework for skills and lifelong learning. This should be underpinned by medium 10-year and long-term 20-year targets for skills and productivity, set out in legislation that also puts the newly established Skills and Productivity Board on a statutory basis as a non-departmental body.

The Board should be led by senior and experienced politicians from across the political divide, business leaders and representatives from further education and skills, local government, key sectors and the workforce. It should provide independent oversight and monitor progress on the delivery of the target, reporting to the Cabinet Office and Parliament every two years. The targets will also provide the basis for decisions on the scale of skills funding investment needed.

A locally driven system that delivers the skills employers need now and for the future

Improved local labour market intelligence

Across England and Wales there are examples of LEPs, Mayoral Combined Authorities and partnerships already using labour market intelligence to inform their strategic decision-making. The Cheshire & Warrington LEP has established a Labour Market Intelligence Steering Group as part of its priority objective of inspiring young people about local job opportunities and skill requirements. The Tees Valley Combined Authority (TVCA) has also developed its Strategic Skills Plan in line with their Strategic Economic Plan and consultation with employers. The priorities of this plan are now informing the TVCA adult education budget.

While expertise and activity required to assess skills needs and engage employers are being exploited in some localities, our inquiry found there are still enormous frustrations across the business community. One contributor felt that the labour market intelligence and messages from employers were clear, but there were no formal channels for interpreting, aggregating and responding to employer needs.

“ It’s important that the government listens to the information that’s already coming up. If I look into my networks through Make UK, Chambers of Commerce and different industry groups, all the messages are highly consistent. The problem is I think there’s a lot of information flowing but very little done about it. ” Employer, Lincolnshire roundtable

Unlike most developed economies such as Germany and France, England lacks institutional structures for understanding and responding to the skills needs of small and regional businesses. The government finds it difficult to engage with employers and businesses on a collective basis. Continual engagement between employers and the government about the future of the economy and its implications for skills provision is therefore missing. It was in acknowledgement of these problems that the business-led LEP system was developed.

To provide the basis for a truly employer-led system, stronger geographical skills needs analyses are required. Local and regional partnerships should link these assessments to their Local Industrial Strategies to provide a basis for future investment and decisions on funding allocations and incentives. Regular skills needs analyses could enable the Board to assess the success of policy interventions.

Sectoral insight

Local assessments of employer demand must be complemented by sectoral based activity to ensure that key industries are supported and provision can be geared towards innovation across different sectors. This will become particularly important to exploit high-growth sectors and to implement sector-based requirements such as zero-carbon targets. There are pockets of good practice of how to gear the skills system to deliver for future need, but on the whole the system is failing to tap into the sectoral expertise. As evidence from the High Value Manufacturing Catapult attests:

“ As most of demands are unknown until they arrive, our skills system needs to be better attuned to the outputs of our innovation centres. While some of this may happen locally on a business to institution basis this needs to be systematic and developed at a level where specialisms can be delivered on a national basis and supported locally by feed-in networks. Our system is currently missing this layer. ” Paul Shakspeare, High Value Manufacturing Catapult

The inquiry heard how this is achieved in Wales, where three Regional Skills Partnerships (RSPs) cover North, South East and Mid Wales. These are collaborations between employers, FE and higher education (HE) leaders, local authority and government representatives, to encourage and steer investment in skills in response to local and regional skills needs. Each RSP has a secretariat team embedded in local government, and a number of industry groups representing the knowledge, needs and challenges of key sectors for the region. They produce Regional Employment and Skills Plans (previously annually, now every three years) following a review of labour market intelligence and a consultation with employers and providers.

The plans set out in detail the employment and skills landscape in the region, identifying regional priorities including the most important industries, the particular challenges, and the potential growth areas. They suggest actions to be carried out at local, regional or national level in order to fulfil the plan's strategy.

This model feels too top-down for England, with its greater variety of regions and localities. However, there needs to be a systematic process for identifying industry sector skills requirements that extend beyond localities of varying sizes. This could be through better analysis of sector-based labour market intelligence such as those covered by the Sector Deals. Such analysis could be reviewed by the National Skills and Productivity Board, to allow the government to facilitate and support partnerships across local/regional boundaries, for example through the creation of additional Sector Deals or Catapults.

Local influence and devolution

It is clear that we need to move towards a more devolved and locally responsive system to give business leaders power to drive provision. This system itself must be properly coordinated to add value and to maximise impact. This has already begun in some parts of England where business-led LEPs have bid for (largely European) funds to commission provision against their skills needs, and where Mayoral Combined Authorities are working with LEPs and local partners to administer the AEB.

