



## Skills: statistics and recent developments

Standard Note: SN/EP/4504

Last updated: 22 October 2008

Author: Bryn Morgan

Economic Policy and Statistics Section

Sue Hubble

Social Policy Section

---

This note provides an overview of the main programmes associated with the Government's Skills Strategy. It also briefly summarises the primary conclusions of the Government-commissioned Leitch Review of Skills which analysed the UK's skills needs to 2020. Relevant national and international statistics on skills are also provided. Finally, issues surrounding graduate skills are discussed.

### Contents

A.	Background statistics	2
B.	Government policy on skills	5
1.	The Leitch Review of Skills	6
2.	Current measures to address skills	8
a.	Level 2/3 entitlement	8
b.	Train to Gain	8
c.	National Skills Academies	9
d.	Adult Learning Grant	9
e.	Apprenticeships and Apprenticeships for Adults	10
f.	Entry to Employment	11
g.	New funding agency for skills	11
C.	Other developments	11
1.	House of Commons Education and Skills Committee report: <i>Post-16 Skills</i>	11
2.	Graduate skills	14

## A. Background statistics

Skills levels in a country are generally measured according to qualifications. Currently, 12% of the UK working age (16-59/64) population possesses no qualifications, while 29% have qualifications at level 4 or above.<sup>1</sup> This represents a considerable improvement from 1997 when those with no qualifications stood at 18% and those with qualifications at level 4 or above stood at around 20%.<sup>2</sup> But, the proportion of those aged 16-24 in the UK not in education, employment or training (NEET) increased from 13.2% in 1997 to 14.0% in 2008.<sup>3</sup>

Table 1a shows that 88% of people with a degree or equivalent qualification were in employment, compared with 47% for those with no qualifications.

Table 1a

Highest qualification of UK working age population				% of total
Jan-March 2008				
	In Employment	ILO Unemployed	Inactive	All persons of working age
Degree or equivalent	88%	2%	10%	100%
Higher education equivalent	85%	2%	13%	100%
GCE A Level or equivalent	77%	3%	19%	100%
GCSE grades A-C or equivalent	73%	5%	21%	100%
Other qualifications	71%	6%	23%	100%
No qualification	47%	6%	46%	100%
Total	75%	4%	21%	100%

Source: Labour Force Survey, ONS

The final report of the Leitch Review of Skills (see section 2 below) estimated that, while 3.2 million unqualified adults were in work today, by 2020 there will be only 600,000.<sup>4</sup>

### International comparisons

The chart below provides some comparisons of educational attainment in OECD countries.<sup>5</sup> In 2006, 31% of 25-64 year olds in the UK had “low” educational attainment, the same as

<sup>1</sup> A Level 4 qualification includes first degree, 'other' degree and sub-degree higher education qualifications such as teaching and nursing certificates, HNC/HNDs, other HE diplomas. The National Qualifications Framework for England, Wales and Northern Ireland which provides full level equivalencies is available at: <http://www.qca.org.uk/libraryAssets/media/qca-06-2298-nqf-web.pdf>.

<sup>2</sup> Data based on UK quarterly Labour Force Survey for January to March 1997 and 2008. All data are not seasonally adjusted.

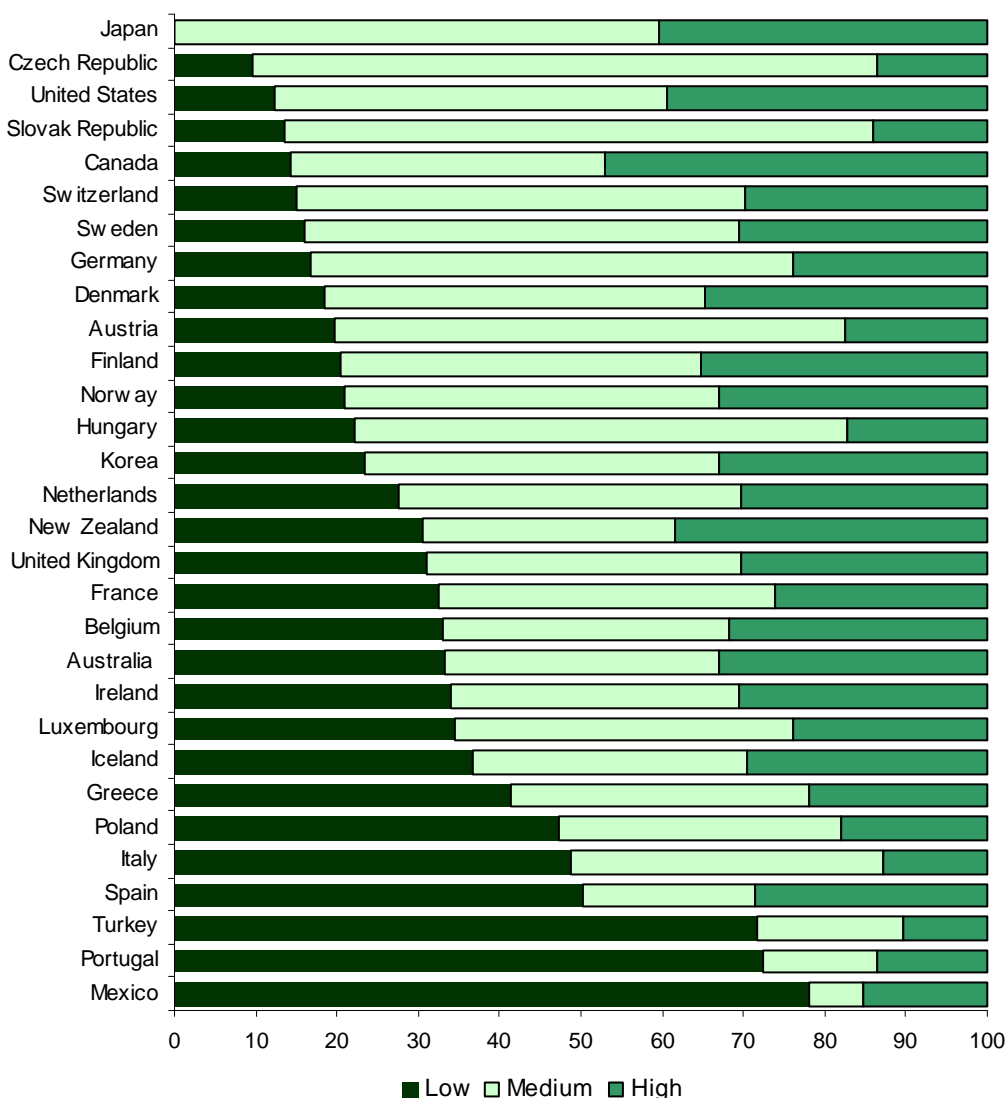
<sup>3</sup> HC Deb 15 October 2007 cc901-3W; *NEET Statistics – Quarterly Brief*, DIUS, 2008

