



BIS | Department for Business
Innovation & Skills

SKILLS FOR SUSTAINABLE GROWTH

Strategy Document

EXECUTIVE SUMMARY

Skills are a devolved matter and this is a strategy for England. The Departments of HM Government are committing themselves to action in England only. All facts, figures, policies and actions refer to England only except where stated otherwise. "National" should be taken to mean England-wide except where the context indicates otherwise. The strategy does not commit any of the four Governments of the United Kingdom to any UK-wide actions or policy positions.

This document is the executive summary of *Skills for Sustainable Growth*.
The full report is available at www.bis.gov.uk

Foreword



Skills are vital to our future and improving skills is essential to building sustainable growth and stronger communities. A skilled workforce is necessary to stimulate the private-sector growth that will bring new jobs and new prosperity for people all over this country.

And a strong further education and skills system is fundamental to social mobility, re-opening routes for people from wherever they begin to succeed in work, become confident through becoming accomplished and to play a full part in civil society.

We need to give fresh hope to our young people, one in seven of whom is currently not in education, employment or training. And, at the same time, we need to reduce the ruinous fiscal deficit that is draining money that should be used to help improve the quality of people's lives.

We have not shied away from the difficult decisions about the use of public funds or the need to radically reform the system we inherited. And we will not chop and change our strategy every five minutes creating confusion in the sector and demoralising its workforce.

The strategy will guide the Government's reform of adult learning and skills over the remainder of this Parliament and point the way towards growth in the longer term. Those plans are founded on three principles.

The first is fairness. We believe those first in line for help must be those least able to help themselves. So we are paying special attention to young people and those without basic literacy and numeracy skills.

The second is responsibility. While Government has a role, employers and citizens must take greater responsibility for ensuring their own skills needs are met.

The final principle is freedom. Freedom does not just mean abolishing stifling bureaucracy and meaningless targets. It means trusting people to do their job. The adult education movement was not born of Government, but of the people. And its primary accountability today should be not to the Government, but to the people it serves.

Our objective is to deliver a skills system driven from the bottom up, able to respond to the needs of individuals, communities and an increasingly dynamic economy. It is a vision of a system – shaped by our shared belief in the value of learning – that everyone can help build. I hope that you will think hard about what part you can play in making sure that change happens. Change which will fuel opportunity and power prosperity.



Vince Cable,
Secretary of State for Business,
Innovation and Skills.



John Hayes,
Minister of State for Further Education,
Skills and Lifelong Learning.



Skills Minister John Hayes with businesses and learners on a recent visit to promote Apprenticeships.

Introduction

The purpose

1. This Government's purpose is to return the economy to sustainable growth, extend social inclusion and social mobility and build the Big Society. Underpinning every aspect of this purpose is the improvement of skills. This document sets out our strategy for improving and using skills to realise our central objective.
2. It sets out the direction for skills policy for the life of this Parliament and the shared responsibility of Government, employers and individuals to create a system for skills in which all parties can invest with confidence and benefit with consistency.
3. We need a more competitive, rebalanced economy, which is environmentally sound and resource efficient, and we need to reduce the deficit. There should be no illusions about the scale of the challenge we face. Our working age population is less skilled than that of France, Germany and the US and this contributes to the UK being at least 15% less productive than those countries.¹ We are currently weak in the vital intermediate technical skills that are increasingly important as jobs become more highly skilled and technological change accelerates. Approximately 80% of the people who will be in the workforce in 2020 have already left compulsory education.² If we are to achieve a world-class skills base we need to increase the level of their skills and meet the demands of our economy.
4. Our ambition is that the UK should have a world-class skills base that provides a consistent source of competitive advantage. If we are to achieve this, we must enable businesses and individuals to transform the performance of the nation as a whole.
5. Skills are not just important for our global competitiveness, however. Skills have the potential to transform lives by transforming life chances and driving social mobility. Having higher skills also enables people to play a fuller part in society, making it more cohesive, more environmentally friendly, more tolerant and more engaged.
6. It is through making sure everyone has the opportunity to gain skills that the benefits of renewed growth can extend throughout our society.
7. We must make a bold change and move to a new system, where we do things differently. We must abandon a culture of bureaucratic central planning and regulatory control. For too long, the skills system has been micromanaged from the centre, with Government setting targets for the number and type of qualifications that ought to be delivered, and with learners and colleges following funding, rather than colleges responding to the needs of employers and the choices of learners. Public funds have been absorbed by regulation and centralised control, rather than devoted to what learners want and employers must have. This would be an inefficient use of money at any time, but is particularly undesirable in the current fiscal climate.