The Cheshire & Warrington LEP formed a business-led partnership that successfully bid for £15 million of ESF funding to invest in training for new technologies. Employers match-funded 60% of the total investment and are now using a broker to aggregate demand from employers. This will ensure that demand is to a sufficient scale and enable the partnership to run a series of competitions for providers to enter, who will be confident that tailoring their provision to local need in this is a financially viable option.

In the West Midlands, Mayor Andy Street has begun to align adult education spending with provision that meets gaps in the local labour market through an increased focus on level 3 and digital courses. As with the other devolved partners, the West Midlands Combined Authority is taking a systems based approach, rationalising its provider base to manageable numbers and using its local insight to bring employment related stakeholders together in a way that central government departments cannot.

CASE STUDY: West Midlands Combined Authority – Coordinating a local skills ecosystem

How devolution is working – improving the impact of skills and employment investment

Previously, the DfE's AEB was driven by national funding priorities, with the majority (75%) of the region's funding (£126m pa) spent on low-level courses, focused on unemployed participants, with little tangible evidence that training was helping people to gain employment, or progress within work.

Less than 9% of AEB provision was spent on training at Level 3 or above – despite the increasing skill needs of the local economy. There was little to no provision in key areas like digital (<1%) and very limited provision for adults, in work, looking to upskill and retrain.

The local system comprised over 400 colleges and providers, working in isolation and/or competition, with limited collaboration and evaluation of impact. Colleges told the Combined Authority (CA) that they wanted to do more to support local communities and employers. Employers were frustrated that the system was not delivering for them. Local authorities and job centres felt disconnected from training resources – unable to influence provision to better meet local needs.

Through devolution, the CA has set clear expectations of what it wants skills training to lead to:

- **More training that leads to jobs** – the CA has procured c£20m new of provision, working directly with employers to train up and then recruit people into jobs.
- **More higher level skills** – a 64% increase in level 3 provision (1,508 to 2,716 enrolments)
- **More training in priority skill areas** - 33% increase in provision aligned to regional priority sectors (14,991 to 22,357 enrolments)
- **More innovation** – the CA is piloting new courses in critical skills areas, including a 66% increase in new digital courses.
- **A clear offer to adults in work** – with more flexible training available, including evenings and weekends.
- **Fewer providers** – collaborating more – the CA area has moved from 400+ providers to less than 100, with a clear emphasis on local and sector-based collaboration.

The CA has ensured AEB is now focused on what the economy needs – not just what the system will easily fund.

The CA is also linking AEB to other funding streams – Apprenticeships, National Retraining Scheme (DfE) and Flexible Funds (DWP) to ensure greater complementarity, improved impact and value for money.

A new Employment Support Framework has also been set up to better coordinate existing resources, and improve the impact of delivery, moving away from the proliferation of training schemes that emerged from the multiple funding streams in the absence of strategic coordination.

The Commission also heard evidence from beyond the mayoral metropolitan areas on how county councils had used devolved powers when available to better coordinate local partners and plan projects. Mark Hawthorne, Leader of Gloucestershire County Council and chair of the Local Government Association's (LGA) People and Places Board, cited the Council's use of Local Growth Deal funding as an example of this.

“ The devolution of decision-making to the local level enabled us to start a series of conversations which would not have happened otherwise. The dialogue it created between local education providers lead to the establishment of a new college centre and sixth form in a deprived part of the county - expanding provision and producing economies of scale while serving an area of historic educational disadvantage. ”

Clr Mark Hawthorne, Leader of Gloucestershire County Council

It is clear that a locally coordinated approach can add value beyond urban conurbations and avoid situations such as when central tendering left Somerset without any adult provision until a campaign by local MPs had this decision reviewed.¹² The commitment in the 2019 Conservative Manifesto to ‘full devolution across England’ and an English Devolution White Paper is therefore promising. However, it is vitally important that the full potential and implications of moving towards locally coordinated skills systems are factored into further policy development. This type of joined-up policy making requires expertise. Yet, as Professor Ewart Keep put to the Commission:

“ Unfortunately, the centralisation of our FE system over the past 30 years has stripped vast amounts of knowledge and capacity from local areas, and shifted responsibility downward to individual institutions/providers via the national Performance Management System and its key performance indicators. Local capacity rebuilding will therefore be key if we want to move away from national, one-size-fits-all provision and programmes. ”

Prof Ewart Keep, Chair in Education, Training and Skills, Department of Education, Oxford University

This process should begin with the government incentivising local or regional partners to put in place the governance arrangements for further devolution. Given the varied capacity of local government partners and LEPs across England the transition to a more locally geared system will require a long-term approach and a commitment to evaluating progress.