<sup>4</sup> Leitch Review of Skills, *Prosperity for all in the global economy – world class skills – Final Report*, December 2006, p24

<sup>5</sup> In this context 'Low' level qualification comprises persons having primary school, lower secondary school or International Standard Classification of Education (ISCED) 3C short programmes (upper secondary education not designed to tertiary education) as their only formal qualification. An 'Intermediate' qualification is

both the OECD and EU19 average.<sup>6</sup> 30% of 25-64 year olds in the UK had “high” educational attainment, above the OECD average of 27% and EU average of 24%.<sup>7</sup>

**Chart 1:** Educational attainment: adult population (2006); Distribution of the 25 to 64 year-old population, by highest level of education attained



### Skills “gaps”

The incidence of low skills in the economy can also be seen when looking at results from the *National Employers Skills Survey 2007* which analyses skills shortages in England.<sup>8</sup> The proportion of employers reporting skills gaps<sup>9</sup> has fallen from 22% in 2003 to 15% in 2007 while the proportion of staff described as lacking proficiency has also fallen over this period

equivalent to an ‘upper secondary’ achievement (including post-secondary non-tertiary education), while ‘High’ refers to tertiary level education.

<sup>6</sup> The 19 EU member states that are also members of the OECD

<sup>7</sup> OECD, *Education at a Glance*, 2008, Table A1.1a

<sup>8</sup> LSC, *National Employer Skills Survey: Headline findings*, May 2008; *Main Report*, May 2008

<sup>9</sup> Defined as the proportion of employers reporting deficiencies in the proficiency of their existing staff.

from 11% to 6%. However, in 2007 15% of establishments employed staff they regarded as not fully proficient (6% of the total workforce in England).

Table 2

**National Employer Skills Survey - key findings**

	2001	2003	2004	2005	2007
% of establishments with hard to fill vacancies	8%	8%	8%	7%	7%
% of vacancies which are due to skills shortages	n/a	n/a	6%	5%	5%
% of establishments with any staff not fully proficient	23%	22%	20%	16%	15%
% of staff not fully proficient	9%	11%	7%	6%	6%

Source: National Employers Skills Survey, Learning and Skills Council, May 2008, Table 1

Recruitment problems also persist for employers, with 7% reporting hard-to-fill vacancies at the time of interview (unchanged from 2005), and 5% of all employers reporting that at least some of these positions were hard-to-fill because they cannot find suitably skilled (or qualified, or “proven”) candidates – ‘skill shortage vacancies’ (unchanged since 2001).<sup>10</sup> As a percentage of all vacancies, those caused by skill shortages has fallen from 25% in 2005 to 21% in 2007.

Table 3

**Density of recruitment problems and skills gaps by region: 2007**

	Vacancies as a % of employment	HtFVs as % of employment	HtFVs as a % of all vacancies	SSVs as a % of all vacancies	SSVs per 1,000 employees
East Midlands	2.8	0.8	30	19	5
Eastern	2.3	0.7	30	21	5
London	3.3	1.0	32	26	8
North East	2.3	0.7	30	20	5
North West	2.6	0.6	25	17	4
South East	3.2	1.0	31	22	7
South West	2.7	0.9	35	22	6
West Midlands	2.6	0.6	24	16	4
Yorkshire & the Humber	2.4	0.7	28	19	5
<b>England</b>	<b>2.8</b>	<b>0.8</b>	<b>30</b>	<b>21</b>	<b>6</b>

Source: LSC, *National Employers Skills Survey 2007*

Table 3 gives some indicators of recruitment problems by region. London and the South East have the highest rates of vacancies and hard-to-fill vacancies as a percentage of total employment. London also has the highest incidence of skill shortage vacancies.