1 ONS: International Comparisons of Productivity, October 2010.

2 BIS analysis of Labour Force Survey, updating the Leitch Review of Skills report "Prosperity for all in the global economy."

8. We want to turn the system on its head, so that it is those using the system, not the state, that drive the system. We will give them control over their funding and the support and information they need to make the right choices for their future.



9. Under our new system, learners will select training and qualifications valued by business, and available through a broad range of autonomous providers who will attract learners depending on the quality of their offer. We will prioritise funding support for learners with very low levels of skills or the disadvantaged, while there will be an expectation that learners and employers will co-invest alongside Government in meeting the costs of intermediate and higher level training courses from which they will derive private benefits.

The principles and the practice

10. This strategy sets out radical reform of the skills system, to deliver skills for sustainable growth. It is founded on the Coalition principles of fairness, responsibility and freedom.

- **Fairness.** Skills play an important role in creating a fairer society by promoting social inclusion and social mobility. As those who choose vocational routes into work tend to be from lower socio-economic groups³ further education has a key role to play in opening up access to higher level skills to individuals from backgrounds with historically lower rates of participation. The Government will ensure that funding for adult education is refocused on those who need it most. We will support adults who lack the basic skills they need to access employment and participate in society, and support the unemployed who are actively seeking work.
- **Responsibility.** The Government cannot tackle the skills challenge on its own. Employers and citizens must take greater responsibility for ensuring their own skills needs are met, and to do this they will need from Government good quality information, the opportunity to influence the system to provide the training they need, and access to finance. We will improve both the quality of information available about skills and make it easier to access through the new all-age careers service. We will offer every individual adult undertaking learning a Lifelong Learning Account, while employers will work alongside Government and a re-modelled UK Commission for Employment and Skills to identify and increase investment in the skills they need. We will introduce new FE loans, from 2013/14 to help people access the funds they need to gain intermediate and higher-level skills. These loans will be supported by Government and repayment will be dependent on the borrower earning above a certain threshold. It is only fair for those who benefit the most from training to make a greater contribution to the costs of their course, but also only fair for them to make this contribution when they are indeed realising those benefits and earning a good salary.

3 LYPSE Waves 4 to 6 and YCS cohort 13, Sweeps 1 to 3.

- **Freedom.** Control should be devolved from central government to citizens, employers and communities so they can play a greater role in shaping services to ensure that they meet their needs efficiently. We will increase competition between training providers to encourage greater diversity of provision, including, for instance, FE colleges offering more Higher Education courses. This together with empowering learners by providing better information on quality and tackling poor performance will drive up standards. We will free providers from excessively bureaucratic control and centrally determined targets and radically simplify the formulae which determine funding for adult education, so that providers can effectively respond to the needs of business and learners. For example, we have already removed the requirement for college principals to acquire a specific qualification.

Skills for Growth

11. Apprenticeships are at the heart of the system that we will build. They bring together individuals, motivated and working hard to develop themselves; employers, investing in their own success but supporting a programme with wider social, environmental and economic value; and Government, providing public funding and building the prestige and reputation of the programme.
12. We will expand the numbers of adult Apprenticeships available by up to 75,000 by 2014–15 leading to more than 200,000 people starting an Apprenticeship each year. To fund this, we will increase investment in Apprenticeships by up to £250 million over the spending review period. There will be investment of £605 million in 2011–12 and an indicative budget of £648 million in 2012–13.
13. We will not only increase numbers, but we will also improve the programme. As an advanced economy needs advanced skills, we will reshape Apprenticeships so that technician level – Level 3 – becomes the level to which learners and employers aspire. To widen access, there will be clear progression routes into Level 3 Apprenticeships, and routes from Level 3 Apprenticeships to higher level skills, including Level 4 Apprenticeships or Higher Education.
14. Alongside Apprenticeships there will be a wider and more flexible system of vocational qualifications that meets the needs of the economy.
15. The Qualifications and Credit Framework, developed with business to meet the needs of business, will allow individuals and employers to access units of training that meet their specific needs. Sector Skills Councils will act for businesses in regularly updating national occupational standards, and we will expect qualification awarding bodies to take these standards into account as they update and introduce their vocational qualifications.
16. As training providers become increasingly able to respond to the needs of local employers, we expect to see courses provided for employees increasingly within the workplaces of Small and Medium sized Enterprises (SMEs), and anticipate that at least £100 million of Government investment will support training delivered to SMEs each year.