Recommendation 2:

To provide the basis for a truly employer-led system, stronger geographical and sectoral skills needs analyses are required coupled with new devolved commissioning powers:

- a) Local and regional bodies – likely to be combined authorities, LEPs or Skills Advisory Panels - should build an assessment of their skills needs into their Local Industrial Strategies based on labour market intelligence and local employer engagement. This assessment will form the basis for funding allocations and incentives.
- b) Local bodies will need better labour market intelligence to provide insight on innovation in key sectors and emerging industries. There need to be processes in place for this data to flow between localities and sectors, or greater geographical bodies such as the Sector Deals and Northern Powerhouse. The government should instigate systematic mechanisms for identifying skills needs on a sectoral basis.
- c) The government should incentivise all parts of England to put in place governance arrangements that allow further devolution of skills funding and decision-making. It will be for the localities to ensure decisions made and funds spent are consistent with the skills and productivity targets outlined in the long-term framework.

Creating collaborative local skills provision

The current situation

Providers fighting for their existence

Recent government policy has promoted competition between providers in order to increase choice and raise standards. The effects of changes such as the lifting of the student number cap for universities, the free schools programme, the introduction of University Technical Colleges (UTCs), the apprenticeship reforms, and the opening of the HE market to new providers have been felt more sharply by FE and skills providers than by schools and universities.

The highly centralised funding system means that local providers are incentivised to compete for learners and contracts with little regard for local or system-wide outcomes. Provision therefore expands and contracts because of individual institutional fortunes, as opposed to any assessment of local needs. This arrangement does not always result in the outcomes policymakers or employers desire. As one contributor to the inquiry put it:

“ The system is not cohesive and effective enough, primarily because everybody seems to be fighting to make their own existence continue. ”

Provider, Lincolnshire roundtable

The competitive climate was described repeatedly to the Commission as creating a low-trust environment between providers, undermining collaboration, and muddling providers' sense of purpose and mission as they pursued strategies to stabilise and diversify their income. Contributors described schools unwilling to advertise post-16 options to their students; providers heavily marketing courses that were low-cost to deliver yet offered poor labour market returns; and colleges bidding for tenders for which they would have to subcontract the delivery to more appropriate providers later in the year. A specialist provider who worked across the country described their experience of the current system:

“ Many colleges see us as a threat because we're a private provider. I think if people did collaborate better and respected each other's skill-sets, it would certainly make for a better skills system. ”

Provider, Tees Valley roundtable

The desire to collaborate and cooperate to meet local labour market need and enhance the education and training offer for learners was strongly articulated everywhere the Commission went. However, it was widely recognised that the incentives and structures to support collaboration were entirely absent from the system:

“ The system does not support collaborative working and does not incentivise joining together for joint curriculum planning. That should be a central tenet of the system. ”

Provider, West of England roundtable

Contributors repeatedly cited the funding arrangements as a barrier to greater cooperation around meeting local needs. Providers recognised the motivations of school leaders in their reluctance to comply with the Baker Clause, as the funding model rewards student retention over focusing on the best pathways for different students.

Providers were also forthcoming about how funding arrangements drove their own behaviours:

“ Is there any incentive for us to partner with private training providers? ... Do we partner with schools and school sixth forms? No, because there's no money to do so and there's no incentive for us to do so. ”

Provider, Lincolnshire roundtable

Competition through frequent procurement exercises was cited as a further barrier to cooperation, especially in relation to the spread of innovative practice across the system. The example of digital infrastructure was offered by one college principal who described how, in the context of the competitive market place, they were reluctant to share their newly developed learning programmes with local providers.

“ We have brilliant digital tech resources, but there's commercial IP that goes with the investment we've put into developing those. Because we're treated as quasi-private, no college is going to go, 'I've got this fantastic suite of online adult courses. Here you go,' because you're then going to go against them in a tender for funding in the same area. ”

Anonymous College Principal

Short procurement cycles were also described as having a detrimental effect on the ability of providers to work beyond their organisation's immediate interests and towards local outcomes. On top of the high degree of uncertainty created by centralised tendering mechanisms for funding, providers frequently complained of the associated bureaucracy and costs. For example, the Commission heard that providers were increasingly investing in compliance departments and bid writing teams to win and hold on to contracts.