<sup>10</sup> Reasons for employers describing a vacancy to be hard-to-fill often include skills-related issues, but can simply involve such aspects as poor pay or conditions of employment, or the employer being based in a remote location.

The survey also gives details of vacancies and skills gaps by sector skills council.<sup>11</sup> The 2007 survey shows:

- People 1<sup>st</sup> (hospitality, leisure, travel, tourism) and Skillset (creative media) have the highest vacancies as a percentage of employment (4.3% and 5.6%)
- ConstructionSkills (51%), Lantra (environmental and land-based sector) (47%) and Skillset (45%) have the highest numbers of hard to fill vacancies as a percentage of all vacancies
- Skillset (41%), ConstructionSkills (40%), Lantra (29%) and e-Skills UK (28%) have the highest numbers of skill shortage vacancies as a percentage of total vacancies.

## B. Government policy on skills

While these statistics show a general improvement in adult skills in recent years, many are still of the opinion that the UK skills base must continue to be improved in order to compete in the global economy. In recent years, the Government has published a range of documents surrounding measures to address skills problems in the adult workforce: most notably the two Skills Strategy White Papers of 2003 and 2005;<sup>12</sup> the Further Education White Paper published in March 2006;<sup>13</sup> and most recently the Treasury-commissioned Leitch Review of Skills which was completed in December 2006 with the Government response following in July 2007.<sup>14</sup>

Since the Government's response to Leitch was published there have been a number of developments. Notably in the Government's Draft Legislative Programme 2008/09 published in May 2008, details of a new Education and Skills Bill were announced, its purpose being to:<sup>15</sup>

Promote excellence in schools and help ensure that every school becomes a good school; ensure a customer driven skills and apprenticeship system; and create a new regulator for qualifications and tests and a development agency for curriculum, assessment and qualifications.

In advance of this Bill, the Government recently published a Draft Apprenticeships Bill for consultation that will feed in to the Education and Skill Bill expected in the 2008-09 session.

Other recent developments include the trialling of skills accounts (see [SN/EP/4682](#)) and the national roll-out of the Train to Gain programme (see [SN/EP/3162](#)).

Skills and training are devolved matters, and different programmes are in place in Scotland, Wales and Northern Ireland.

---

<sup>11</sup> LSC, *National Employer Skills Survey: Main Report*, May 2008, Tables 3.10 and 3.11

<sup>12</sup> See Section 2 below.

<sup>13</sup> DfES, *Further Education: Raising Skills, Improving Life Chances*, March 2006

<sup>14</sup> See Section 1 below.

<sup>15</sup> Office of the Leader of the House of Commons, *The Government's Draft Legislative Programme 2008/09*, May 2008

## 1. The Leitch Review of Skills

In December 2004 the Government commissioned the Leitch Review of Skills to identify the UK's "optimal skills mix in 2020 to maximise economic growth, productivity and social justice, and to consider the policy implications of achieving the level of change required". The Leitch Review of Skills published its interim report on 5 December 2005. Notably it stated that:<sup>16</sup>

The UK's skills profile is unimpressive in comparison with other countries. A significantly larger proportion of the adult population in the UK has low qualifications and a significantly smaller proportion holds intermediate level qualifications than many comparator countries. [...]

The UK is consistently out-ranked by countries such as Sweden and Finland, the USA and Germany. In strict terms, the UK performs at or around the OECD mean, though this figure incorporates the qualification profiles of countries such as Mexico, Portugal and Turkey.

The Chancellor announced in the 2006 Budget Report that the review would be extended to include better alignment of measures to tackle worklessness to support "labour market flexibility, better employment outcomes and greater progression to productive and sustainable jobs for those with skill needs".<sup>17</sup> The Final Report of the Leitch Review of Skills was published on 5 December 2006.

This report projected a sharp decline in low-skilled jobs up to 2020 and the increasing importance of high-tech jobs, particularly in the face of growing international competition. Significantly, it called for a demand-led skills system which meets the needs of, and engages, individuals and employers rather than being centrally planned. Lord Leitch in particular highlighted the initial performance of the Train to Gain programme as an example of the success of a demand-led approach. The report outlined a number of objectives for 2020:<sup>18</sup>

- 95% of adults to achieve the basic skills of functional literacy and numeracy, an increase from levels of 85% and 79% respectively in 2005;
- More than 90% of adults qualified to at least level 2, an increase from 69% in 2005. A commitment to go further and achieve 95% as soon as possible;<sup>19</sup>
- Shifting the balance of intermediate skills from level 2 to level 3.<sup>20</sup> This would require 1.9 million additional level 3 attainments over the period and an increase in the number of Apprentices to 500,000 a year; and

---

<sup>16</sup> Leitch Review of Skills, *Skills in the UK: The long-term challenge – Interim Report*, December 2005, p43

<sup>17</sup> HM Treasury, *2006 Budget Report*, Chapter 3, March 2006, p64

<sup>18</sup> Leitch Review of Skills, *Prosperity for all in the global economy – world class skills – Final Report*, December 2006, p37

<sup>19</sup> Level 2 refers to a standard equivalent to five GCSEs at A\* -C or a National Vocational Qualification at level 2.

<sup>20</sup> Level 3 refers to a standard equivalent to two A levels or a National Vocational Qualification at level 3.

