

POLICY BRIEFING JANUARY 2006- THE LEITCH REVIEW

Introduction

The Leitch Review sets out the UK's long-term skills needs and a reform agenda for the skills and training system.

The key recommendations of the Review are:

- Compulsory education and training up to age 18
- An exhortation to employers to 'pledge' training for their employees, followed by a statutory right to training if the pledge fails
- The creation of a national Commission for Employment and Skills.

Background

In 2004, the Chancellor of the Exchequer and the Secretary of State for Education and Skills asked Lord Leitch to lead an independent review to consider the skills base that the UK should aim to achieve in 2020 and to consider the policy implications of achieving the level of change required.

The United Kingdom as a whole has a poor record in skills formation compared with other OECD countries. Although doing quite well in higher level skills (level 4 or above) and ranking 11 out of 30 OECD countries in the proportion qualified to this level, it is still well behind the USA, Canada, and Japan. More serious deficits exist at intermediate levels (levels 2 and 3), with only about 36% qualified to this level in the UK compared with more than 50% in Germany and New Zealand. It is estimated that 7 million adults in the UK lack functional literacy and 17 million lack level 1 numeracy (equivalent to a low level GCSE). The proportion of people with low or no qualifications is more than double that in Sweden, Japan, and Canada.

Targets

The UK Government and Devolved Administrations have set demanding targets for skills attainment. However, the Review concludes that even if met, the targets will not close the gap between the UK and other OECD countries by 2020. Achieving world-class skills will require the UK, by 2020 to achieve:

- 95% of adults with functional literacy (up from 79% in 2005)
- 95% of adults qualified to at least level 2 (up from 69% in 2005)
- Boosting the number of apprentices to 500,000 and a total of 4 million adult level 3 attainments
- More than 40% of adults qualified to level 4 or above, and an increased focus on level 5 skills.

The targets for skills set out in this report will require additional investment by the state, employers, and individuals. To reach the optimal level of skills in the economy it is estimated that an additional annual investment in skills up to level 3 will need to rise to around £1.5-£2 billion by 2020. In addition, increased investment is required in higher education.

There will be a review of funding arrangements for HE in 2009.

Funding Issues

The costs of raised ambitions must be shared between government, employers, and individuals. To meet the requirement for additional investment, this means:

- Government should provide the bulk of funding for basic skills with employers co-operating to ensure employees are able to achieve these skills
- For higher intermediate skills (level 3) employers and individuals should make a much higher contribution of at least 50%
- At level 4 and above, individuals and employers should pay the bulk of the additional costs, as they will benefit most.

An outstanding task for government is to translate these principles into funding formulae.

Children and Young People

Currently, over one in six young people in England leave school lacking functional literacy and numeracy. The UK's post-16 participation in education and training is below the OECD average. At age 17, 83% are enrolled in education and training, compared to more than 90% in the best performing countries.

International evidence suggests that parity of esteem between academic and vocational routes and a smoothing of the current break-point at age 16 are needed to achieve world-leading levels of post-16 participation in education or training. The new specialised Diplomas in England, the centrepiece of the 14-19 reform programme are critical to increasing post-16 participation in education or training.

It is recommended that, once the Diploma framework is on track for delivery, the Government should introduce compulsory full or part-time education or workplace training up to age 18. It is acknowledged that the expansion of HE over recent years has mostly benefited those from high-income families. It is stated that firm government action is required to raise aspirations across society. Standards in schools in the poorest areas need to match those in the richest areas. It will also require firm action by the regulatory body, the Office for Fair Access.

Train to Gain

In England, Train to Gain offers free training for employees not already qualified to level 2. Employers are offered support and advice from brokers operating through LSCs or Business Links. Individual Learning Accounts operate in Scotland and Wales (they were suspended in England in 2001 following widespread fraud and theft).

It is recommended that all adult vocational skills training in England apart from community learning be routed through Train to Gain and Learner Accounts by 2010. The Review recommends further streamlining of the LSC and reducing the current number to nine regional LSCs. The LSC will continue to manage Train for Gain, Learner Accounts, and Apprenticeships. It will ensure competition among providers, which is seen as the key to developing a 'demand-led' system that meets the needs of individuals and employers. Putting effective purchasing power in the hands of customers should provide incentives to deliver the skills employers and individuals' need.

Employer Engagement

The employer voice should be strengthened through the creation of an employer-led Commission for Employment and Skills. This will rationalise the existing system by merging and streamlining the Sector Skills Development Agency (SDA) and the National Employment Panel (NEP), both of which currently operate across the UK, into a new organisation.

The Commission will performance manage Sector Skills Councils (SSCs).