“ I think we're also going to have to ask another company to go back and actually check that we haven't missed out any paperwork so that we then don't lose any potential funding. This in itself is going to incur costs running into thousands of pounds. As a small provider, it actually does have quite a knock-on effect. The number of times you'll dedicate your senior team and significant resources into tackling, basically, paper exercises, for proven track-record providers is unreasonable. ”

Provider, Lincolnshire roundtable

While contributors recognised the need for accountability, the yearly bid cycle and the complexity of funding arrangements ultimately divert funds away from learners and limit the time senior leaders have to focus on quality improvement or employer engagement. At scale, it is not difficult to imagine the significant real and opportunity costs that this centralised system is generating.

Of particular concern to all of the providers who spoke to the Commission were the implications of funding challenges on securing teaching staff. Whether it was competing with schools for maths and English teachers or industry for specialist tutors and lecturers, colleges and training providers were struggling to attract the staff required to meet national expectations around GCSE maths and English resits or local aspirations for skills and training.

“ We turned away 40 potential plumbing students last year, because our course was full and we can't get another plumbing lecturer for love nor money. ... We've lost four engineering staff over the last two months because industry are saying '£10,000 more' and it's the same for other industries. ”

Provider, Lincolnshire roundtable

The Universities and Colleges Union has described this as a recruitment and retention crisis in FE that is undermining the system's capacity to deliver the increasingly high profile skills agenda.

Where we want to be

A stable and collaborative provider base

Stable funding for longer-term planning

Ultimately, we need to move towards a system in which clearly articulated local economic and learning needs can be met by a provider infrastructure that is stable enough to work towards long-term interests, yet flexible enough to respond to gaps in the market.

This requires a balance between: a measure of local influence in the system; strong leadership from providers; an open market for providers to offer specialist and work-based provision; and a funding system that is not so competitive that it prevents cooperation on local goals or the curriculum offer.

Contributors to the inquiry repeatedly made the case for a more stable funding environment to allow for a greater focus on meeting local needs. Providers explained the impact of receiving indicative AEBs for a two-year period from the ESFA and how that enabled them to focus on building partnerships to enhance their offer.

“ **Training providers often have one-year contracts but last year we had a two-year contract and it's a dream. It's not long-term but makes a real difference towards working to long-term solutions.** Provider, Tees Valley roundtable ”

The Tees Valley CA has already moved in this direction through its approach to competitively commissioning its AEB, rather than using procurement contracts or grant funding. While all providers are invited to submit delivery plans based on achieving TVCA's skills objectives, successful providers are freed from the requirement to undertake annual procurement bids so long as they continue to meet their deliverables. Unlike with a contract or grant, the CA has the right to withhold funds if agreed outcomes are not met.

As recommended in the Augar Review of Post-18 Education and Funding, providers would benefit from having greater certainty over adult education funding to allow them greater scope for long-term planning.

Recommendation 3:

Providers should receive multi-year Adult Education budgets from the Education and Skills Funding Agency and devolved authorities. This will provide longer-term certainty to deliver the required local learning and skills. Furthermore, funding settlements should incentivise and require providers to meet local learning aims and skills gaps, competing on quality not student capture.

Incentivising collaboration

Providers will need to collaborate if we are to respond effectively to the implications of longer working lives and technological innovation. This is especially true in relation to investing in digital infrastructure, developing specialist provision, and ensuring a comprehensive offer of lifelong learning opportunities, as these are challenging for any institution to deliver individually.

The examples of innovative practice and collaboration that the Commission reviewed were often described as having taken place in spite of the system rather than because of it. Common to these examples were past funding incentives and strong leadership, which could articulate the benefits of cooperation, leverage personal networks and sustain joint work when funding ran out.

“ **Locally, we often join up, but the different relationships are often down to personalities.** Provider, Lincolnshire roundtable ”

The UK's Innovation Corridor Skills Concordat is a great example of both the potential of cooperation and the circumstances in which such collaborative working emerges. Skills providers in the functional economic geography of the corridor – that runs from London to Cambridge & Peterborough – have produced a joint skills offer to meet the needs of key employers in the region. Like the examples cited by contributors to the inquiry, this model of collaboration – outlined in the case study – was underpinned by strong leadership from providers and regional business partners, who provided modest seed-funding to facilitate the project.

CASE STUDY: The UK Innovation Corridor's Skills Concordat – Collaboration for a regional skills offer

The UK Innovation Corridor's Regional Skills Concordat is a collaborative venture launched by FE and skills providers in response to the 2016 Growth Commission report by the London Stansted Cambridge Consortium – the strategic partnership of public and private organisations behind the UK's Innovation Corridor.