- More than 40% of adults qualified to level 4 and above, up from 29% in 2005, with a commitment to continue progression.

Despite these “stretching” objectives and the comments made in the Interim Report on international comparisons, their Final Report did note that in recent years the UK’s education and training program had improved “significantly”:<sup>21</sup>

The number of working age people in England qualified to Level 2 is estimated to have risen by over 1 million since 2003. The proportion of adults with a high qualification has risen from 21 per cent in 1994 to 29 per cent in 2005. The proportion of people with no qualifications has nearly halved, down from 21 per cent to 13 per cent.

In response to the Leitch Review, the Government published *World Class Skills: Implementing the Leitch Review of Skills in England* in July 2007.<sup>22</sup> The provisions outlined in the paper are designed to help over four million adults learn new skills and improve existing ones over the next three years and, by 2020, “make Britain’s workforce one of the most skilled in the world”. The Government also adopted the targets for 2020 of the Leitch Review as set out above, and stated a further target for 68% of the adult population to be qualified to level 3. The key announcements to help achieve these targets were as follows:

- The creation of a new UK Commission for Employment and Skills, Local Employment and Skills Boards and reform of Sector Skills Councils to give employers further influence over both the content and delivery of skills and employment programmes.
- Employers will be given a leading role in the reform and development of vocational qualifications for their sector, and make it easier for them to have their own training programmes accredited.<sup>23</sup>
- Skills Pledges outlining individual employers’ commitment to support their employees to become more skilled and better qualified, with Government help.
- Expansion of Train to Gain.
- The creation of Skills Accounts and the new adult careers service with the aim of providing tailored employment and skills.
- The Information, Advice and Guidance (IAG) services of learndirect and nextstep providers will be merged into a new, universal adult careers service in England, working in partnership with Jobcentre Plus.
- Legislation to strengthen the current funding entitlement for adults to free training in basic literacy and numeracy and to achieve first full level 2 qualifications.

---

<sup>21</sup> Leitch Review of Skills, *Op Cit.*, December 2006, p40

<sup>22</sup> DIUS, *World Class Skills: Implementing the Leitch Review of Skills in England*, July 2007

<sup>23</sup> Note the first three employers who have been recognised to award their own vocational qualifications were announced by the Qualifications and Curriculum Authority on 28 January 2008. They are Flybe, Mcdonald’s and Network Rail. For more information see: [http://www.qca.org.uk/qca\\_15669.aspx](http://www.qca.org.uk/qca_15669.aspx)

In order to finance these initiative, DIUS's Comprehensive Spending Review settlement for the period 2008/09 to 2010/11 outlined funding of £5.3 billion a year by the end of the period "to increase adult skills and apprenticeships and make progress against the Leitch ambitions for world-class skills" with the aim of providing 3.7 million adult qualifications to 2010/11.<sup>24</sup>

## **2. Current measures to address skills**

Many of the strategies and programmes currently in operation to address the skills gaps in the economy were outlined in the Skills Strategy White Paper titled *Skills: Getting on in business getting on at work*,<sup>25</sup> published in March 2005 (this was a follow-up to the 2003 Skills Strategy White Paper).<sup>26</sup> In July 2008 the Government published *Work Skills* which outlined progress towards implementing the Leitch recommendations.<sup>27</sup> The following sections outline key elements of the strategy.

### **a. Level 2/3 entitlement**

Since September 2006 there has been a new entitlement for any adult aged 19 and over (there is no upper age limit) in the labour force to have access to free tuition for their first full level 2 qualification.<sup>28</sup> Additionally, an entitlement to free training for first full level 3 qualifications was recently announced for all learners aged up to 25 in May 2007; national roll-out began in August 2007.<sup>29</sup>

### **b. Train to Gain**

Train to Gain offers employers fully subsidised training for low skilled employees up to a first full level 2 qualification and support for progression to level 3. It has been fully operational in England since August 2006.<sup>30</sup> By the end of 2010 it is expected that over 500,000 learners will have achieved a first full level 2 qualification through Train to Gain.

Since August 2006, two level 3 trials have also been operating in the North West and West Midlands regions, offering businesses with less than 250 employees a subsidy for employees to achieve a first full level 3 qualification through Train to Gain. A third level 3 trial began in London in September 2006, targeting women and ethnic minority women in occupational areas where they are under-represented at level 3.

---

<sup>24</sup> HM Treasury, *2007 Pre-Budget Report and Comprehensive Spending Review, Annex D15*, October 2007

<sup>25</sup> DfES, *Skills: Getting on in business getting on at work*, 22 March 2005

<sup>26</sup> For more information on both of these White Papers see the following two Library Standard Notes:

SN/EP/3443 – [Development of the Skills Strategy](#)

SN/EP/2589 – [The Skills Strategy](#)

<sup>27</sup> *Work Skills*, DIUS/DWP, June 2008, Cm 7415

<sup>28</sup> Level 2 refers to a standard equivalent to five GCSEs at A\* -C or a National Vocational Qualification at level 2. Level 3 refers to a standard equivalent to two A levels or a National Vocational Qualification at level 3.

<sup>29</sup> DCFS Press Release, "[Free training for under 25s – Rammell](#)", 22 May 2007

<sup>30</sup> National roll-out began in April 2006. Train to Gain was preceded by, and developed from, the Employer Training Pilots programme which ran from September 2002 to March 2006 in selected areas in England.



