

# Tackling Skills Gaps

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## Introduction

Funded between 2001 and 2008 the Equal programme, a European Social Fund (ESF) initiative which operates across all European Union countries, has developed and tested new ways of challenging discrimination and inequalities in the labour market, both for those in work and for those seeking work. Equal has acted as a learning platform, developing innovative ways of tackling existing labour market problems. It has presented evidence-based outcomes which could be adopted by policy makers and delivery agents at local, regional, national and European levels.

This paper provides an overview of current UK and EU policy relevant to tackling skills gaps and highlights how messages and approaches developed through Equal link into this policy agenda.

## UK Policy Context

The UK's current employment rate of 71.4% exceeds the EU target of 70% and represents the fifth highest rate in the EU (Eurostat, 2007). However it masks disparities between regions, in sub-regions, within communities and the skills base of the workforce. For example the North East of England has a greater proportion of adults whose literacy skills are below level 1, broadly comparable with low level GCSE (D-G), this is almost double the proportion of adults in the South East (Department for Children, Schools, and Families, 2003).

Although qualification levels among the adult working age population have been rising, approximately 33% of the working age population does not have a full NVQ level 2 qualification. The net effect of having low or no qualifications is clearly demonstrated by the fact that the employment rate of people with no qualifications is 48% in England compared to 85% for people with a degree (Annual Population Survey, 2006).

## Leitch Review of Skills 'Prosperity for all in the global economy – world class skills'

Set against this backdrop, the Government commissioned Lord Leitch to conduct a review of the UK's skills needs and the actions necessary to compete in a global economy. The final report published in December 2006, recommended a radical programme of change to enable the UK to become a world leader in skills by 2020, as measured against the upper quartile of the OECD. The report emphasised the need to adopt a demand-led approach facilitated by a new culture of learning, an appetite for improved skills amongst individuals and employers and increased engagement and investment to achieve 'economically valuable skills'. The Review set four, 'stretch' objectives, including the aim to ensure that at least 90% of adults are qualified to Level 2 or above (from 69% in 2005) by 2020 and a commitment to attain 95% as soon as possible. To achieve these objectives a number of specific changes were recommended, including:

- launching a new 'pledge' for employers to increase learning at work;
- strengthening the employer voice on skills through the creation of a new Commission for Employment & Skills, and reforming SSCs who will simplify and approve vocational training; and
- channelling public funding of adult vocational skills through Train to Gain and Learner Accounts.

In July 2007, the Department for Innovation, Universities and Skills (DIUS) published its response to Leitch in, '**World Class Skills: Implementing the Leitch Review of Skills in England**'. The response focused on two priorities – access to employment and improving skills of the workforce. This includes offering free training in numeracy and literacy to adults and to increase learning at work through the launch of an 'Employer Pledge'. The emphasis on linking support for those either not in work, or disadvantaged in the labour market, with skills development of employees is a key aspect of the learning and skills policy and a central part of the governments Welfare Reform agenda. [www.dius.gov.uk/publications/publications-leitchreview.htm](http://www.dius.gov.uk/publications/publications-leitchreview.htm)

In December 2007, the Department for Work and Pensions (DWP) stated that future legislation will place an emphasis on tailoring employment and skills support to individual needs, informed by local employers' demands to be supported by a shift to integrate employment and skills services.

Developments in the Government's welfare policy have become increasingly integral to its approach to employment policy and tackling skills gaps. Significant policy announcements during 2006 led up to the Welfare Reform Act in 2007<sup>1</sup> including the Freud Report, which was presented in March 2007. This report concluded that the Government's Welfare to Work agenda, including the creation of Jobcentre Plus, had delivered strong results. It also cited the need for further reform to ensure that resources are targeted at those most in need and drawing on expertise across the public, private, voluntary and community sectors to tackle the challenge of extending employment opportunity to all and achieve an 80% employment rate target. [www.dwp.gov.uk/welfarereform/freud\\_report.asp](http://www.dwp.gov.uk/welfarereform/freud_report.asp).

### **Green Paper 'In work, better off: next steps to full employment',**

Introduced in July 2007, the Green Paper detailed the Government's intention to make changes to the support offered to those most disadvantaged in the labour market with the aim of achieving full employment in a generation. Central to these changes was the new 'jobs pledge'

<sup>1</sup> In January 2006 the Green Paper, 'A new deal for welfare: Empowering people to work', was published. This included significant proposals to assist individuals to achieve their potential through work. Following consultation, the Department of Work and Pensions (DWP) delivered its response in June 2006, 'A new deal for welfare: Empowering people to work', which set out the DWP's proposals for Welfare Reform. The proposals in this White Paper led to the Welfare Reform Act in 2007.

announced in the 2007 Budget which will build on Local Employment Partnerships and aims to get major public and private sector employers to offer 250,000 jobs to those disadvantaged within the labour market. The Government's key employment programmes will also be reformed taking into account 'lessons' from provision in different UK sectors and international approaches to welfare to work. Proposals include:

- rolling out Pathways to Work as a nationwide programme;
- a new social contract with lone parents; a more personalised, flexible and responsive New Deal;
- an integrated employment and skills agenda; and
- greater use of expertise across the private, public and third sectors at national and local levels to, to enable JC+ to concentrate on adding value to this.

