

FUTURE-READY SKILLS COMMISSION

TECHNICAL EDUCATION AND TRAINING: BRIEFING PAPER

1. Introduction

As noted in our previous overview paper, the Commission will focus its attention on three key themes:

- Technical education and training
- Careers information and inspiration
- Workforce skills.

The Commission's next meeting on 20 March will consider the first of these themes. The purpose of the session is to identify priorities for action, based on a shared understanding of the outcomes we are seeking to achieve in respect of technical education and training.

In the following paper we consider the outcomes from the perspectives of individuals, and employers: what would each of these groups need from a reformed system that is performing to full effectiveness? The local economy provides a further perspective: what would be needed to enable the skills system to support the realisation of economic objectives at local level?

To inform the discussion this paper provides a review of the key underlying issues and the available evidence, including key indicators linked to the suggested high level outcomes. A summary of key strengths / opportunities and challenge is provided in appendix 1.

A selection of accompanying slides are also provided setting out some of the key pieces of evidence.

For the sake of completeness we have also set out proposed outcomes for the careers and workforce skills themes in order to clarify the scope of the technical education discussion relative to these other themes (see appendix 2).

2. Proposed outcomes

In producing our outline assessment of the state of play in the technical education and training system we have developed a set of proposed outcomes. The purpose of the outcomes is to provide a focus on the things that really matter in the skills system and to offer a structure for identifying the current state of play and the issues that prevent us from making progress.

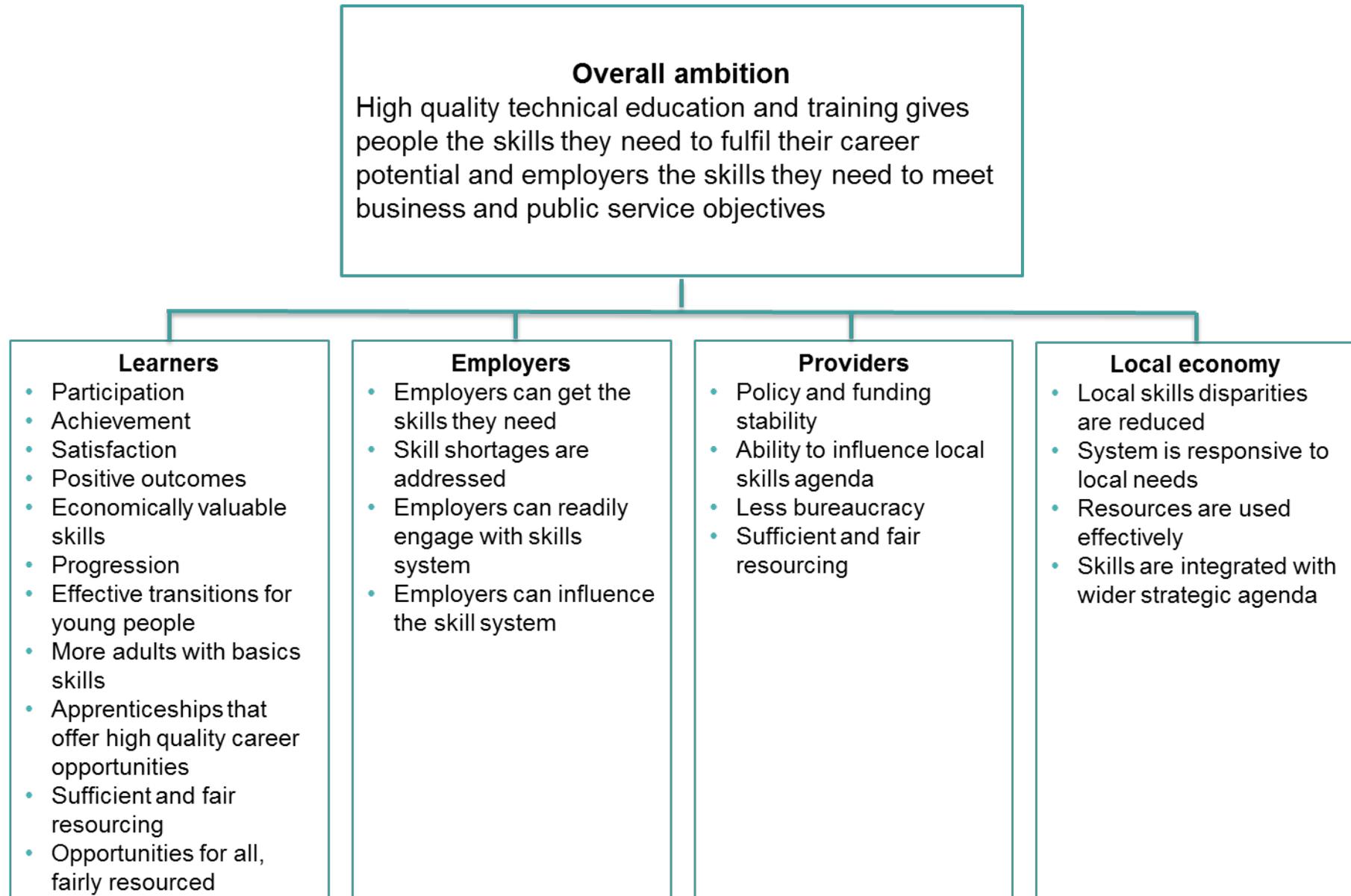
Outcome	Description
Learners	
Participation	Support more people into learning to enable them to fulfil their aspirations. We need an increased level of participation in some areas to address problems such as the deficit in adult basic skills.
Achievement / attainment	To boost attainment and success rates of learners. To achieve their aspirations learners need to complete their programme of learning and achieve their qualification. In the past this was the primary performance indicator for much of the skills system and remains an important measure of the quality of provision.
Satisfaction	To ensure that all learners view their learning positively in terms of its quality and effectiveness in moving them towards their aspirations. The perceptions of learners (and employers) of the quality and effectiveness of the learning they have received is a good indicator of the strengths and weaknesses of provision.
Economically valuable skills	To provide learners with the opportunity to develop the skills they need to enter / progress within their chosen career.
Progression	To enable people to progress within the skills system in order to achieve their aspirations. One of the key functions of the post-16 system is to support progression within learning for people with a low level of attainment, in order to boost their employability and contribute to positive outcomes.