17. The introduction, with the agreement of industry, of professional standards to increase skills in a sector or occupation, can support skills development and protect consumers. This cannot be done by one employer alone, and we will work with groups of employers to explore how new professional standards can drive competitiveness in their industry.
18. We will establish a new Growth and Innovation Fund to support employers to be more ambitious about raising skills in their sectors and to promote workplace practices that will lead to better development and deployment of workplace knowledge and skills. The Government will contribute up to £50 million per year with business co-funding training costs covered by the Fund.
19. The Government's limit on non-EU economic migrants will reduce employer access to skilled migrant labour and employers will need to do more to recruit and to access existing systems to train resident workers, particularly in sectors with a high reliance on migrant labour, such as hospitality and care.

Skills for a fair society

20. The Government understands its responsibility to ensure that everyone has the basic skills they need to access employment and participate in civil society.
21. For both economic and social reasons it is essential that those without employment are helped to gain the right skills to find sustainable work with the prospect to progress, and that employers have access to skilled labour to help their businesses succeed. We will provide funding to support specific training for those on active benefits and we will work closely with Jobcentre Plus to identify the people who could most benefit from support. The Government's work programme will encourage and challenge people to take up employment opportunities in areas they might not otherwise have considered.
22. Young people suffered disproportionately from unemployment as a result of the recession,⁴ and those unemployed in their youth are more likely to be unemployed throughout their lives. We will fully fund a first full Level 2 or Level 3 qualification for those aged 19 up to 24 who don't yet have one, and support them in making the transition from education to work.
23. Learning and skills development is not always about qualifications, and we will protect funding for informal adult and community learning. During the coming months we will undertake a major piece of collaborative work to



4 Bell, D & Blanchflower, D, "What should be done about rising unemployment in the UK?" <http://www.dartmouth.edu/~blnchflr/papers/speech379paper.pdf>.

reinvigorate and reform informal adult and community learning such that it builds the Big Society, engages the disadvantaged and offers progression routes for those looking for a way in to formal learning.

- 24.** Education at all levels is fundamental to a fair society. The forthcoming Schools White Paper will include new plans to improve the quality of education in schools and ensure all children gain the basic skills and knowledge they need to make a successful transition from school into further education or employment. It will set out a new focus on primary literacy, a reformed National Curriculum, and a more robust qualifications system.
- 25.** There remains, however, a problem with adult literacy in this country. 16% of the working-age population, equivalent to 5.2 million people, did not have functional levels of literacy in 2003.⁵ We will also continue to support those who left compulsory education without basic literacy and numeracy skills through providing free training through the further education and skills system, including in the workplace.
- 26.** We recognise that higher education (including higher education delivered through further education colleges), and post-graduate study, also play an important role in social mobility, and we will set out our strategy for higher education in a forthcoming white paper.

A shared responsibility for skills

- 27.** If Government takes it upon itself to resolve the skills needs of every individual and business, it risks failure. We can only succeed if we give the energy, commitment and the power of individuals and employers full rein.
- 28.** Investment in training gives real returns. The cost of paying for training should ultimately be shared between employers, individuals and the state to reflect the benefit each receives. As well as being a better way of allocating scarce resource, it means that individuals and business are motivated to ensure that what is provided meets their needs.
- 29.** Training for adults at Level 2 and above brings the greatest financial and wider benefits to individuals. It is therefore fair that individuals training at this level and above should contribute toward the cost of acquiring these skills.
- 30.** From the 2013/14 academic year, Government will provide and subsidise a system of loans to support continued participation in training where Government grant funding is no longer available for intermediate or higher-level qualifications. As with the graduate contribution to the costs of higher education, individuals will only start to contribute when they realise the benefits of their training and are earning a decent wage. Their training will therefore be free at the point of access with repayment of the loans contingent on the borrower earning above a certain threshold.

⁵ Williams, J, S, Clemens, K, Oleinikoya and K.Tarvin (2003): The Skills for Life Survey: a national needs and impact survey of literacy, numeracy and ICT skills, Department for Education and Skills: Research Report 490.