The report outlined the region's potential to become one of the top five global knowledge hubs. It called for collaboration between local stakeholders and businesses to develop a corridor-wide approach to 'placemaking' through coordinated and integrated economic, skills and infrastructure development. The report also warned of the risks of polarisation in the workforce and communities. Skills were therefore highlighted as a priority area to ensure inclusive growth for the region's growing population of nearly three million people

Coming together across the region's two mayoral combined authorities, three counties, five LEP areas, and multiple local authorities, skills providers have signed-up to work together to:

- Create a vision for FE and skills with a prospectus of opportunities and clear pathways into high-skilled jobs to make the system clearer for local people and employers
- Aggregate demand for current and future skills needs to enable providers to proactively engage emerging sectors and offer opportunities to train adults in the workforce
- Develop a comprehensive strategy for recruiting and upskilling teachers, building on initiatives being delivered within individual LEP areas and ensuring that there are incentives for skilled professionals to also become skilled teachers
- Agree a regional framework for FE outcomes that: reflects economic and social goals; and demonstrates the returns of investing in skills development.

Such examples of providers collaborating to provide localities and regions with a collective offer that could not be achieved by working in isolation, need to become a systematic feature of the FE and skills landscape. In order to achieve this, the sector needs to promote leadership that engenders collaborative working. To make this truly systematic however, collaboration needs to be facilitated by more than inspirational leadership.

Across the UK there are a number of examples of how policy has sought to encourage collaborative behaviour. In Northern Ireland, policy has driven cooperation through creating Area Learning Communities. The introduction of the 'Entitlement Framework' encourages providers to lead on curriculum areas to share best practice, and work together to enhance the learning opportunities within their geographical areas¹³. Similarly, inquiry contributors cited the tendering process for the Institutes of Technology, which required partner bidding, as a good example of using policy levers to promote cooperation.

After a decade of austerity in both the FE sector and in local government, many areas of the country do not necessarily have the capacity to initiate and maintain collaborative projects. As many of the examples of collaborative ventures cited in this report have used seed-funding from Europe, such as the Cheshire and Warrington LEP, it is important that sources of funding are available to initiate such work. To help providers and partners to come together to support local or regional ambitions for economic growth and learning, the Commission recommends that a portion of the Shared Prosperity Fund be available to seed-fund collaborative projects to meet clearly articulated outcomes.

Recommendation 4:

To seed-fund collaborative projects and partnerships between providers and employers, the government should establish a new collaboration fund for localities. The fund and bidding process should be designed to encourage cooperative behaviour and build local capacity.

The FE workforce

High-quality teaching and learning is the cornerstone of a world-class FE and skills system. While greater strategic coordination of provision and collaboration at the local level can go some way to enhancing the system's offer, the evidence presented to the Commission suggests that action on addressing recruitment and retention issues in the sector is a priority.

The Secretary of State for Education has recognised the significant recruitment and retention challenges faced by providers across England. The Commission welcomes his announcement on 5th February 2020 of a £10 million fund to support up to 550 more people to train as lecturers in a range of technical subjects as part of the Taking Teaching Further programme.¹⁴

This needs to be taken further if all localities are to have the trainers needed to fill the skills jobs available now, and the jobs that the green and digital revolutions are bringing. The DfE should develop the Taking Teaching Further initiative into a national campaign aimed at engaging industry specialists in FE and training to support local and national skills priorities such as those in green technologies, digital and engineering.

Recommendation 5:

The DfE's welcome Taking Teaching Further initiative should be expanded into a national campaign. This campaign should be aimed at encouraging experienced and skilled technical trades people to pass on their expertise to the next generation by retraining to teach in Further Education (FE). Training bursaries should be offered to help attract such people into the teaching profession and to strengthen ties between FE, work and new technologies.

Informing and supporting learners in a changing labour market

The current situation

Poor careers information, advice and guidance

The quality of careers information, advice and guidance (IAG) was repeatedly raised as an issue over the course of this inquiry. As innovation drives change in the workplace and entry requirements for many jobs rise, people's need to explore different career pathways available to them becomes ever more important. LEPs who contributed to the inquiry described improving careers IAG as a major priority. One LEP cited the findings from a local authority learner survey of 600 secondary school students which revealed that 80% of them had little idea of career opportunities in the area. Another LEP told us that:

“ Courses are generally good enough for demand. We need much better support around choice... How can waste management be seen as interesting as video game design? Careers advice has a critical role in this. ”

Henry Lawes, West of England Combined Authority

The Commission was particularly disappointed to hear of widespread dissatisfaction with the quality of careers IAG. Frustratingly, the learners who spoke to the Commission echoed the experiences of those who gave evidence to the Commission's 2016 Spotlight inquiry, especially in regards to the lack of support given to them by their schools. Two learners told the Commission:

“ My teachers said to focus on sixth form, and they didn't really give any advice for the alternatives. There were choices, apprenticeships, A-levels, or leave school and go to work, but not everything was explained. Most of my teachers didn't really know what to do for someone like me, so they just recommended going to a college and asking there. ”

Students from Boston College

Although schools have a statutory duty to provide independent advice and guidance, the majority do not employ specialists who can link up with employers or who fully understand future trends in industry and technology. Teachers do not have the time or skills to provide careers advice and as a consequence, getting informative and impartial advice on career and associated skills choices is a lottery.