Outcome	Description
Learners continued...	
Positive outcomes	More learners entering positive employment and learning destinations and enjoying higher earnings upon completion of learning. The central aim of technical education and training is to develop skills that support employability and earning power in the labour market. Therefore measures that show the labour market outcomes associated with learning are essential.
Effective transitions for young people	. A key focus of policy and a central part of the rationale for the technical education reforms is the determination to enable young people to make an effective transition between education and the world of work. We need to know how effective the system is in terms of putting young people on a path to a sustainable career.
More adults with basic skills	To give people the literacy, numeracy and digital skills they need for further learning, for employment and to participate in society. The deficit of such skills among adults is a specific, large-scale issue.
Apprenticeships that offer high quality career opportunities	Apprenticeships offer individuals the opportunity to become established within a chosen career path but also provide the transferable skills for future adaptability in the labour market.
Sufficient and fair resourcing	People have access to high quality learning that is properly and fairly resourced.
Opportunities for all, fairly resourced	All people should have an equal opportunity to access technical education and training opportunities in order to fulfil their potential.

Outcome	Description
Employers	
Employers can get the skills they need	The technical education and training system supports employers by developing the skills that business needs, leading to improvements in business performance and productivity.
Skill shortages are addressed	Employers can access the skilled people they need to address acute shortages of workers who are critical to productivity in firms and across sectors.
Employers can readily engage with the technical education and training system	Use of the publicly-funded technical education and training system is widespread among employers and the system is responsive to their requirements and easy for employers to engage with.
Employers can influence the skills system	All kinds of employers have a leading role in influencing the strategic direction of the skills system and the detailed content of qualifications / standards.
Providers	
Policy and funding stability	Policy and funding approach at national and local level supports stability for providers, to enable them to deliver high quality learning focused on learner and employer needs.
Ability to influence local skills agenda	Providers have a seat at the table when determining local skills priorities to ensure that thinking.
Less bureaucracy	Bureaucratic requirements do not impair the ability of providers to engage effectively with learners and employers.
Sufficient and fair resourcing	Technical education and training has sufficient resources to meet its remit and it receives a fair slice of the funding cake.

Outcome	Description
Local economy	
System is responsive to local needs	At the local level technical education and training takes account of local labour market needs, including employer skills requirements and individual aspirations.
Skills are integrated with wider strategic agenda at local level	At a local level the approach to skills is integrated with a wider agenda, including employment support, transport etc.
Resources are used effectively at local level	A local approach delivers better outcomes than a centralised approach and local skills delivery is more cost effective relative to a centralised approach.
Local skills disparities are reduced	Local areas have the improved skills they need for enhanced productivity performance and inclusive growth.

Technical education and training: proposed outcomes



3. Outcomes for individuals

3.1 Participation

We have a clear interest in maximising participation in learning in order to increase the impact of the technical education and training system on individuals' prospects and deliver on the system's wider economic and social mobility remit.

Recent trends present a mixed picture across the different elements of technical education and training.

Further education has seen a considerable fall in participation in recent years. This has been particularly pronounced for adults although young people have also been affected to a lesser extent. Much of the decline is due to a reduction in available funding and changes to funding rules (e.g. the introduction of loans).

Take-up of apprenticeships was on an upward trajectory prior to the introduction of the apprenticeship reforms in 2017. The disruption of the reforms triggered a large fall in starts. Overall starts were 26 per cent lower in 2017/18 than in 2015/16, with intermediate level starts seeing a 45 per cent reduction. However, there are some early signs of recovery in the first quarter of 2018/19.

Participation in higher education continues to see a steady increase. However, some elements of HE which have the greatest focus on the technical education agenda have seen a decline. Growth has been concentrated in first degree programmes whilst foundation degrees, HNCs/HNDs etc. have declined; as has part-time participation in HE, which is often employer-sponsored activity.

Technical study at levels 4 and 5 is not limited to higher education institutions however, and around a half of students at these levels are enrolled at further education colleges. Around 200,000 people are pursuing level 4 and 5 qualifications in total, making it a relatively niche option. It is estimated that 4 per cent of the 2004/05 school leaver cohort have a level 4/5 as their highest qualification.

Raising participation in apprenticeships requires action to enable employers and education and training providers to adapt to the reformed policy and funding environment.

Reversing the longer-term and more severe decline in further education is more challenging, although the government's 16-18 technical education reforms and commitment to a National Retraining Scheme may present opportunities.

In higher education the government's new agenda to promote higher technical qualifications is intended to promote the credibility of technical study within HE and facilitate progression into HE from lower levels of technical education and training.

3.2 Achievement / attainment

In order to realise the benefits associated with education and training, individuals need to complete their programme of learning and to achieve the relevant qualifications. A number of factors combine to determine whether an individual is successful in their programme of learning but the quality of provision is a key one.

In this context, Apprenticeship achievement rates are a concern, with close to a third of apprentices failing to achieve in 2016/17, rising to almost two-fifths of those undertaking a higher apprenticeship. The roll-out of standards and end-point assessment by government as part of a drive towards improved quality and rigour could make achievement more difficult.

Achievement rates for class-room based further education are significantly higher than for apprenticeships, at typically over 80 per cent, reflecting the fact that short courses are a major feature within this setting. However, the achievement rate for higher level learning, which includes technical qualifications at levels 4 and 5 is significantly lower at 65 per cent.

Higher education drop-out rates have recently been highlighted as a matter of concern by the Department for Education, with disadvantaged and under-represented groups being most likely to drop-out. According to HESA statistics, disadvantaged students were more likely to drop out of university in their first year (8.8 per cent of full-time first degree students under-21) compared to their more advantaged peers (6.0 per cent) – a figure that slightly widened from the previous year but has broadly remained stable over the past few years. Universities have been challenged to focus on successful participation as well as admissions.

3.3 Satisfaction

The perceptions of learners (and employers) of the quality and effectiveness of the learning they have received is a valid indicator of the strengths and weaknesses of provision.