Entitlements for 2012/13

Learning Level	<i>Priority population groups and Government subsidy for learning they can expect</i>		
	Individuals aged from 19 up to 24	Individuals aged 24+	Individuals who are unemployed and on active benefits
Basic Skills	Fully funded	Fully funded	Fully funded
Level 2 (first)	Fully funded	Co-funded	Fully funded targeted provision for learners with skills barriers to employment
Level 2 (retraining)	Co-funded	Co-funded	
Level 3 (first)	Fully funded	Co-funded	
Level 3 (retraining)	Co-funded	Co-funded	
Level 4 (any)	Co-funded	Co-funded	

Notes: – This table shows the expected position from 2012/13 (following the legislative process required to reform statutory entitlements).
 – All Apprenticeships for those aged 19+ will continue to be co-funded at 50% by Government and employers.
 – Co-funding at Level 2 for workplace learning outside of Apprenticeships will only apply to SMEs and applies at a level of 50%.
 – Learning at Level 3 and above for workplace learning outside of Apprenticeships and entitlements will not receive Government funding.

Entitlements for 2013/14

Learning Level	<i>Priority population groups and Government subsidy for learning they can expect</i>		
	Individuals aged from 19 up to 24	Individuals aged 24+	Individuals who are unemployed and on active benefits
Basic Skills	Fully funded	Fully funded	Fully funded
Level 2 (first)	Fully funded	Co-funded	Fully funded targeted provision for learners with skills barriers to employment aged 23 and under and/or training below Level 3. Loans for those aged 24+ on courses at Level 3 and above.
Level 2 (retraining)	Co-funded	Co-funded	
Level 3 (first)	Fully funded	Loans	
Level 3 (retraining)	Co-funded	Loans	
Level 4 (any)	Co-funded	Loans	

Notes: – This table shows the expected position from 2012/13 onwards (following the introduction of loans).
 – Loans will apply equally to Apprenticeships, replacing the contribution formerly provided by Government. 19+ Apprenticeships at Level 2 will remain co-funded at 50%.
 – Co-funding at Level 2 for workplace learning outside of Apprenticeships will only apply to SMEs, and applies at a level of 50%.
 – Learning at Level 3 and above for workplace learning outside of Apprenticeships and entitlements will not receive Government funding.

- 31.** We will offer every adult a Lifelong Learning Account. This will provide access to the new FE student loans and other forms of financial support for learning, such as an enhanced discretionary learner support fund. Accounts will also provide incentives for learning, including a means of recognising the social contribution made through volunteering. Accounts will provide access to personalised information on training already achieved and the wage and employment benefits of different courses.
- 32.** We will establish a new all-age careers service to provide clear and transparent information to all learners about the options open to them and the benefits of particular training. Lifelong Learning account holders will be able to access this service alongside the personalised information in their account. Good careers guidance is at the heart of increasing social mobility and ensuring opportunities are available to all. It both helps young people and adults progress in learning and careers and helps increase confidence, motivation and the desire to succeed. Accordingly, the new service will provide intensive face-to-face support to those with greatest need.
- 33.** There will be a new role for employers as we grow a world-class skills base. They have been frustrated in the past that increases in public investment have not led to matching increases in quality or responsiveness, and they have seen new bodies and initiatives in an increasingly crowded and confusing landscape full of goodwill but lacking in efficiency or effectiveness.⁶
- 34.** Employers do not want low cost approaches that deliver second-class results. They invested over £39 billion on training over a 12-month period in 2007–2008.⁷ They are willing to invest – to invest far more than they do at present – in the skills of their workforces if they can be sure that the training they buy will be high quality and geared to their needs. We need a new approach.
- 35.** We shall change the focus of the UK Commission for Employment and Skills to become a true vehicle for economic growth and social partnership, with employers, trade unions and others coming together to give effective leadership to business on skills.
- 36.** We will not tell employers what they should do, but instead support them in implementing proposals they make to raise their game on skills. For instance, we know that in some sectors of the economy employers favour new professional standards, including occupational licensing and training levies.



6 A recent employer survey by the Confederation of British Industry (2010) indicated that employers were keen for public sector resources to be used more efficiently, with 75% wanting the Government to take steps to reduce red tape. Confederation of British Industry (2010a) 'Ready to Grow: Business priorities for education and skills.'

7 Shury, J., Winterbottom, M., Davies, B and K. Oldfield (August 2010) National Employer Skills Survey for England: main report, IFF research: UK Commission for Employment and Skills.

37. For small and medium enterprises, we will continue to support the development of leadership and management skills as a key to allowing these companies to grow and make full use of their workforce, and we will provide co-funding for some Level 2 qualifications delivered in small and medium enterprises. We will also be prepared to co-fund training programmes in new or rapidly changing parts of the economy, for example to meet skills needs arising from the transition to a low-carbon economy.



A reformed system with increased freedom

38. Helping learners identify the training they need is not sufficient if the supply side cannot respond to their demands quickly and flexibly. A dynamic economy needs a dynamic skills system that is not hampered by over-complicated bureaucracy and regulation; one that can work closely with businesses to support them to grow and develop.