The Commission was provided with a typical example of the impact of poor careers advice and guidance, in which a college annually enrolled around 450 sports science students despite there being few opportunities for employment in the local area. At the same time the college struggled to fill places on courses related to the care, construction, and engineering sectors, all of which provided decent local employment opportunities. While learner choice and autonomy was viewed as an important principle and motivating factor for people to engage in education, the poor quality of IAG is limiting the prospects of individuals and distorting the alignment of provision to labour market demand. As one college principle explained to the Commission:

“ If the funding follows the students, there needs to be the demand in the right areas from the students. Kids don't get exposed to the options that are out there, so therefore the demand doesn't come through to get us to change and help meet business needs as well. ”

Provider, Lincolnshire roundtable

Declining adult participation in learning

Many contributors to the inquiry felt that the funding system did not adequately support the full range of provision required by people in the contemporary labour market. Given that 80% of 2030's workforce are now in the labour market,¹⁵ this concern was particularly pronounced in relation to how the funding system facilitates opportunities for lifelong learning.

Contributors frequently highlighted the declining rates of adult participation in education and training. Between 2012/13 and 2017/18, the total number of adults (aged 19 and over) participating in non-apprenticeship or community learning provision at FE colleges and independent training providers fell by 36%, from 1,782,200 to 1,131,700.¹⁶ Adult participation in community learning has also dropped from around 650,000 in 2011/12 to around 500,000 in 2017/18.¹⁷ These shortfalls have not been compensated by higher rates of participation in learning elsewhere in the system such as through apprenticeships, numbers of which have also fallen by 20% since the introduction of the apprenticeship levy in 2017.

The fall in adult learning is down to a combination of factors. At the intermediate and higher levels, numbers have fallen with changing fee levels and as providers have responded to falling levels of income by closing courses with higher delivery costs. The most significant factor for lower-level provision has been the changes to entitlements within the AEB. In 2013 full funding entitlements for learners aged 24 or over studying towards their first level 3 qualification were removed, requiring learners to support their studies through either an Advance Learner Loan or employer sponsorship. Since 2016, 19-25-year-olds, except for those taking a first Level 3 qualification, have also been required to self-fund or co-fund studies at level 3.

Providers giving evidence to the inquiry described their frustration operating in a limited and complicated funding environment. Like the Augar Review Panel, the Commission heard that the inflexibility of funding entitlements was restricting innovation and their ability to offer the types of courses adults needed.

“ Classrooms have students with different prices on their heads [...] it's absolutely ludicrous in my view and it drives the behaviour focusing on how to maximise our budgets by using the different pots of money instead of actually focusing on what employers and learners need. ”

Provider, West of England roundtable

“ As a national provider, I have over 53 funding contracts, each with their own little quirks and regimes and I often feel that the funding models, system contracts and audit trails lead the demand as opposed to the learner. ”

Provider, Lincolnshire roundtable

Despite there being strong demand from employers and individuals for short modular courses which people could undertake flexibly at intervals, the funding system does not facilitate this kind of delivery.

The varying system for maintenance support was also cited as a potential barrier to adults wishing to retrain and upskill. While maintenance loans are available to learners in HE, the picture in FE is more complicated. Learners undertaking study at National Colleges and the new Institutes of Technology are able to access maintenance loans, while support for other forms of vocational and technical study is discretionary and provided by colleges rather than through a national system. The inconsistency of the system risks some learners slipping through the gaps – notably adults without Level 3 qualifications.¹⁸

With significant falls in adult participation in FE and declining rates of employer training, it is clear that measures to stimulate demand for adult learning will have to be introduced, especially as the fourth industrial revolution and longer working lives necessitate higher rates of retraining and upskilling.

Where we want to be

Joined-up careers IAG services informing learners

Across FE and skills there are a fantastic range of opportunities to enter new industries or upskill. Our system of careers IAG needs to become far better at highlighting these pathways to learners and prospective learners.

This is particularly important for young people from disadvantaged backgrounds who may be unaware of how to meet their aspirations, and individuals with limited mobility who could benefit from insight into local career opportunities.