Further education provision receives broadly positive satisfaction ratings. Data from the FE Choices study for 2017/18 shows that the median learner satisfaction score across further education providers in England is 86 per cent. This reflects the proportion of learners in each provider who would be likely to recommend their learning provider to friends or family. However, satisfaction ratings vary between individual providers (ranging from 38 per cent to 100 per cent) but also between types of provider. The advice learners had been given on what they could do after completing their current programme of study received the lowest satisfaction rating of the various aspects examined with 68 per cent of respondents satisfied.

According to the Student Academic Experience Survey, 38 per cent of students feel that the value for money of their present course is good or very good. This rating represents a slight increase after a period of decline but it is notable that 32 per cent of respondents rate value for money of their course as poor or very poor.

3.4 Positive outcomes

A primary objective for individuals who undertake technical education and training is to improve their position in the labour market. Individuals are looking to develop skills that can improve their career prospects and develop their earning power. As an intermediate step they may wish to progress into further study to develop additional skills.

In recent years government has placed an increased emphasis on outcome-based measures of success in education and training, moving beyond previous output-based measures of qualification achievement. A huge amount of data are now available, drawn from administrative data sources. Analysis can be undertaken at individual institution level, subject, qualification level and geographic area, for example.

The latest data, published by the Department for Education, show that three quarters of further education and skills learners who complete their programme of learning go on to a sustained positive destination, with just under two-thirds (65 per cent) entering employment. There has been a modest increase in the proportion of learners entering a positive destination over the three years for which data are available (from 72 per cent to the current 75 per cent). The positive destination rate for apprenticeships is higher at 90 per cent, with the vast majority in sustained employment, reflecting the fact that a job is an intrinsic part of apprenticeships at the outset.

The proportion of benefit learners (learners who were claiming out-of-work benefits the day before their learning started) who enter sustained employment was 46 per cent, considerably lower than the overall average.

Rich destination data are also available for higher education which show that 86 per cent of UK domiciled first degree graduates are in sustained employment, further study or both, one year after graduation and that median earnings stand at £18,900.

As with further education, the positive destination rate and level of earnings post-training varies significantly between course subject areas, qualification levels and individual institutions.

However, it is difficult to use outcome measures as an accountability and performance management measure since outcomes are at least partially dependent on factors beyond the provider's control, such as the age of the student, level of study, level of deprivation and whether they have a learning difficulty/disability. The use of outcome measures in this way could lead to perverse consequences, such as a reduced focus on disadvantaged and marginalised groups. For higher education institutions the use of earnings as an accountability measure may count against institutions that recruit their intake from their local area, when the local labour market has low average pay levels. There is also a significant time delay in data becoming available, which militates against its use as a management tool.

Improving the technical education and training system's ability to deliver positive outcomes requires progress against all of the areas highlighted in this paper.

In particular, it is vital to ensure that outcome data relating to specific institutions and programmes of learning are available and accessible to prospective learners to enable them to make informed choices about learning pathways.

3.5 Economically valuable skills

Looking beyond the overall outcomes associated with learning we must also consider whether an individual's investment in learning has provided them with a basis to enter or progress within a chosen career path or at least prepare them for career or job opportunities that are commensurate with the level and nature of the investment they have made.

Skills at any level – low, intermediate or high – are valuable in the skills market, to companies and an individual, when they are relevant to occupations or roles that are available. However, it is clear that in many cases individuals' investment in skills is not paying off in the way that they originally anticipated.

This is reflected in the relatively low employment entry rates for some subject areas, which are associated with occupational areas in which the number of employment opportunities is low relative to the number of people studying in that area.

Many individuals are over-skilled or over-qualified for their job. There are around 3.4m people in England, aged 25 and over, who are qualified at tertiary level (level 4+) but who are employed in occupations that, at least notionally, only require skills and qualifications at an intermediate or lower level. This is equivalent to around a quarter of all people qualified at this level. Data from the Skills and Employment Survey 2017 shows that at national level more than a third of workers hold qualifications that are at a higher level than is necessary to be hired for their current job, equivalent to around 11 million workers.

To address this we need to improve the quality of independent careers advice available to learners when making subject choices to ensure better matching of learners and opportunities. Support also needs to be made available to enable individuals whose skills are under-used in their current jobs to invest in additional learning to adapt their career path and fulfil their potential.

3.6 Progression

Progression within the skills system is key to enabling individuals to realise their aspirations. Progression to the next level of learning is often an explicit objective of specific learning opportunities. The available evidence suggests that progression rates are often quite limited.

A relatively small proportion of participants on community learning programmes go on to a higher level of learning with most entering another community learning opportunity.

Traineeships provide young people with essential work preparation, English, maths and work experience to secure an apprenticeship or other work. A majority (62 per cent) enter a sustained positive destination following participation on a traineeship

with 51 per cent in sustained employment. However, of the 30 per cent entering sustained learning only 18 per cent progress to an apprenticeship.

A key criticism of apprenticeships is that opportunities at intermediate level do not provide a platform for further learning and career progression. The evidence suggests that around a fifth (22 per cent) of intermediate apprentices go on to an advanced apprenticeship, with the proportion being much lower for some subject areas.

The picture is more positive for advanced and higher apprenticeships, with a majority of those learners who completed an advanced or higher (level 4) apprenticeship and entered a sustained learning destination progressing to either Higher Education or an apprenticeship or FE course at a level above the level completed; whilst those completing a higher (level 4) apprenticeship more are likely to progress to Higher Education.

A majority (61 per cent) of learners that completed an Access to Higher Education course in academic year 2015/16 progressed to sustained learning on a Higher Education course.

3.7 Effective transitions for young people

Enabling young people to get on a pathway to a sustainable career is a key policy concern and is one of the main objectives of the current technical education reforms.

The evidence shows that the vast majority (94 per cent) of young people are in a sustained education or employment destination following Key Stage 4. However, the proportion in a sustained destination after Key Stage 5 (A-levels or other level 3 qualifications studied at school or college) is lower at 88 per cent and has not increased in recent years.