Three higher education Train to Gain pathfinders are being introduced by the Higher Education Funding Council for England (HEFCE) in the North East, North West and South West.

In addition, employers in all regions can obtain support through T2G for employees without a first Level 2 qualification and who wish to go straight onto a Level 3 qualification. The support provided to these employees is equivalent to what they would have received, had the learner been undertaking a Level 2 qualification in the same area.<sup>31</sup>

When fully operational, the Government envisages that the programme will deliver 175,000 first full level 2 qualifications, to 350,000 employees, from 50,000 employers per year. By the end of 2010 it is expected that over 500,000 learners will have achieved a first full level 2 qualification through T2G.

£230 million was made available for the programme in 2006/07 and £399 million for 2007/08.<sup>32</sup> The latter figure has since been increased to £460 million following the announcement of the expansion to include Level 3 training nationally. Funding will then rise to £657 million in 2008/09, exceeding £1 billion by 2010/11.<sup>33</sup>

For more details on Train to Gain, see Library Standard Note SN/3162, [The National Employer Training Programme \(Train To Gain\)](#).

### **c. National Skills Academies**

A network of National Skills Academies (NSAs) is currently being developed. NSAs are employer-led, sector based, national centres of excellence for skills training, and build on the existing network of the 403 Centres of Vocational Excellence. The first three NSAs were launched on 31 October 2006, in the financial services, construction and manufacturing sectors. A fourth, in the food and drink sector, was approved in January 2007. Four other sectors have successfully applied to be part of the National Skills Academy programme in a second round. The Government's aim is to have 12 NSAs operational by the end of 2008.

### **d. Adult Learning Grant**

The Adult Learning Grant offers an entitlement of up to £30 per week to individuals on low income undertaking a first full level 2 or level 3 qualification. Since September 2006 this has been available to adults aged 19 plus in 24 of the 47 LSC areas, and national roll-out began in September 2007.

---

<sup>31</sup> HC Deb 18 January 2006 c1408W

<sup>32</sup> HC Deb 14 November 2005 c936W

<sup>33</sup> LSC, [Our Statement of Priorities](#), November 2007, p50

### **e. Apprenticeships and Apprenticeships for Adults**

Apprenticeships offer a combination of on-the-job training with the chance to gain qualifications. The Learning and Skills Council (LSC) took over responsibility for Apprenticeships in England from Training and Enterprise Councils (TECs) in March 2001.<sup>34</sup>

Those aged 16 to 24 are eligible provided they are not in full-time education. Until August 2003, a Modern Apprenticeship had to be completed by the age of 25. Since then, those starting Apprenticeships at any point before their 25<sup>th</sup> birthday may complete them. More recently the Government introduced a programme of Young Apprenticeships for students aged 14-16 in September 2004, and Apprenticeships for Adults began national roll-out in August 2007 with initial funding of £25 million.

Apprenticeships are available in a wide range of subjects. A list is available on the Apprenticeships website.<sup>35</sup> There is no pre-determined duration but Apprenticeships usually take at least 12 months to complete and Advanced Apprenticeships at least two years. Apprenticeships and Advanced Apprenticeships lead to NVQ qualifications at level 2 and 3/4 respectively,<sup>36</sup> key skills qualifications (such as IT and communication) and technical certificates.<sup>37</sup>

Following the 2007 Comprehensive Spending Review, DIUS and DCFS jointly announced plans to expand funding to the LSC for Apprenticeships over the period to 2010/11 with the aim of 400,000 learners in England (281,000 aged 16-18 and 125,000 aged over 19) compared with approximately 250,000 currently.<sup>38</sup> In 2010/11 it is planned that funding for Apprenticeships for 16-18 year old will total £776 million (compared with £624 million in 2007/08) while Apprenticeships for those aged over 19 will receive £334 million in 2010/11 (compared with £275 million in 2007/08).<sup>39</sup>

In the 2007 Queen's Speech, the Government proposed bringing forward legislation in the 2008/09 session to reform Apprenticeships. It is expected that legislation will cover the leadership of the Apprenticeship programme and the rights and responsibilities of those involved; apprentices, employers, training providers and statutory bodies.

A Draft Bill was published in July 2008. For more details on apprenticeships and the Draft Bill, see Library Standard Note [SN/3052](#).

---

<sup>34</sup> There is a separate Scottish Modern Apprenticeship scheme funded by the Scottish Executive and run by Scottish Enterprise and Highlands and Islands Enterprise (<http://www.scottish-enterprise.com/modern-Apprenticeships>). Modern Apprenticeships in Wales are the responsibility of the Welsh Assembly Government's Department for Children, Education, Lifelong Learning and Skills (<http://www.elwa.org.uk/elwaweb/elwa.aspx?pageid=645>), and in Northern Ireland of the Department for Employment and Learning (<http://www.trainingforsuccess.co.uk/>).