The consensus amongst contributors to the inquiry was that despite measures such as the introduction of the Gatsby Benchmarks to guide providers with their careers IAG, the current system is too fragmented. Evidence from one local authority states:

“ Across the country local labour market evidence is patchy and not collected in a central place and tends to be too generic and out of date to be of real use. Schools struggle to access this information to inform careers advice. It is unclear who has responsibility for this. ”

Local Authority, evidence submission

There are multiple schemes operating rather than a single unified offer. Work by London’s LEP, the Greater London Authority (GLA) and London Councils identified more than 240 careers providers in London, demonstrating a congested and confusing market place. There is vastly more activity than any school or college can realistically keep track of, let alone a young person or parent. Employers also need to be offered a clear understanding of how they can work with education providers in their local areas.

Employers who gave evidence to the inquiry told the Commission that they struggled to know who to work with and found themselves being approached by multiple providers with requests to host placements or partake in career inspiration activities. Many felt unsure as to which activities would add the most value. This experience was borne out by evidence from the Confederation of British Industry (CBI) which suggested that a lack of guidance is holding back business engagement. More positively however, the CBI reported 65% of surveyed businesses as wanting to work further with education providers.

Clearer responsibilities and greater coordination of careers IAG is required to ensure the maximum value from everyone's efforts.

The local collaboration model

The Commission saw examples of good practice around the coordination of careers IAG. In the Humber region four local authorities and the LEP jointly run a sub-regional careers portal. Through pooling resources and creating a unified offer, learners, parents and teachers can access information, tools and signposting to additional services. In centring the area's careers IAG activity around a single hub the LEP is better able to link initiatives towards emerging opportunities in the local economy.

Similarly, the Commission heard of LEP activity in Cheshire and Warrington that was removing barriers to employer engagement. The LEP's Employers' Skills and Education Board (its employer-led skills advisory panel) put employers at the heart of achieving its priority objective to inspire young people about new technologies and career opportunities. Its strategy of employer engagement to present a more consistent offer to secondary schools in the region is beginning to lead to improved performance against the Gatsby Benchmarks on world-class careers guidance.

CASE STUDY: Cheshire and Warrington LEP – Engaging Employers with the future workforce

Across Cheshire and Warrington, 30-40% of the local economy is dependent upon science, technology, engineering and mathematics (STEM) related industries, yet like much of the rest of the country the region struggles with producing enough skilled technicians and professionals. To address this the LEP's Employer's Skills and Education Board identified getting employers engaged with the future workforce through inspiring and informing young people as a key strategic goal.

The LEP coordinated employer engagement through multiple levels, engaging directly with large employers in the region and through existing employer networks such as the local Chambers of Commerce to reach local SMEs. Employers were offered a set of clear asks through a series of pledges managed locally by nine local partnership boards.

The LEP and local partners secured a bid for ESF funding which was matched with funding from the National Citizen Service, the Careers & Enterprise Company, and the DfE. The pooling of resources allowed for the LEP region to coordinate and scale its work of putting employers at the heart of inspiring and informing young people about new technologies and career opportunities. This has enabled a unified offer for 63 local secondary schools providing them with career inspiration from businesses ranging from local SMEs to Google.

As well as looking to improving the performance of local providers in relation to the Gatsby Benchmarks, a key measure of success for the LEP will be increasing the proportion of work experience placements with STEM employers, which despite their significance in the local economy only offered 2% of all work experience placements.

Common to these examples is both clear local leadership and the ability to access and complement multiple funding pots. The government will need to ensure that the local collaboration approach to delivering careers IAG is supported through a clear framework of responsibilities. The transition from the ESF to the Shared Prosperity Fund should not undermine such activities. Through pooling resources local partners will be able to improve local careers IAG and begin to employ AI and real-time assessments on gaps and opportunities in local labour markets to inform decision-making.

Recommendation 6:

Learners and employers need a better understanding of career pathways arising from local and national economic trends, especially if we are to improve social mobility. Careers information, advice and guidance should be coordinated and signposted at the local level based on local skills needs analysis and developed through the local collaboration model.

Supporting retraining and upskilling

The 2019 Conservative Manifesto promised to introduce a £3bn National Skills Fund and Right to Retrain. This is a step in the right direction, as extended working lives and the Fourth Industrial Revolution require a shift to a culture of lifelong learning. Education and training will need to be spread across one's lifetime as opposed to being frontloaded at the start of one's working life.