Technical education and training plays a key part in developing young people. A majority of young people who achieve level 2 between the ages of 16 and 18 do so through vocational qualifications and a significant, although smaller proportion, achieve a level 3 through the vocational qualification route.

The effectiveness of the post-16 system in developing the skills of young people needs to be improved. A recent study found that only 35 per cent of young people with low attainment at Key Stage 4 went on to achieve a level 2 qualification by age 19, even though four-fifths had participated in further education or apprenticeships.

Analysis also shows that nearly a quarter of learners entering further education at age 16 have subsequent patterns of study that are indicative of some form of churn – switching between course types, dropping back to lower-level learning, or repeating study at the same level. This has the potential to disadvantage learners by delaying their entry to the labour market and raising the risk of failing to complete any recognised qualification.

It is argued that this is partly due to the confusing array of qualifications available to learners, who struggle to identify which are appropriate for their skills needs. There are concerns that schools are largely failing to promote all the available post-16

routes and that careers education and guidance remains patchy and of variable quality.

As previously noted, participation of young people in further education institutions is falling; however, overall participation in education and training by 16-18 year olds has remained stable in recent years at around 86 per cent.

The effectiveness of apprenticeships in supporting entry into a career are considered below.

3.8 More adults with basic skills

Estimates based on the OECD's Survey of Adult Skills suggest that nine million working aged adults in England (more than a quarter of the total) have low literacy or numeracy skills or both, with negative consequences for employability, productivity and social inclusion.

Unlike other countries, where rising education attainment has driven better basic skills, young adults in England perform no better than older ones in terms of basic skills. Around one-third of 16-19 year olds lack basic skills and this closely associated with parental background. This means that in spite of the expansion of educational opportunities and the increase in qualification attainment in England, basic skills among young people have remained weak.

Numeracy and literacy scores of English young people who have achieved GCSE or equivalent qualifications are lower than for many upper secondary qualifications obtained in other OECD countries. Even among young adults qualified to degree level, around seven per cent have low basic skills, whilst one in five people with at qualifications at level 4 and 5 such as higher national certificates and diplomas and foundation degrees, have low basic skills.

In addition to school reforms a range of interventions targeting young adults have been introduced to address this problem, including raising the participation age and the introduction of maths and literacy requirements within 16-19 education.

The OECD's recommendations focus on early intervention, establishing more demanding basic skills standards in 16-19 education and seeking to deliver these to all students. Improving the basic skills of students undertaking post-secondary technical qualifications would help to boost the economic position of these individuals.

The majority (60 per cent) of adults with low basic skills are in employment, presenting significant opportunities for workplace education set in a practical context.

3.9 Apprenticeships that offer high quality career opportunities

Apprenticeships are paid jobs incorporating on- and off-the-job training. Traditionally they have been seen as a route for young people to transition from education to skilled employment. In more recent years apprenticeships have been used to develop existing employees within companies, including those aged 25 and over.

The evidence shows that good quality apprenticeships lead to improved employment and pay prospects, and enable apprentices to progress further in their careers and education.

A large majority (85 per cent) of apprentices are positive about the impact of their apprenticeship on improving their career prospects and giving them the skills they need to do the job. The sustained positive destination rate for apprenticeships is 90 per cent, with the majority of apprentices in sustained employment.

However, it is notable that only 68 per cent of intermediate apprentices are in sustained employment compared with 77 per cent of advanced apprentices and 79 per cent of higher apprentices. Average earnings post-training vary but for subject areas like engineering and construction are high.

The evidence suggests that there are positive returns to individuals in terms of earnings from apprenticeships but their size varies markedly by gender, sector and apprenticeship level, with bigger returns for men than for women and for advanced and higher and degree level than for intermediate level apprenticeships.

Key criticisms of apprenticeship include the following:

- There are too many apprenticeships that fail to provide sufficient training and access to skilled work to enable progression.
- Some apprenticeships fail to offer occupational expertise beyond the confines of a narrow job role, meaning that apprentices often don't develop capability to adapt to change and the currency to progress further in terms of education and the labour market.
- That not all job roles and workplaces provide a suitable context for an apprenticeship.
- That incumbent employees who are undertaking apprenticeships are not always participating in substantial training to develop new skills.
- That quality is compromised by a lack of qualifications within apprenticeship standards at intermediate and advanced.
- That insufficient emphasis is placed on progression between levels within the apprenticeship programme.

Apprenticeships are often viewed less favourably than traditional academic routes for young people. This is especially the case amongst parents with a university education, even though their perceptions of apprenticeships as a route to progression in the labour market are quite positive.

An effective balance needs to be achieved between making apprenticeships attractive to a wider range of employers by reducing costs to an acceptable level (by shortening their length or reducing the amount of off-the-job training, for example), while also making apprenticeships attractive to the best candidates by offering high quality opportunities with a strong transferable skills element.

3.10 Sufficient and fair resourcing

The technical education and training system needs sufficient funding to enable it to fulfil its remit and to make a full contribution to government objectives, such as ensuring that all 19 year olds have the skills to contribute to the economy and society and are able to access high quality employment and study options. The funding approach also needs to ensure equity between different types of education and training opportunity.

The evidence indicates that in recent years there have been real term declines in the funding available for some of the education and training routes under consideration, also leading to a reduction in spend per learner in some cases.

16–18 education has been a big loser from education spending changes over recent years and has been one of the few areas of education spending to see cuts since 2010. Spend on 16-18 further education fell by 22 per cent since 2010/11 whilst school sixth forms saw a fall of 18 per cent. Over the same period spending per student in 16–18 further education fell by 8 per cent in real terms between 2010–11 and 2017–18 and by over 20 per cent in school sixth forms.

Spending and numbers in 19+ further education have both fallen significantly over time, driven by falls in the number of learners taking low level qualifications. Total funding for adult education and apprenticeships fell by 45 per cent in real terms between 2009–10 and 2017–18, although spending per learner has remained roughly constant in real terms at just over £1,000 per learner each year.