Only vocational qualifications approved by an SSC should qualify for public funding. SSC approved qualifications will be overseen by the Quality and Curriculum Authority (QCA). The SSCs should develop a shortlist of valid qualifications, with a significant reduction in the current number of 22,000 by 2008.

In Wales, over 10% of employees are covered by a Basic Skills Pledge made by their employers, guaranteeing them access to training in work. The review recommends that the Government supports and encourages all employers in making a skills pledge that would be a specific promise to every eligible employee that they would be helped to gain basic skills and a level 2 qualification. Government will provide tuition fees, and in the case of small employers the Government should consider wage compensation.

In 2010 the Government and the Commission should review the pledge. If progress is insufficient, the Government should introduce a statutory entitlement to workplace training for individuals without a full level 2 qualification.

The Government should work with the Commission, SSCs and the LSC to double the number of Apprenticeships in the UK to 500,000 by 2020. The Government should consider creating a new entitlement (as resources allow) so that every suitably qualified young person should be able to take up an Apprenticeship.

Further and Higher Education

The Review requires increased investment and engagement from employers with higher education.

The review recommends that the target of 40% of the adult population with level 4 or above skills be exceeded, and the target be shifted away from the current sole focus on 18-30 year-olds to cover the entire adult population. It is also recommended that a portion of higher education funding be delivered through a similar demand-led mechanism as Train to Gain. Government funding should also be used to stimulate greater private investment, for example, through the co-financing of university research chairs by employers and government.

The Review recommends that the DfES's Leadership and Management funding programme for small and medium sized enterprises (SMEs) be extended to firms with between 10 and 20 employees so that smaller businesses can benefit.

The Review also found that inequalities in aspiration by adults drive inequalities in attainment at school. It perpetuates the number who drops out at 16. Parents' and children's aspirations need to be raised and a new and sustained national campaign is required to raise career aspirations and awareness of the benefits of learning, backed by local outreach activity. For England, the creation of a new universal careers service for adults is recommended. Individuals should be entitled to a learning account that they can use to pay for accredited training of their choice. A new Skills Development Fund in England, subsuming the Learner Support Fund, is required for those wanting to improve their basic and level 2 skills.

Integrated Employment and Skills Service

Job retention at basic entry levels is poor. Around two thirds of all Jobseeker's Allowance claims each year are repeat claims.

The review proposes a new integrated employment and skills service, drawing together services like Jobcentre Plus and the new careers service. The new service will have a single objective of maintaining sustainable employment and progression opportunities. The new careers service will deliver advice in a range of locations, including co-location with Jobcentre Plus, creating a national network of one-stop shops and employment advice.

A network of employer-led Employment and Skills Boards will report to the Commission for Employment and Skills. This network will rationalise and build on successful city-employer coalitions.

Basic Skills

There should be a much greater role for basic skills training in the benefit system, including a new programme to screen all those returning to benefits within a year, and better incentives for claimants to improve their basic skills.

People who struggle to stay in employment will receive a full skills health check at the start of their claim. They will also receive additional in-work support.

Some Key Considerations

A notable feature of the proposals is the move towards higher levels of compulsion, both for individuals and employers, something which governments are customarily wary of. Employers are exhorted to 'pledge' that they will train their employees, and if that fails, training will become a statutory right for employees not already qualified to level 2 (which might discourage employers from hiring someone without level 2 qualifications). The poorly skilled unemployed will find it harder to get benefits unless they sign up for training. Young people will be required to stay in part or full-time education or training until they are 18.

Another notable feature of the proposals is how centralised the system will become if they are adopted. First, the proposed 'network' of local employment-led Employment and Skills Boards will be 'licensed' by the national Commission, and it is not clear that they will have any executive powers. The 1980s experience of Area Manpower Boards suggests that the new proposed boards will find it very hard to get employers, particularly private sector employers, to sit on them if they are not given enough to do. In combination with the reduction of 47 local LSCs to 9 regional LSCs (announced in the Queen's Speech) it is at present difficult to see how the new proposed structure will support LSPs and other local regeneration partnerships.

Further, the review recommends that only qualifications approved by the relevant SSC will be eligible for public funding, and it will be in these qualifications that the local skills brokers will advise employers to train their employees. An advantage of this is that it might help rationalise and clarify Britain's notoriously opaque system of vocational qualifications. The disadvantage is, that by limiting an employer's choice to a menu prescribed by a national body (albeit one that is meant to articulate the employer's skills needs), the offer of subsidised training will be experienced as bureaucratic interference and imposition (or just a nuisance), which is often how government-funded programmes meant to rectify 'market failures' have been perceived.