<sup>35</sup> <http://www.apprenticeships.org.uk/list/apprenticeshipsdirectory/>

<sup>36</sup> Level 2 refers to a standard equivalent to five GCSEs at A\* -C or a National Vocational Qualification at level 2. Level 3 refers to a standard equivalent to two A levels or a National Vocational Qualification at level 3. A Level 4 qualification includes first degree, 'other' degree and sub-degree higher education qualifications such as teaching and nursing certificates, HNC/HNDs, other HE diplomas. The National Qualifications Framework for England, Wales and Northern Ireland which provides full level equivalencies is available at is available at: <http://www.qca.org.uk/libraryAssets/media/qca-06-2298-nqf-web.pdf>.

<sup>37</sup> Technical certificates are vocation qualifications which provide the underpinning knowledge of the NVQ.

<sup>38</sup> "Ambitious plan to help boost nation's job prospects", DIUS Press Release, 16 November 2007

<sup>39</sup> LSC, *Our statement of priorities*, November 2007

## **f. Entry to Employment**

Entry to Employment (E2E) was previously referred to as Life Skills and includes Work-Based Learning below Level 2. E2E has now replaced all other training from Entry Level to NVQ Level 1 for all 16-18 year-old learners in England (older young people up to the age of 24 may be admitted at the LSC's discretion).

The E2E scheme supports learners in the achievement of entry level and level 1 qualifications (or other equivalent achievement) as a building block towards attainment at level 2 and progression to Apprenticeships or other appropriate provision. Although there is no set time for completing E2E - it depends on individual progress - on average a participant will spend 16-22 weeks on an E2E programme.

The E2E framework includes: formal learning opportunities to achieve accredited qualifications including basic or key skills; practical and vocational learning; employability skills and career management; informal and personal development activities; and work experience, with an emphasis on young people playing a full part in planning and reviewing their learning. E2E provides support to young people who have been disaffected for example as a result of school exclusion or low levels of school achievement or disadvantaged by circumstances or characteristics, such as homelessness, offending behaviour, health issues, care history or family difficulties.

## **g. New funding agency for skills**

In March 2008, the Government announced that the Learning and Skills Council would be replaced by two new bodies, a Young People's Learning Agency and the Skills Funding Agency. These changes will require legislation and the government have indicated that this will be done through the Education and Skills Bill due in the 2008-09 session.<sup>40</sup>

## **C. Other developments**

### **1. House of Commons Education and Skills Committee report: *Post-16 Skills***

The Leitch Review and the Skills Strategy White Papers were recently the subject of an inquiry by the (then) House of Commons Education and Skills Committee. Upon the inquiry's announcement in November 2006, the Committee intended to consider:

- the underpinning principles of the Government's Skills Strategy to date – especially, the focus on training up to first full level 2 qualifications;
- the recommendations of the Leitch Review and how these should be taken forward;
- supply-side issues surrounding those looking to develop their skills; and
- the development of a so-called 'demand-led' system for skills.

---

<sup>40</sup> [Raining Expectations: enabling the system to deliver](#), DCSF/DIUS, March 2008, Cm 7348

The report of the inquiry, *Post 16-Skills*, was published in August and contained a range of recommendations. While commending the Department's focus on adult skills the Committee also criticised the assumption in Government policy of a direct relationship between prosperity and skills:<sup>41</sup>

The Committee commends the Government for its sustained focus on skills. It is vital that this policy focus is continued within the new Departmental structure, and that higher education is not allowed to dominate the work of the Department for Innovation, Universities and Skills.

*Skills and prosperity—a fundamental link?*

We nevertheless raise a number of concerns about the direction of current policy. The Government's approach to skills is one predicated on a direct relationship between prosperity—both social and economic—and skills. Our evidence suggests that skills are only part of a very complex equation, and simply boosting training will not necessarily lead to increased prosperity—particularly in economic terms. What is needed is more coherent support for employers to develop their businesses as a whole, addressing skills needs alongside other issues such as capital investment, innovation and workforce planning. This should be coupled with a much stronger focus on management skills than is currently the case.

The report highlighted a number of further issues. In particular, the Committee called for a coherent and streamlined skills infrastructure which simplified the system for users, clarified the remit of Sector Skills Councils, and enabled greater access to comprehensive Information, Advice and Guidance (IAG):<sup>42</sup>

We accept that a degree of organisational complexity in the skills system is unavoidable, but there is still work to be done to reduce overlaps between different bodies, and tackling the resulting inefficiency and duplication of effort. While the Leitch Report has addressed this issue in part, we believe there would be merit in a more comprehensive review to map functions and funding flows across agencies, along with a value-for-money analysis. This need not necessarily pave the way for further major institutional upheaval, but could assist in the process of making incremental, evidence-based improvements and releasing money over a period of time to tackle skill needs more effectively.

As part of its inquiry, the Committee asked the National Audit Office to compile a 'map' of the organisations and bodies with roles in skills delivery and planning. This map is reproduced in volume II of the Committee's report in a memorandum from the NAO titled *Organizations Involved in Delivering the Government's Skills Agenda in England*.<sup>43</sup> (see ev 264-281):

On the subject of a demand-led approach to skills training, the Committee believed the most important goal should be to raise demand from employers and individuals, not simply respond better to them. Although the Government's focus on the new Train to Gain programme was welcomed, concerns were also raised regarding bureaucracy and funding

---

<sup>41</sup> Education and Skills Committee, *Post-16 Skills*, 2 August 2007, HC 333-I 2006–07

<sup>42</sup> Education and Skills Committee, *Post-16 Skills*, 2 August 2007, HC 333-II 2006–07, p13

<sup>43</sup> Education and Skills Committee, *Post-16 Skills*, 2 August 2007, HC 333-II 2006–07, ev 264-281

constraints associated with it, while the assessment of the effectiveness of contracted Train to Gain brokers had to be more explicit.