The focus of adult learning has shifted towards apprenticeships in recent years, with a growth in funding of 86 per cent between 2009/10 and 2017/18. Apprenticeships now account for more than a third of total adult funding, nearly one half of level 2 qualifications undertaken by adults and two-thirds of adult learners taking a level 3 qualification.

Funding principles vary. The funding for 16-to 19-year-olds reimburses learning institutions based on estimates of cost, while some adults undertaking loan-funded courses are expected to cover part of the cost of their course without any of the protection against low earnings offered by other systems.

The approach to the funding of apprenticeships has seen radical change with the introduction of the levy and other reforms. There is a concern regarding a lack of adequate funding for apprenticeships in non-levy paying employers. With regard to the levy, there is an issue with the current apprenticeship budget being overspent in spite of the volume of starts dipping as employees undertake expensive apprenticeships, such as in management.

3.11 Opportunities for all

All people should have an equal opportunity to access technical education and training opportunities in order to fulfil their potential. Not only is this important to social inclusion and social mobility, it ensures that employers have access to the widest pool of talent available. There are currently challenges around disadvantaged

groups gaining access to opportunities, which is then reflected in their learning and economic outcomes.

The evidence shows that disadvantaged young people are currently less likely to move on to any sustained destination or to enter an apprenticeship or the academic route following Key Stage 4. They are also less likely to progress into higher education. Deprivation is a central cause of lower education attainment, with pupils from disadvantaged backgrounds often achieving lower attainment at secondary school, limiting their future employment and learning options.

Focusing specifically on apprenticeships the disadvantaged are likely to be excluded from advanced and higher apprenticeships. From an inclusion perspective the relatively low level of the apprenticeship wage (i.e. lower than the national minimum wage) means that it is difficult for young people living independently/ without parental support to take up an apprenticeship.

Gender segregation in apprenticeship take-up is pronounced, with women highly likely to enter subjects like health and social care but having a low likelihood of undertaking an apprenticeship in subjects like construction. This is reflected in a significant gender differential in returns to apprenticeships which is attributable to men being concentrated in these higher return sectors (e.g. engineering, construction) and women in low return sectors (e.g. childcare)¹.

A similar pattern of segregation by subject can also be observed in higher education, with women being much less likely to undertake study in subjects like engineering, construction and computer science.

Research shows that young people have limited information to challenge gender and ethnic stereotyping in making career decisions (Beck et al., 2006) which might facilitate well informed apprenticeship take up and would encourage them to enter non-traditional sectors/occupations.

Schools and colleges have an important role to play in making apprenticeships attractive for young people, and ensuring that young people are prepared for apprenticeships.

¹ Cavaglia C, McNally S and Ventura G (2017) Apprenticeships for young people in England: Is there a payoff? Sutton Trust, London.

4. Outcomes for employers

4.1 Employers can get the skills they need

The primary reason that employers engage with technical education and training is to get the skills they need for business success.

There is evidence to show that investing in relevant skills for their workers can lead to substantial profitability and productivity benefits at the firm level.

However, there is also strong evidence that employers cannot get the skilled people they need from the existing skills ecosystem.

Employers who have recruited young people are generally positive about how well prepared they are for the workplace. Where education leavers were found to be poorly prepared, this was most commonly due to them having a poor attitude or a perceived lack of working world or life experience.

Employers report that more than a fifth of their vacancies are difficult to fill due to a lack of candidates with the required skills to do the job and this proportion is very much higher for particular sectors, such as construction, and for specific occupations at professional level and within skilled trades where a strong element of technical skills is required. Particular examples of areas of acute shortage include high level digital occupations, an area of rapid growth and fast-changing skill requirements, and professional engineering roles.

The central mechanism for addressing shortages is ensuring that there is a supply of relevant technical skills that meet the specific needs of employers. Apprenticeships are key to this because they are intrinsically work-based. Survey feedback demonstrates that a majority (86 per cent) of employers believe that participation in apprenticeships has helped them to develop skills that are relevant to the needs of their organisation; and more than three quarters believe that there has been an improvement in productivity as a result.

However, there are a number of aspects that employers are less satisfied with, which are likely to militate against them getting the skills that they need. Significant proportions are not satisfied with the quality of applicants available through apprenticeships and with their ability as employers to influence the structure, content and delivery of training.

Skills gaps are another form of mismatch and come about when existing employees are not fully proficient in their job and are not able to make the required contribution to the achievement of business objectives. The pattern of skills gaps provides a useful indication of employers' needs for workforce development. Employers are most likely to report skills gaps in respect of sales and customer service staff, administrative staff and lower-skilled elementary staff. However, it is notable that a significant proportion of employers who report skills gaps say that management level staff are affected. Many skills gaps are due to a deficit of technical skills including job-specific skills and operational skills, such as knowledge of the organisation's products and services. But digital skills at both basic and advanced levels are

associated with more than a third of gaps, whilst a lack of complex analytical skills is associated with more than 40 per cent of gaps. Lack of the required “soft” skills is a more common cause of skills gaps. Broad categories include self-management skills (like time management), management and leadership and sales and customer service. For managers as an occupation, the skills that need improving include core management skills, complex problem-solving skills, as well as operational skills.

The scale and nature of skills gaps demonstrates the potential demands on the skills system for workforce development, which could be at least partly addressed through more extensive engagement between employers and public institutions.

Across the wider technical education sphere the focus must be on ensuring that the curriculum is aligned with employer needs and that engagement between learners and the workplace is maximised.

4.2 Employers can readily engage with the system

An effective technical education and training system has a high level of engagement between providers and employers of all kinds and is responsive to their needs. In this way the market for learning can operate more effectively, reducing the need for public intervention to ensure that economic needs are addressed.

The evidence shows that a small proportion of employers use further and higher education institutions as a source of support to address their skills needs, with most employers using private providers for external training. More positively, among those employers who do use FE colleges satisfaction with the services received is strong and employers are satisfied with most aspects of apprenticeship delivery.

The key barrier to engaging with both further and higher education is a perceived lack of relevance of the curriculum offer and of the subject matter of specific courses.

