

THE LEITCH REVIEW

SUMMARY

A ROADMAP DIRECTING UK TOWARDS
WORLD CLASS SKILLS BY 2020

A concise summary interpretation

Note: This is a interpretive précis of the Leitch Review,
designed to offer an informative overview.
The full report can be downloaded from the HM Treasury website at:
www.hm-treasury.gov.uk/leitch

THE LEITCH REVIEW SUMMARY

“ THE UK HAS NO CHOICE
BUT TO OUTPERFORM
AND OUT-INNOVATE
OUR COMPETITORS. ”

Gordon Brown, Pre-Budget Report

WHY THE URGENCY RUNNING TO STAND STILL

On raw performance figures alone, the UK has been performing really well in recent years. We have enjoyed 14 years of unbroken growth and have the highest employment rate in the G7. Our skills base has also improved significantly over the last decade.

But despite this, the UK's skills remain fundamentally weak by international standards. They are holding back productivity, growth and social justice.

Our competitors in the global economy are advancing rapidly. Emerging economies such as India and China are growing dramatically, exploiting the pace of technological change. And while China and India are turning out 4 million graduates a year, the UK is turning out just 250,000.

In fact, the Review finds that the kinds of objectives in terms of the numbers required for us to catch up with the world leaders in skills simply cannot be reached even if current targets to improve skills are met. UK skills would still lag behind those of many comparator countries in 2020. We will have been running just to stand still. And unless the UK can make its skills base one of its strengths, public services will not deliver best value and

the engine of the economy, UK businesses, will find it increasingly difficult to compete in the decade to come.

This will require a radical reconfiguration of the system. It must be more demand-led, with the employer voice through Sector Skills Councils being given real power to shape the system towards economically relevant education and skills development.

As a further consequence of low skills, the UK also risks creating a sub-section of society which is cut off permanently from labour market opportunity and facing increasing inequality.

We therefore need to accept that, whereas skills were once a key lever for prosperity and fairness, they are now increasingly the key lever, fulfilling an increasingly pivotal role in our ability to compete internationally. Radical change is therefore necessary and urgent.

THE SKILLS VISION TARGETING WORLD LEADER STATUS

In the face of this challenge, the Review recommends that the UK commits to becoming a world leader in skills by 2020, as benchmarked by the upper quartile of the OECD. Achieving this means doubling

attainment at most levels, and in many cases achieving far better than that. Its principal targets are:

95% of working age adults to achieve functional literacy and numeracy – up from 85% literacy and 80% numeracy today. A total of 4.5 million more adults with functional numeracy and 2.2 million more adults with functional literacy. This means 680,000 basic skills attainment per year compared to 110,000 today.

More than 90% of workforce adults to be qualified to at least Level 2 where feasible – up from 70% today. 95% would mean 1.7 million more adults with Level 2 and 500,000 people achieving Level 2 each year compared to 280,000 today.

Shifting the balance of intermediate skills from Level 2 to Level 3 and improving the esteem, quantity and quality of intermediate skills. **Sector Skills Councils** would set an ambitious target of doubling apprenticeships to 500,000. Overall this means 1.9 million more adults with Level 3 and 300,000 people achieving Level 3 each year compared to 110,000 today.

More than 40% of the adult population qualified to Level 4 and above, accelerating the increase of people with high skills, up from

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29% today. This means 530,000 people a year compared to around 250,000 at present.

Clearly, achieving these activities and attitudes would require a cultural shift towards viewing learning as something people at all levels and at all ages in the work-force need to be doing all their working lives, and not just as something to be done by young people before they enter the workforce.

SHARED RESPONSIBILITY THREE LEVELS IN CONCERT

Such ambitious targets will only be attained through commitment and the sharing of responsibilities by all the beneficiaries. The three key players are the Government, the employer and the individual:

Government must create an end-to-end system with real clarity and discipline as to who in the education and skills infrastructure does what. Government should ensure employers and individuals drive the system so that it delivers economically valuable skills, only intervening where there is market failure.

Employers must respond to the opportunities they are being given to get the system to deliver for them - through more relevant education and training provision or more

relevant qualifications or through other mechanisms, using their Sector Skills Councils to ensure the right levers are there to be pulled. They should seek 'a deal for a deal', focusing their investment and their practical support on where this will have most effect in meeting their needs.

Individuals must invest more in their own skills development and raise their aspirations in a changing workplace and with the growth of the knowledge economy. High profile awareness programmes should increase people's aspirations and awareness of the value of skills to them and their families.

A DEMAND-LED SKILLS SYSTEM THE NEEDS OF EMPLOYERS TAKE PRIORITY

Strengthened Employer Voice
For too long the supply-side in education – the colleges and universities, the qualifications bodies, the funding bodies, even government-set targets themselves – has dominated what gets delivered by the education and skills system. And the demand-side has been interpreted as being 'what young people want' rather than 'what employers need'. A move to a system that gives employers the strongest voice is now essential.