In response to the Committee's report the Government recognised that efforts to improve skills should be integrated with wider action to support business.<sup>44</sup> The response noted that businesses involved in the Train to Gain programme are generally also informed about other business support schemes.<sup>45</sup> In February 2007, the Public Accounts Committee provided a detailed account of how government support for small business is currently delivered.<sup>46</sup>

On simplifying the skills infrastructure, the Government said that it was currently considering the future design of the post-19 skills "landscape" with the goals of simplification for customers and ensuring good effectiveness and value for money in the delivery of skills policy.<sup>47</sup> Regarding Train to Gain, the Government response said:<sup>48</sup>

In World Class Skills we committed to expanding and improving the skills brokerage service to support employers of all sizes and in all sectors to improve the skills of their employees. Following a review of the service, the LSC will publish a detailed delivery plan for the expansion of Train to Gain in the autumn.

We will support that expansion by introducing greater flexibility to the way colleges and training providers can work directly with employers. We will work with partners to develop a major programme of capacity building for providers, and in particular their staff who work with employers, building on the current improvement programme led by the Quality Improvement Agency. The new standard for employer responsiveness and vocational excellence, and the existing brokerage standards, will provide the framework for this activity.

Initial evidence suggests that there had been some additional bureaucracy caused by the Train to Gain processes, particularly those operating between provider consortia leads and their sub-contractors. We are currently considering how this can be addressed. The LSC has confirmed that they will welcome any recommendations for reducing bureaucracy within its operations and these will be reflected in the delivery plan. The findings from the review of Train to Gain will also be shared with the independent Further Education and Training Bureaucracy Reduction Group which will be publishing a report on their views on Train to Gain later this year.

The response also affirmed the Government's commitment to effective IAG, outlining plans for a universal adult careers service aimed at:<sup>49</sup>

... bringing together the [IAG] services provided by learndirect and nextstep providers, working in partnership with Jobcentre Plus.

---

<sup>44</sup> Education and Skills Committee, *Post-16 Skills: Government Response to the Committee's Ninth Report of Session 2006-07*, 29 October 2007, p2

<sup>45</sup> BERR, *Business Support Solutions*

<sup>46</sup> Public Accounts Committee, *Supporting Small Business*, 6 February 2007, HC 262 2006-07; See also *Budget 2006*, HC968, paragraph 3.51

<sup>47</sup> Education and Skills Committee, *Op Cit.*, 29 October 2007, p9

<sup>48</sup> *ibid.* p10

<sup>49</sup> *ibid.* p11

Working with Jobcentre Plus, the new careers service will be a 'one-stop-shop', giving every adult easy access to skills and careers advice that will help them find work and progress in their careers. The service will offer a range of support comprising personalized assessment through a skills health check, advice on skills and employment, Skills Accounts and continuing support for progression. For people who are out of work and have low skills, the service will play a crucial role in helping them get the right balance of job search and training to help them into sustained employment and to progress in their career. The service will signpost individuals to other complementary services, for example child care or advice on employment rights. It will also help them to learn about financial entitlements they may have to help with tuition fees or access to learning.

Access to the service will be through whatever means is convenient and appropriate to individuals' circumstances—face to face, online, by telephone or by a combination of these. There will be a 'no wrong door' approach, and the quality and appropriateness of the support will be the same, whether the contact is with a Jobcentre, a learning provider, or the careers service itself.

Trialling of the new service will start in 2008–09 with a view to it being fully operational by 2010–11.

In relation to the Committee's recommendations on a demand-led approach the Government highlighted the roll-out of the new Skills Accounts in 2010/11 with funding of approximately £1.3 billion, and again highlighted the role Train to Gain had to play.

## **2. Graduate skills**

The Association of Graduate Recruiters (AGR) compiles a bi-annual survey of graduate recruitment. The results of the January 2007 survey were discussed in a BBC News article which stated that many employers were having difficulties filling graduate vacancies:<sup>50</sup>

### **London calling**

The increase in graduate jobs is accelerating - rising by 15% this year compared with 5% last year.

As a proportion of graduate vacancies unfilled, the employers struggling hardest to find staff are in accountancy, investment banking, engineering and law.

But the vacancies are not spread evenly across the country. More than ever before, London has the largest number, now accounting for 46% of the total.

This sample of major UK employers has more graduate vacancies for jobs in the US (2.8%) than in the North East of England (2.6%).

And looking ahead, the graduate employers say they expect the concentration of jobs in London to increase even further.

The survey also suggests that graduates often lack certain 'soft' skills such as team working and communication skills<sup>51</sup>:

---

<sup>50</sup> BBC News, "[Many graduates lack 'soft skills'](#)", 30 January 2007

The Association of Graduate Recruiters biannual survey suggests the number of vacancies is set to rise for the fourth year running - up 15% on last year.

But the average starting salary this year is set to be £23,431 - a below-inflation 2.1% rise on last year.

Employers say many graduates lack "soft skills", such as team working.