For smaller businesses there is a host of practical barriers. For example, Apprenticeship take-up among smaller businesses is constrained by a lack of resources, time and the costs involved, together with the absence of a dedicated HR function in smaller organisations². Small firms have capacity constraints in terms of day-to-day management of an apprentice alongside other responsibilities, and face a lack of time to devote to training an apprentice.

² Peate A (2016) *Make or Break: Getting Apprenticeship Reform right for small businesses*, Federation of Small Businesses, London.

5. Local economy

5.1 Local skills disparities are reduced

There are pronounced differences in the skills profiles of local areas, with some having an abundance of highly qualified people and relatively few people qualified to a low level, whilst other areas are in the reverse position. For example, around a quarter of residents in the Black Country LEP area are qualified to level 4 and above as compared to more than 50 per cent in the Oxfordshire LEP area.

This matters because area level differences in skills are one of the most important factors driving differences in local economic performance and labour market outcomes. For example, there is a strong correlation between the quality of the skills base of a local area and its productivity performance. This is because skilled workers are more productive but there may be additional agglomeration benefits as skilled workers increase the productivity of others and positively affect innovation by firms.

The positive financial returns for the Exchequer at national level, associated with attainment of most qualifications and arising out of the reduction in benefit dependency and increase in income tax, are also relevant within a devolved context.

It follows therefore that one of the outcomes that policy should target relates to the overall supply of skilled people at local level and reducing the wide disparities between local areas. The differences in local qualification profile reflect distinctive socio-economic characteristics at this level, which support the case for locally-developed solutions under a devolved system.

Local disparities reflect differences in the demand for skills as well as their supply. Areas with the strongest skills base typically have an industrial and employment structure that is characterised by a larger number of high skilled jobs. This supports the case for local industrial strategies that seek to address wider structural challenges whilst also considering how skills supply can be aligned to the ambitions for the local economy.

5.2 System is responsive to local needs

The local skills challenge is not simply about raising skill levels in aggregate. It is also about ensuring that the additional skills are in the right areas to address local needs.

Ensuring that the skills system is responsive to the needs of local areas is central to the development and implementation of local economic strategies and to the promotion of economic growth.

Although local labour markets are not a closed system, particularly in respect of higher skilled occupations, local institutions play a key role in ensuring that local employers can get the skills that they need to meet business objectives, at the same time supporting the development of the wider economy.

The local dimension is important because the pattern of skill needs at local level is distinctive and the causes of skill deficits are highly local in character. Relatedly, outcomes from learning also differ at local level, reflecting the differing nature of local labour markets and variations in the capacity and capability of local providers. Providers are largely driven by the pattern of demand from individuals and specific employers and this does not always mirror the wider pattern of demand in the economy. For higher education institutions that draw their intake from a national or international catchment area the position is yet more complex.

All of these factors support the case for the devolution of responsibility for skills to the local level.

The mechanisms for promoting improved responsiveness should focus on enabling the local labour market to work better rather than public authorities seeking to plan provision within a command and control approach.

LEPs, Mayors and skills partnerships should adopt a local leadership role and foster relationship building between the key players in the skill system in the setting of a stable national framework.

Relevant intelligence about the local labour market can enable individuals to make informed decisions about careers and become better informed consumers of technical education and training. Greater engagement between employers and the local skills system can ensure that providers are more in tune with the skills needs of the local economy. This kind of approach also fits with the more marketised current direction of national policy, reflected in the apprenticeship levy and adult learner loans.

In addition though, local partners need the powers and resources to make targeted interventions to bring specific provision on-stream in order to address acute mismatches and pockets of rapid growth in the local economy. This kind of targeted investment could also be applied to sectoral and other priorities identified in local industrial strategies. In fulfilling this remit local partners need the freedom to innovate around new delivery and funding models.

Mayoral authorities have been given the opportunity to take forward some elements of this approach with the devolution of the Adult Education Budget (AEB).

More widely, Skills Advisory Panels (SAPs) are also being introduced to help local enterprise partnerships and combined authorities to fulfil their local leadership role in the skills system by developing a better understanding of local skills needs, as a basis for setting out skills priorities and working with providers to address these priorities. A key concern is the lack of genuine powers / incentives to back up the recommendations that SAPs will make around skills investment, at least for areas which currently lack devolved powers. Although their funding agreements with government require providers to give due account to the recommendations made by SAPs, the approach is voluntary. The only recourse for SAPs, in exceptional circumstances, is to make a case to government for additional resources to address needs that local providers are unable or unwilling to meet.

5.3 Resources are used effectively

If devolution of aspects of the skills system is to prove worthwhile a localised approach needs to demonstrate that it is better able to deliver desired outcomes and benefits to learners, employers and the local economy whilst also offering value for money to the public purse.

As skills devolution proceeds, there will be an opportunity to apply a local lens to existing key skills system performance indicators in order to assess the added value of local arrangements. Current evidence is limited. For example, a review by the What Works Centre for Local Economic Growth (2015) highlights evidence gaps on the effects of apprenticeships on particular local areas (as opposed to individuals or employers) and on comparisons of the effects of nationally versus locally run programmes.

A particular concern is the burden of local administrative costs which has come to the fore as an issue with the devolution of the Adult Education Budget. The government has provided no funding for any devolved infrastructure and localities have found it necessary to top-slice devolved AEB to meet these costs.

5.4 Skills are integrated within a wider strategic agenda

To maximise the benefits of greater responsiveness on skills at a local level, the skills agenda needs to be integrated within a joined up local approach to economic development and inclusive growth. This is a key area in which localities can add value relative to the disjointed and fragmented national policy model. The elements that would potentially be within scope are wide-ranging, including economic development and the local industrial strategy, business support, innovation and inclusive growth (better work, progression etc.).

In particular, an integrated approach to employment and skills at a local level would help to address the deficiencies of the current centralised but un-coordinated approach to policy, funding and delivery, responsibility for which is spread across a series of government departments and their agencies, with little reference to local priorities. A reformed local model would offer an integrated and coherent service bringing together information, advice and the delivery of employment, skills and wider support for individuals and for employers, providing economies of scale as delivery silos are removed.