Relevant Qualifications Structure

The complexity and bureaucracy in the current system has always been a significant deterrent factor. There are over 22,000 qualifications in the UK and too many of these, particularly at low levels, are little valued by individuals or employers. These problems have constrained investment in skills by employers and individuals alike.

Employers need the over-elaborate world of skills to be simplified, with fewer employer-facing bodies, and with the bodies led by employers having much more power to make the supply of education and skills more fit for 21st century purposes. They want to see more relevant, up-to-date education and better skills development, delivering more productive and profitable private companies and better performing public services.

Sector-specific, not geographic

While there are special considerations which mean that innovative approaches have the potential to flourish under the devolved administrations in Scotland, Wales and Northern Ireland, current regionally-based skills strategies don't aggregate to satisfy UK-wide needs. One size does not fit all sectors. Some sectors require large numbers of skilled workers at traditional craft level while the new knowledge economy means that other sectors require higher level and technical skills.

In general, employers have much more in common with others in their sector than with other employers located geographically close to them. The new skills infrastructure must reflect this reality.

DRIVING THE VISION SIMPLIFIED STRUCTURE, FOCUSED CONTROL

The recommended structure for achieving the aims of the Review entails a reduction in bureaucracy and duplication. This means a radical rationalisation of quangos, of funding streams and of qualifications structures. From a business perspective, the core of new way of doing things would build on the growing success of the Skills for Business network. In the Skills for Business network, the Sector Skills Councils, supported by the Sector Skills Development Agency, are already successfully showing the way towards a demand-led skills system through the creation of Sector Skills Agreements between employers and the supply-side. However, these Sector Skills Agreements have to be seen by all parties as deals which must be delivered.

Sector Skills Councils' core role

Over the last few years, employers have stepped up to the mark and have created and then increasingly engaged with the 25 new,

“ THE PRIZE FOR ACHIEVING THIS NEW AMBITION IS HUGE: A MORE PROSPEROUS AND PRODUCTIVE SOCIETY, WITH HIGHER ... EMPLOYMENT AND LOWER LEVELS OF POVERTY AND INEQUALITY. ”

Lord Leitch

independent, employer-led Sector Skills Councils.

An important feature of these SSCs has also been the representation at board level of trades unions, with union learning representatives having shown themselves one of the most effective ways of creating enthusiastic employee participation in learning.

The promise of Government to employers was that these Sector Skills Councils would have real influence over the education and skills system. In a virtuous circle, employers have shown themselves prepared to engage more with skills development when the system is more relevant to their needs.

SSCs, in concert with employers, would be responsible for rationalisation and approval of vocational qualifications, and all adult vocational skills funding would by 2010 be routed through Train to Gain and Learner Accounts.

A new Commission for Employment and Skills

In the new integrated employment and skills system, a Commission for Employment and Skills (CES) would strengthen the collective voice and better articulate employer views. The Sector Skills Development Agency would form a major part of this, together with other

bodies such as the National Employment Panel. It would also take on responsibility for Local Employment & Skills Boards.

WHO GAINS? A WIN-WIN SITUATION

The recommendations of the Review will deliver a strong positive impact to the UK's economic and social performance. The changes will undoubtedly benefit employers.

But they will also be good for employees, making them more employable and offering them better careers. This applies whether they are young people or those already in the existing workforce.

Developing the skills of the existing workforce is hugely important given that more than 70% of the 2020 workforce is already in the workforce today. Yet the education and skills system has until now been hugely focussed on young people. And the development of individuals applies whether they are at the highest levels of leadership and management or at supervisory, technical and craft levels or needing basic skills.

Workless people will become aware of their skills needs through a personal 'MOT' test and they will get greater support as they move into sustainable work

“ IT IS VITAL THAT EMPLOYERS ACROSS ALL SECTORS BE INVOLVED IF WE ARE TO CLOSE THE ENORMOUS SKILLS GAPS THAT ARE THREATENING FUTURE COMPETITIVENESS. ”

Mark Fisher, CEO SEDA

RECOMMENDATIONS ROUNDUP

- Strengthen employer voice. Rationalise the existing bodies. Strengthen the collective voice and better articulate employer views on skills by creating a new Commission for Employment and Skills, accountable to Government and the devolved administrations.
- Increased employer engagement and investment in skills. Reform, re-license and empower Sector Skills Councils, with an emphasis on the Sector Skills Agreement process. Deliver more economically valuable skills by allowing public funding only for vocational qualifications approved by SSCs.
- Expand skills brokerage services.
- Increase adult skills across all levels and all ages.
- Route all adult vocational skills funding through Train to Gain and Learner Accounts by 2010. Streamline the role of the Learning and Skills Council to become a funding body and market maker.
- Improved higher level skills: Change targets and funding to encourage employer / university collaboration, seeking hard-edged employer commitments to increase investment in high skills through Sector Skills Agreements.