The report says that employers feel that there is an "inadequate supply of applicants of sufficient calibre".

"They go on to explain that candidates are normally academically proficient but lacking in soft skills such as communication as well as verbal and numerical reasoning."

The main graduate shortage areas are in the STEM subjects (science, technology, engineering and mathematics) and ICT. The Council for Industry and Higher Education has published a report on the supply of STEM graduates called *STEM Review of the Science - Technology, Engineering, Maths, Supply Chain* March 2007<sup>52</sup>. A press notice summarises the conclusions of the report:<sup>53</sup>

Businesses in the UK will face a shortage of qualified employees within the next few years unless Government funding is found for the development of STEM (science, technology, engineering, mathematics) subjects.

A future built on knowledge intensive organisations requires more graduates and post-graduates with STEM skills who also have a capability to innovate, to be enterprising and to have networking and communication skills. Worryingly, the review found that whilst the numbers of STEM graduates has increased since 2002, the number of those taking STEM A-levels - and therefore the next generation of graduates - has declined, with considerable falls in those taking mathematics (15% decline), physics (14% decline) and computer sciences (47% decline).

The review found that an absence of adequate funding was resulting in a deficit of qualified teachers, lack of up-to-date laboratories, poor careers guidance and, increasingly, university department closures. Additionally, issues around the current STEM curriculum were identified, such as students being forced to focus their subject choices too early, thereby limiting their options for future studies.

However, the skills shortage issue is complicated as recruiters from areas of some industries suggest that recruitment problems are low:

Only six per cent of IT recruiters surveyed reported difficulties finding staff with the required tech skills, qualifications or experience in the third quarter of 2006 - making this the second lowest figure in two years, the quarterly research by the UK IT industry group reveals<sup>54</sup>.

---

<sup>51</sup> *ibid.*

<sup>52</sup> available at <http://www.cihe-uk.com/docs/Press%20release%20-%20CIHE%20STEM%20review%20FINAL.doc>

<sup>53</sup> CIHE Press Release *UK faces inadequate supply of STEM graduates to meet business requirements* 12 April 2007 at <http://www.cihe-uk.com/docs/Press%20release%20-%20CIHE%20STEM%20review%20FINAL.doc>

<sup>54</sup> Silicon.com, *Skills shortage at two year low*, 26 April 2007

An article on the graduate website Prospects states that one of the ways the Government is trying to address the graduate skills shortage is through the development of foundation degrees:

The problem of skills shortages and recruitment are being addressed by the government, higher and further education establishments and employers, as shown by the increased promotion of the foundation degree. Designed and delivered in partnership with employers, with an emphasis on work-based learning, these degrees could well be a way of reducing skills shortages at technical levels<sup>55</sup>.

A Manpower report in August 2005 *Graduate Skills and the Workplace*<sup>56</sup> highlighted the different perceptions of students and employers with regard to skills necessary for employment:

A key desire for employers is to be able to employ graduates with the right skills who are job ready. However, this report reveals a clear difference between the perception of skills levels amongst employers and graduates alike with more graduates believing they have the right skills compared to the number of employers who believe they do. There is a clear need to address this – and either provide improved work experience, vocational or work-based training.

Many graduates are increasingly gaining experience of the work environment through part-time work during term-time and employment during the holiday period. According to research by Unite/MORI, 53 per cent of students are working during university holidays – rising from 48 per cent in 2004. This is a good way to gain experience of the working environment.

This report suggests that graduates are often unaware of the importance of ‘soft skills’. These skills can be acquired in various ways such as temporary work or thorough graduate skills courses.

Careers advice and guidance is an important student service offered by higher education institutions (HEIs). All HEIs have their own careers service staffed by professionals who are trained in this area and aim to make students aware of job options and the skills set required for particular careers. Many university careers centres continue to provide advice for graduates for up to three years after graduating.<sup>57</sup>

As well as careers advice and guidance many university careers centres run job shops. The first university job shop/employment centre opened in 1990 and by the summer of 2004 there were 110 in campuses across the UK. Job shops aim to help students to access casual work and work placements.

---

<sup>55</sup> Prospects, *A look at graduates in engineering and manufacturing*

<sup>56</sup> <http://www.manpower.co.uk/news/Graduate%20Report%20FINAL.pdf>

<sup>57</sup> Prospects website at

[http://www.prospects.ac.uk/cms/ShowPage/Home\\_page/Career\\_FAQs/plecajF?mode=Question&cat\\_id=0&faq\\_id=16&keyword=.](http://www.prospects.ac.uk/cms/ShowPage/Home_page/Career_FAQs/plecajF?mode=Question&cat_id=0&faq_id=16&keyword=)



Many HEIs run personal development (PDP) courses for students or embed such skills into their degree programmes. PDP courses tend to cover communication and presentation skills, team working and organisational skills which are the core 'soft skills' employers require. The University of Bristol for example runs an accredited PDP course which allows students to gain a PDP award.<sup>58</sup>

Universities UK (UUK) has published a report called *Higher level learning: Universities and employers working together*<sup>59</sup> which shows how universities are improving graduate employability by embedding employability in the curriculum and promoting work placements.

---

<sup>58</sup> <https://www.ubu.org.uk/training/accreditation/bristol-skills-award>.

<sup>59</sup> *Higher level learning. Universities and employers working together*, November 2006