

Key Points on the Leitch Review of Skills

HM Treasury, Leitch Review of Skills, ‘Prosperity for all in the global economy – world class skills’, Final Report, 5th December 2006.

In 2004 Lord Sandy Leitch¹ was jointly appointed by the Treasury and the Department for Education and Skills (DfES) to undertake an independent review of the skills needed for the UK to remain competitive in 2020. In addition to this, in his 2006 Budget Speech, the Chancellor requested that the review team particularly look at how best to integrate employment and skills services. The Leitch Review of Skills released its final report on the 5th December 2006, a full year on from the publication of the Interim Report, ‘*Skills in the UK: The Long-term Challenge*’ (December 2005).

The Final Report, ‘*Prosperity for all in the global economy – world class skills*’, reiterated the key messages from the Interim Report and made a series of key recommendations for delivery.

1. Challenges

The Leitch Review commissioned the Sector Skills Development Agency (SSDA) to work with the Institute for Employment Research (University of Warwick) and Cambridge Econometrics to produce a number of alternative scenarios for the stock of skills at different levels required in 2020. This informed a detailed discussion of the extent of the skills challenge in the future, key points of which are as follows:

- As the industrial structure continues to change at a rapid rate, skills will be increasingly imperative for individual economic inclusion. Those with poor basic skills will be increasingly at risk to long-term exclusion from the labour market.
- Leitch repeats arguments made in the RES related to the ageing population: “Improving the skills of young people, while essential, cannot be the sole solution to achieving world class skills. Improvements in the attainment of young people can only deliver a small part of what is necessary because they comprise a small proportion of the overall workforce.” The point that more than 70% of the workforce needed for 2020 are already over the age of 16 means that the bulk of skill improvements must come from within the existing workforce.
- Leitch argues that current targets for adult skills fall short of what is needed to enable the UK to remain competitive in the future. By 2020 the UK will need to achieve:
 - 95% of adults with functional literacy and numeracy (currently 85% and 79% respectively)- this means trebling projected improvement rates;
 - 90% of adults qualified to a Level 2 (currently 69%)- this means an additional 5.7 million adult attainments;
 - More than 40% of adult population qualified to Level 4 and above (currently 29%) – requiring an increased focus on 18-30 years olds (rather than 19-21) and accompanied with an increase in Level 5.
- The Review estimates that the outcome of achieving all this would be an additional £1,800 of output per year by 2020 for the average worker and an increase in the rate of UK productivity growth of at least 10%.

¹ Lord Sandy Leitch is the former Chief Executive of Zurich Financial Services and the chairman of the National Employment Panel.

- This will require increased input from Government, individuals and employers:
 - Government should provide the bulk of funding for basic skills and the platform of skills for employability;
 - Employers and individuals should make a much higher contribution towards higher intermediate skills (Level 3) to at least 50%. However, Leitch recommends that Government increase annual investment in Level 3 to around £1.5-£2 billion by 2020;
 - At Level 4 and above, individuals and employers should pay the bulk of the costs.
- Previous approaches to delivering skills have been too ‘supply driven’, predominated by Government asking employers to collectively articulate their skills needs, and then trying to plan to meet these needs. This has led to an ineffective articulation of need and a planning process that failed to be sufficiently flexible and responsive, leading to tendency for providers to continue delivering what they had done in the past. This in turn has caused employer frustration and unwillingness to contribute to the cost of training.
- Recent reforms have worked towards a more ‘demand led’ system, with a more flexible package delivered through Train to Gain and with the establishment of Sector Skills Councils (SSCs) as employer-led bodies set up to articulate employment demands directly into Sector Qualification Strategies, developed alongside the Qualifications and Curriculum Authority (QCA). However, Leitch describes the performance of the SSCs to date as “encouraging” but “patchy due to conflicting objectives, the lack of a clear remit, deficiencies in performance management and ineffective leadership.”
- Although current investment in skills in the UK is significant, it does not compare well with OECD competitors: the UK invests 1.1% of GDP in higher education, compared to 2.9% in the USA and 2.6% in South Korea.
- Leitch has also observed continuing dislocation between skills and employment activities. The review argues that there are no effective links across the UK to ensure that someone moving to work from the New Deal will be linked to support such as Train to Gain. Leitch argues that Job Centre Plus remains overly focussed on short-term targets for getting disadvantaged groups into work, but lacks incentives to support the skills and progressions of these individuals once in work – thus two-thirds of Jobseeker’s Allowance claimants are repeat claims.

2. Recommendations

Based on this diagnosis, the Leitch Review recommends that:

- **The increasing focus on economically valuable and relevant skills should be strengthened further still.** All recommendations should lead to skill returns that are beneficial to the economy and society. The emphasis should be on providing skills that allow people to remain employable, as changes in the labour market increase in pace (i.e. focus should no longer be on job protection, but on maintaining individual employability).
- **All public funding for adult vocational skills should be routed through Train to Gain and Learner Accounts by 2010.** Within this, the Review recommends further streamlining of the Learning and Skills Council (detail of this not specific) although the LSC will remain responsible for Train to Gain. Funding to providers should be based on

merit – “through mechanisms which put effective purchasing power in the hands of customers.” This point could be a reference to the LSC’s future commitment to open tendering for all vocational adult skills provision.

- **The Sector Skills Development Agency (SSDA) should be combined with the National Employment Panel (NEP) to create a new, employer-led Commission for Employment and Skills.** In England, this commission will replace the Ministerially-led Skills Alliance and will ensure better integration of employment services and skills activities (i.e. DfES and DWP portfolios).
- **The responsibilities and capacity of Sector Skills Councils (SSCs) should be increased.** SSCs should take a lead role in developing occupational standards and **should take responsibility for approving all vocational qualifications. Only vocational qualifications approved by SSCs should qualify for funding.** SSCs should also take a lead role in collating and communicating sectoral labour market data and in raising employer engagement, demand and investment. The Commission for Employment and Skills should performance manage the SSCs from the top down, and should re-license those that are failing. SSCs should develop a short list of valid qualifications with a very significant reduction in overall number by 2008.
- **Train to Gain brokers should work with all types of employers, although they should continue to focus on ‘hard to reach firms’.** However, the LSC’s National Employer Service should provide a better advice and brokerage service to larger firms.
- **The Review recommends that employers are encouraged to make a ‘skills pledge’ to their staff, including a specific promise that everyone in the workforce is eligible for help in basic skills and towards a Level 2 qualification.** The Government will support this by contributing towards tuition costs and should consider paying small employers wage compensation.
- **A new Skills Development Fund should replace the existing Learner Support Fund to make financial support for learning available to people who want to improve their basic and Level 2 skills.**
- **The balance of intermediate skills provision should be shifted towards Level 3 and the rate of Level 3 attainment should be more than doubled by 2020.** Apprenticeships should be crucial in this- therefore the **Government should consider creating a new entitlement for every young person with the right qualifications to be able to take up an Apprenticeship place.**
- **To achieve 40% of the workforce educated to at least a Level 4 by 2020, a portion of Higher Education funding should be delivered through a similar mechanism to Train to Gain, contributing to HE for both young people and adults.**

And on integrating employment services and skills provision....

- **There should be a new universal adult careers service that provides labour market focussed careers advice for adults.** This could include co-location in Jobcentre Plus
- **The LSC and Jobcentre Plus should have a new single shared objective of sustainable employment and progression.**
- **A network of employer-led Employment and Skills Boards should be established, reporting to the new Commission.** Their role will be to engage local employers and articulate local labour market needs to improve the matching of work-ready applicants to sustainable jobs.