- World class intermediate skills. Extend Train to Gain to higher levels. Double apprenticeship volumes.
- Increase employer investment in Level 3, 4 and above qualifications in the work place.
- Build Basic Platform of Skills: Launch new 'Pledge' for employers to commit to train all eligible employees up to Level 2. If the improvement rate is insufficient by 2010, introduce an entitlement to workplace training in consultation with employers and unions.
- Increase people's aspirations and awareness of the value of skills to them and their families. Create high profile, sustained awareness programmes. Rationalise existing fragmented services and develop a new universal adult careers service, offering personal advice.
- Create a new integrated employment and skills system to increase sustainable employment and progression. Tackle basic skills development to help people lacking such skills find and stay in work.
- Develop a nationwide network of local employment and skills boards to ensure local services meet employer needs and that workers are equipped to access work.

Low-skilled workers will have more chance to gain higher skills in the workplace through Train to Gain, and more flexible learning through their Learner Accounts.

Skilled workers will have more opportunities to develop at work through Apprenticeships, degrees and management & leadership programmes.

Small firms will have better access to relevant training for their employees. Their management skills and profits will improve.

Employers overall will have more strategic influence over the skills strategy and system and therefore a greater incentive to invest in skills across all levels. They will also receive increased opportunities for highly valued workplace training.

As a result, the UK will be able to compete with the best in the world. Productivity will rise by 15% and employment by 10%. Poverty and inequality will decrease. The GDP gain from achieving this ambition is considerable. The Review estimates an overall benefit – net after all costs – of around £80 billion within 30 years.

UK SKILLS GLOSSARY

The Review refers to a number of organisations and entities by acronym or name. Many are familiar while others will benefit from an explanation. These are the most important:

NEW BODIES AND CONCEPTS

CES – Commission for Employment and Skills – An independent commission responsible for progress on the ambitions of world class skills and chaired by a leading figure from business. It will absorb existing bodies including the SEDA, NEP and the Skills Alliance.

Employment and Skills Boards – Employer-led local organisations. They will articulate on a local basis the needs of the labour market and be accountable to the CES in respect of local employment and skills action.

Skills Development Fund – a new discretionary fund subsuming the Learner Support Fund.

EXISTING BODIES AND RELATIONSHIPS

HEFCE – Higher Education Funding Council for England – promotes and funds teaching and research in universities and colleges.

The Skills for Business network – the 25 SSCs – each one of which is an employer-led, independent, UK-wide, sector-based organisation, together with the SEDA.

LSC – Learning and Skills Council – currently responsible for planning and funding education & training in England other than in universities.

NEP – National Employment Panel – an employer-led organisation which advises Government on labour market policies and performance.

QCA – Qualifications and Curriculum Authority – The regulatory body for public examinations and publicly funded qualifications.

RSP – Regional Skills Partnership – Planning partnerships at the English regional level.

Skills Alliance – a partnership between economic and delivery-focused organisations, including the CBI, the TUC and government departments and non-departmental public bodies formed after the 2004 Skills White Paper.

Skills Brokers – Independent impartial advisers on training needs and delivery, working for the LSC-funded Train to Gain programme.

SSA – Sector Skills Agreements – Agreed between employers and the partners in the skills infrastructure, mapping out employers' future skills need and the state of current provision, and then developing an action plan as bridge the gaps.

SSC – Sector Skills Councils – 25 employer-led, independent sector based organisations. To be reformed, re-licensed and additionally empowered under the Leitch recommendations.

SEDA – The Sector Skills Development Agency funds, supports and monitors the SSCs within the Skills for Business network. It would form the core of the new CES.

EXISTING CONCEPTS

JSA – Jobseeker's Allowance

Learner Account – provides individuals with funding that they can spend at a learning provider of their choice, encouraging individuals to invest in and take ownership of their own learning.

LMI – Labour Market Information – The respected products of extensive research programmes.

National Occupational Standards – the building blocks of qualifications, like the machine code behind software.

NVQs / SVQs – National (or Scottish) Vocational Qualifications. Their achievement ratings can be compared approximately with knowledge and ability levels attained in alternative educational activity:

- Level 1** Basic skills (preparing for Level 2)
- Level 2** 5 GCSE grades A*-C
- Level 3** 2 A-levels
- Level 4** Degree or equivalent
- Level 5** Post-graduate qualification

Train to Gain – A service from the LSC embracing assessment, free training and wage compensation, designed to help businesses get the training they need to succeed.

The Skills for Business network is made up of 25 Sector Skills Councils (SSCs) who, together with the Sector Skills Development Agency, cover 85% of the UK workforce. Uniquely, they are employer-led, independent and sector-based; therefore best placed to understand the skills you need to be competitive in the world market.

You can find your SSC or SSCs at www.skillsforbusiness.biz