To create a more coherent skills ecosystem the government needs to articulate how these announcements will sit alongside existing forms of provision and tiers of commissioning such as apprenticeships and the National Retraining Scheme. In addition, the government's Skills and Lifelong Learning Framework should pilot measures to support adults and employers to invest in upskilling and retraining.

Over the long-term, the introduction of personal learning accounts could encourage behavioural change and facilitate learning across one's working life, especially for low waged or disengaged groups. As the Learning and Work Institute points out, accounts could provide a mechanism for co-investment between the state, employer and individual.¹⁹ In a skills ecosystem, they could be used by individuals to draw down funding for designated training courses or modules with approved providers that relate to local skills gaps.

The transition from our current model of education and training to a future model that facilitates co-investment and continual learning will need to be carefully trialled. Lessons from past attempts to introduce learning accounts will need to be learnt and secure new technologies should be used. As well as rigorous piloting, learning accounts will require: a clear understanding of what forms of training funds could be put towards; a careers IAG service that empowers individuals to make informed choices; and a provider infrastructure that is focused on delivering local and national priorities rather than competing on student capture.

To begin this transition the government should work with local partners, most likely Mayoral Combined Authorities, which have built effective local learning ecosystems and can demonstrate good governance arrangements, to pilot personal learning accounts.

Recommendation 7:

The government should use new secure technology to pilot Personal Learning Accounts with local area partnerships that have the right governance arrangements. These pilots could be initially targeted at areas where there are identified skills shortages. Ultimately these should allow for individual and employer co-investment as a means to develop long-term solutions for stimulating through-life demand for retraining and reskilling.

Methodology and steering group

Scoping for this inquiry began in late 2018, with work on this report starting in March 2019.

The findings and policy recommendations herein are based on a review of pertinent literature, semi-structured interviews, responses to a written call for evidence and six evidence gathering roundtables, which took place in Parliament; Boston College, Lincolnshire; TTE Training, Tees Valley; and City of Bristol College, Bristol.

England's Skills Puzzle: Steering Group

Chairs

Rt. Hon Sir John Hayes CBE MP	Member of Parliament for South Holland and the Deepings
Barry Sheerman MP	Member of Parliament for Huddersfield

Steering Group

Alan Cave	Chief Executive, APM UK
Alice Barnard	Chief Executive, Edge Foundation
Prof Andy Green	Professor of Comparative Social Science, UCL Institute of Education
Prof Ewart Keep	Chair in Education, Training and Skills, Department of Education, Oxford University
Dr Fiona Aldridge	Director for Policy and Research, Learning & Work Institute
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Marguerite Ulrich	Chief Human Resources Officer, Veolia
Mark Dawe	Chief Executive, AELP
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Paul Eeles	Chief Executive, Skills and Education Group
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David Fannin	Chief Executive, Lincolnshire Community and Voluntary Service
Artemis Marrant	Functional Skills Assessor and Quality Assurance Co-ordinator, RTS Training



TTE Technical Institute, Middlesbrough, Tees Valley

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Brenda McLeish	Managing Director, Learning Curve
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Gary Walker	Shift Manager, Quorn Foods
Jacqui Henderson	Founder, Find your Future
Jason Faulkner	Campus Principal, Redcar & Cleveland College
Kevin Sedgwick	Business Development Officer, Middlesbrough Council Community Learning
Paul Carbert	Policy Advisor, North East of England Chamber of Commerce
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Interviews, written feedback and other contributions:

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Semta

Shaw Trust

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Tees Valley Combined Authority

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Universities and Colleges Union

West Midlands Combined Authority

WorldSkills UK

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Policy Connect

Policy Connect is a cross-party think tank improving people's lives by influencing public policy. We collaborate with government and parliament, through APPGs, Commissions and Forums and across the public, private and third sectors to develop and improve public policy. We work in health; education & skills; industry, technology & innovation and sustainability policy.



The Skills Commission

Policy Connect's Education and Skills team run the Skills Commission. The Commission brings together parliamentarians, leading figures from across the FE and skills sector, academics and employers to undertake high-level research into Further Education and Skills policy, making recommendations to government, the sector and industries.



Inquiry Partner:

Learning and Work Institute

Learning and Work Institute is an independent research and policy charity dedicated to lifelong learning, full employment and inclusion. We bring together over 90 years of combined history and heritage from the National Institute of Adult Continuing Education and the Centre for Economic and Social Inclusion. We want everyone to have an opportunity to realise their ambitions and potential in learning, work and throughout life.



Inquiry Sponsor:

FETL

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- Innovating constantly to meet the needs of learners, communities and employers;
- Preparing for the long term as well as delivering in the short term; and
- Sharing fresh ideas generously and informing practice with knowledge.

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Notes

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