Summary of strengths / opportunities and challenges

Outcome	Description	Strengths / opportunities	Challenges
Learners			
Participation	Get more people into learning to enable them to fulfil their aspirations.	<ul style="list-style-type: none"> • Increased focus on apprenticeships within skills system • Steady growth in HE participation 	<ul style="list-style-type: none"> • Pronounced decline in adult (19+) learning overall • Stability in overall 16-18 participation but some decline in FE in recent years • Apprenticeship take-up hit by reforms • Take-up of part-time and other undergraduate provision in decline • Study at level 4 / 5 remains niche
Achievement / attainment	To boost attainment and success rates of learners.	<ul style="list-style-type: none"> • Strong achievement rates in classroom based FE 	<ul style="list-style-type: none"> • Significant proportion of apprentices not achieving • Lower achievement rates in higher level learning in FE • Concerns over drop-out rates in HE, particularly for disadvantaged students
Satisfaction	To ensure that all learners view their learning positively in terms of its quality and effectiveness in moving them towards their aspirations.	<ul style="list-style-type: none"> • Positive learner satisfaction ratings for FE and Skills provision • Recent improvement in satisfaction with value for money offered by HE 	<ul style="list-style-type: none"> • Variations in satisfaction ratings at provider level and between types of provider

Outcome	Description	Strengths / opportunities	Challenges
Economically valuable skills	To provide learners with the opportunity to develop the skills they need to enter / progress within their chosen career.	<ul style="list-style-type: none"> • Apprentices are positive about the impact of their learning on career prospects 	<ul style="list-style-type: none"> • Widespread over qualification and graduates in non-graduate jobs • Mismatch between profile of provision and labour market opportunities • Lack of transparency of earning potential of certain pathways leading to learners not being able to making fully informed decisions • Lack of data on relevance of learning outcomes to career prospects
Progression	To enable people to progress within the skills system in order to achieve their aspirations.	<ul style="list-style-type: none"> • Positive progression rates from advanced and higher apprenticeships • Positive progression from Access to HE provision 	<ul style="list-style-type: none"> • Low rate of progression from community learning • Lack of progression to apprenticeships from traineeships • Lack of progression from intermediate apprenticeships
Positive outcomes	More learners entering positive employment and learning destinations and enjoying higher earnings upon completion of learning.	<ul style="list-style-type: none"> • Evidence of increase in positive outcomes over time • Increasingly rich outcome data that can be used to inform decisions about learning 	<ul style="list-style-type: none"> • Variable outcomes for different groups and different types of provision • Practical difficulty of using outcome data for accountability / performance management purposes

Outcome	Description	Strengths / opportunities	Challenges
Effective transitions for young people	More young people enter a path to a sustainable career.	<ul style="list-style-type: none"> • Vocational qualifications and technical learning play a key role in 16-18 system 	<ul style="list-style-type: none"> • Lack of support for young people to gain genuine workplace experience and employment-based skills, with employers not directing and leading work readiness enough • High rates of “churn” among young people • Relatively few young people with low attainment at KS4 go on to achieve a level 2 qualification • Potential for displacement of apprenticeships by introduction of T-levels
More adults with basic skills	To give people the literacy, numeracy and digital skills they need for further learning, for employment and to participate in society.	<ul style="list-style-type: none"> • Recent government reforms e.g. raising participation age and maths / English requirements / entitlements • Majority of adults with low basic skills are in employment, presenting opportunity for workplace learning 	<ul style="list-style-type: none"> • Large number of people who lack basic literacy, numeracy and digital skills • Poor basic skills among young adults • Poor basic skills among people at all qualification levels • Downward trend in people undertaking English and Maths qualifications in FE