39. We are committed to the Leitch ambition of developing a world-class skills base, but we will abolish the Leitch targets and the machinery of centralised control set up to meet them. Providers will be able to supply the type and volume of training that is needed in their local area, with increasing flexibility to respond to local needs and the demands for quality of learners and employers. In this way we will build a responsive, dynamic system.

40. We will simplify funding for FE by reducing the number of separate budget lines, cutting down the number of interactions between colleges and training providers (including voluntary organisations) and the Skills Funding Agency, reducing the number and types of audits and forms, and reducing the number of providers with direct contracts with the Skills Funding Agency. Each college or provider will continue to have a single point of contact, and BIS will work with the Department for Education, YPLA and the Skills Funding Agency to achieve greater alignment where appropriate between the pre- and post-19 funding systems.

41. A high quality further education sector is at the heart of our skills strategy. As learners and employers take greater roles in the system, the quality of their experience must improve. Working with the Skills Funding Agency, we will remove funding from provision that does not meet minimum levels of performance.



Skills Minister John Hayes meets learners at City and Islington College.

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42. As part of our commitment to drive up quality and enable choice and in line with our reforms for Schools and Academies, we will act decisively, closing failing colleges. We will ensure provision is delivered by an excellent education provider, and that training provision for learners and employers is secured. New providers and their strategic leaders could be drawn from groups of employers, quality independent training providers and other employer-led organisations. We will publish further details in Spring 2011.

43. The scale and extent of the reforms set out in this strategy should not be underestimated. Our aim is to shift profoundly the balance between the state, businesses and individuals. We are confident in the capacity, drive and vision of learners, employers, and providers up and down the country, and we believe that they will eagerly grasp this opportunity.



List of Recommendations

For full details of the recommendations please refer to the full report, which is available at www.bis.gov.uk

CHAPTER ONE – SKILLS FOR GROWTH

- We will expand the numbers of adult Apprenticeships available by up to 75,000 by 2014–15
- We will reshape Apprenticeships so Level 3 becomes the level to which learners and employers aspire
- We will ensure there are clear routes from Apprenticeships to higher level training including, but not exclusively, Level 4 Apprenticeships
- We will ensure that vocational qualifications reflect the changing needs of employers
- We will reduce the reliance of some sectors of our economy on migration to fill jobs
- We will support employers in addressing their skills needs through a new growth and innovation fund of up to £50 million
- We will provide some co-funding for training at Level 2 delivered in small and medium sized companies
- We will encourage more widespread teaching of entrepreneurial skills.

CHAPTER TWO – SKILLS AND A FAIR SOCIETY

- We will ensure those who have left school without basic literacy and numeracy have access to state funded training, and we will make that training more effective
- We will provide state funding for targeted provision for people on active benefits: Jobseekers Allowance or Employment Support Work Allowance (work related activity group)
- We will reinvigorate and reforge adult and community learning to support the development of the Big Society, engage disadvantaged people and create progression routes for people who want to move on to formal learning, ensuring all groups can benefit.
- We will provide grant funding for training for young people to help them move from education into work
- We will consult on a simplified learner support offer.

CHAPTER THREE – A SHARED RESPONSIBILITY FOR SKILLS

- We will introduce government-backed loans from 2013/14 to help people finance intermediate and higher-level qualifications
- We will offer every adult a Lifelong Learning Account bringing together information about available grant funding and learning opportunities as well as access to new government-backed loans
- We are establishing an all-age careers service providing high quality, professional careers guidance to young people and adults, with intensive support available for those with greatest need
- A reformed UK Commission for Employment and Skills will provide inspirational leadership to employers on how to get the best from their workforces
- We will support initiatives taken by employers to build modern high-performing workplaces.





CHAPTER FOUR – A REFORMED SYSTEM WITH INCREASED FREEDOM

- We will no longer impose top down skills targets
- We will streamline the organisational landscape
- We will simplify systems and processes with a much simpler funding system and greater alignment where appropriate across pre- and post-19 systems
- We will remove regulations to free colleges to deliver for their local communities
- We will act decisively to tackle unacceptable performance.

Measuring success

For the Further Education and Skills agenda we have included four indicators in the Departmental business plan (subject to consultation):

- the proportion of graduates and college leavers going onto employment or further training;
- international comparison (within the OECD) of the qualification levels of the working age population in England;
- the funding per student in further education as a measure of efficiency; and
- the administrative cost of the further education system as a proportion of total funding to further education colleges.

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