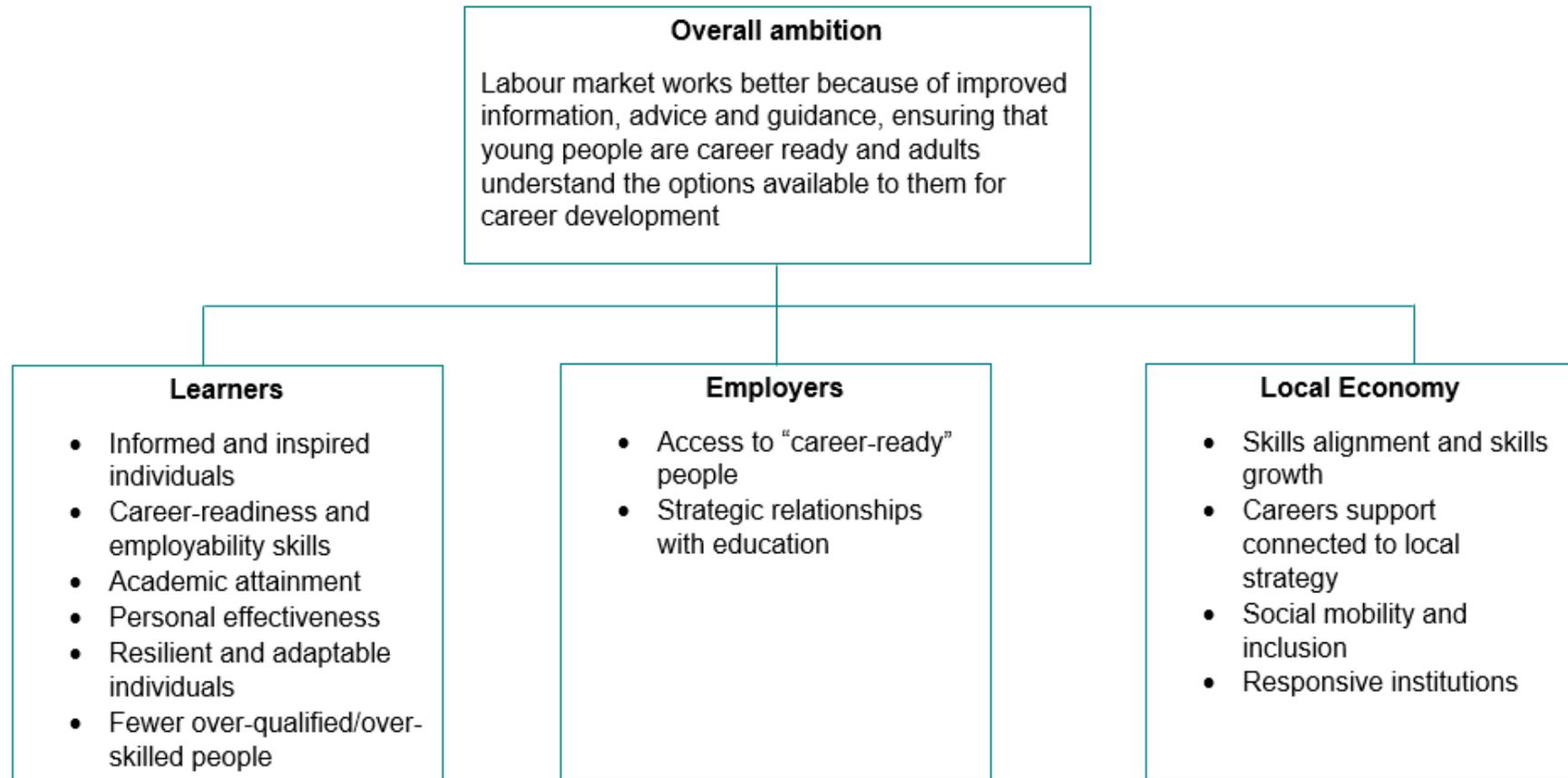
Outcome	Description	Strengths / opportunities	Challenges
Apprenticeships that offer high quality career opportunities	Apprenticeships offer individuals the opportunity to become established within a chosen career path but also provide the transferable skills for future adaptability in the labour market.	<ul style="list-style-type: none"> • Positive outcomes overall from apprenticeships • Apprentices positive about their career prospects overall 	<ul style="list-style-type: none"> • Some groups less likely to benefit from apprenticeships • Lack of transferable skills from some apprenticeships • Intermediate apprentices less likely to enter sustained employment • Apprenticeships viewed less favourably by some social groups • Tension between offering high quality apprenticeships to learners and providing cost effectiveness for employers
Sufficient and fair resourcing	Technical education and training has sufficient resources to meet its remit and it receives a fair slice of the funding cake.	<ul style="list-style-type: none"> • Increase in apprenticeship funding for both 16-18 and 19+ • Relatively high funding per learner for 16-18 apprentices • Apprenticeship levy as a new source of funding for workforce development 	<ul style="list-style-type: none"> • Real-terms decline in funding for 16-18 and adult skills • Reduction in funding per learner for 16-18 provision • Disparity in funding per head for different types of learning • Different funding principles applied to different types of learning • Lack of funding for non-levy apprenticeships
Opportunities for all	All people should have an equal opportunity to access technical education and training opportunities in order to fulfil their potential.	<ul style="list-style-type: none"> • FE sector effective in engaging the disadvantaged and people from deprived neighbourhoods 	<ul style="list-style-type: none"> • Gender segregation leading to poor outcomes for girls in HE and apprenticeships • Disadvantaged less likely to enter higher / advanced apprenticeships

Outcome	Description	Strengths / opportunities	Challenges
Employers			
Employers can get the skills they need	The technical education and training system supports employers by developing the skills that business needs, leading to improvements in business performance and productivity.	<ul style="list-style-type: none"> • Apprenticeships effective in meeting employer skills needs 	<ul style="list-style-type: none"> • Skill shortages and gaps a key challenge for employers • Concern with quality of apprenticeship applicants • The option to drop core skills such as maths and English at A-level stage (unique to the English education system) impacts on skills pipeline, contributing to shortages
Employers can readily engage with the technical education and training system	Use of the publicly-funded technical education and training system is widespread among employers and the system is responsive to their requirements and easy to engage with.	<ul style="list-style-type: none"> • High levels of satisfaction among employers who engage with FE and skills providers • Employers positive about ability of apprenticeships to drive 	<ul style="list-style-type: none"> • Low levels of engagement between employers and FE and HE • Perceived lack of relevant provision a key barrier to engagement • Employer concerns about ability to influence provision
Local economy			
Local skills disparities are reduced	Local areas have the improved skills they need for enhanced productivity performance and inclusive growth.	<ul style="list-style-type: none"> • Opportunity to contribute to productivity performance through enhancements to skills base • Local industrial strategies present an opportunity to address skills needs as part of an integrated approach to local economy 	<ul style="list-style-type: none"> • Wide divergences in skills and economic performance at local level

Outcome	Description	Strengths / opportunities	Challenges
System is responsive to local needs	At the local level technical education and training takes account of local labour market needs, including employer skills requirements and individual aspirations.	<ul style="list-style-type: none"> • Opportunity to make the local market for skills operate more effectively • Devolution of some elements of system (e.g. AEB) to mayoral areas enables them to develop a responsive approach • Introduction of Skills Advisory Panels and other mechanisms to address local needs 	<ul style="list-style-type: none"> • Developing an understanding of distinctive local needs • Lack of practical levers / incentives to influence local provision • Managing the tension between the needs of the local economy and commercial imperatives facing providers
Skills are integrated with wider strategic agenda at local level	At a local level the approach to skills is integrated within a wider strategic agenda, leading to greater impact and efficiency	<ul style="list-style-type: none"> • Strong local partnerships in some areas, providing an opportunity for an integrated approach locally and potential economies of scale 	<ul style="list-style-type: none"> • Lack of joined-up approach across national policy, leading to silo-ed funding and delivery at local level
Resources are used effectively at local level	A local approach delivers better outcomes than a centralised approach and local skills delivery is more cost effective relative to a centralised approach	<ul style="list-style-type: none"> • Opportunity to distil learning of mayoral authorities around an effective / efficient approach 	<ul style="list-style-type: none"> • Lack of local infrastructure to manage skills investment, creating need for top-slicing • Current lack of evidence of added value of local arrangements

Appendix 2: Proposed outcomes for remaining themes

What are the outcomes we are seeking to achieve? Careers information and inspiration



What are the outcomes we are seeking to achieve? Workforce skills