[www.dwp.gov.uk/welfarereform/in-work-better-off/](http://www.dwp.gov.uk/welfarereform/in-work-better-off/)

### **'Ready for work: full employment in our generation'**

The Government's response to the Green Paper was published in January 2008. It set out the action to be taken to reach the 80% employment rate target, placing an emphasis on moving people from receiving benefit to one in which they actively seek, and prepare for work. These actions are based on five core principles that will establish:

- A stronger framework of rights and responsibilities so that people who can work, now or in the future, have the support they need to find a job and gain relevant skills;
- A personalised and responsive approach to enable reform of support available to benefit recipients including increased discretion for Jobcentre Plus staff and public, private and third sector providers in tailoring employment & skills support;
- Partnership across the public, private and third sectors. The Government's future commissioning strategy will be based on what works best to support people into work;
- Targeting in areas of high worklessness by devolving and empowering communities, including the introduction of the Working Neighbourhoods Fund; and,
- Jobs that pay and offer opportunities for progression: with an emphasis on sustaining and progressing in work to enable skills development.

[http://www.dius.gov.uk/publications/ready\\_to\\_work.pdf](http://www.dius.gov.uk/publications/ready_to_work.pdf)

### **City Strategy Pathfinders**

In July 2006, the DWP launched 15 Pathfinders responsible for tackling specific problems that stop people from getting work in their city or town and to increase local employment rates.

These City Strategy Pathfinders are running from January 2007 to March 2009. An extension or national roll out is under consideration.

[www.dwp.gov.uk/mediacentre/pressreleases/2006/jul/fmc080-270706.asp](http://www.dwp.gov.uk/mediacentre/pressreleases/2006/jul/fmc080-270706.asp).

## **Learning and Skills Council**

This approach is being strengthened through joint working between the LSC and DWP with the development of an integrated offer incorporating access to employment and skills development. The LSC aims to improve the skills of those in work and those excluded from the labour market in order to deliver a world class skills base by 2020. Priorities fall into three key areas including creating demand for learning and skills, transforming the FE system to meet demand and delivering better skills, better lives, better jobs. The LSC directly leads on the following PSA targets which state that by 2020:

- 95% of adults should have basic functional literacy and numeracy skills;
- More than 90% of adults should be qualified to at least Level 2, with a commitment to achieve a rate of 95% as soon as possible;
- 68% of the adult population should be qualified to Level 3; and,
- Over 40% of the adult population should be qualified to Level 4 or above.

[www.lsc.gov.uk/aboutus/lscstrategy/statementofpriorities](http://www.lsc.gov.uk/aboutus/lscstrategy/statementofpriorities)

## **The National Employer Training Programme (NETP)**

Re-branded as 'Train To Gain' this programme was rolled out nationally in 2007. It is an independent brokerage service helping to diagnose business need and source appropriate training provision. Learning and Skills Councils work with Regional Development Agencies, the Skills for Business Networks and Regional Skills Partnerships to agree on how best to deliver the service in each region. NETP. [www.traintogain.gov.uk](http://www.traintogain.gov.uk)

## **ESF operational programme for England (2007-2013)**

The new programme sets out the national priorities for spending European Social Fund money in line with the Lisbon agenda and the Government's employment and skills strategies. Priority one focuses on extending employment opportunities to support access into the labour market for those young people Not in Education, Employment or Training (NEET), unemployed and economically inactive adults. Priority two focuses on developing a skilled and adaptable workforce.

Regional Skills Partnerships have been responsible for developing regional ESF frameworks that play an important role in ensuring that ESF investment contributes directly to national employment and skills priorities specified in the national ESF operational programme. As the available ESF Funding for England is significantly reduced in the 2007-2013 period there is an increased need to effectively target ESF to add value to national and regional priorities. The

Frameworks have been developed for 2007 – 2010 and are being used by the ESF Co-financing Organisations to inform their Co-financing Plans and development of tender specifications.

## **Unionlearn**

In May 2006, Unionlearn, the union learning academy, was officially launched. The academy provides work-based learning and training support across England. The project is a partnership between DIUS and the TUC. Unionlearn also leads the way in providing support to workplace Union Learning Representatives whose role is to raise awareness of learning opportunities and help workers access courses. See [www.unionlearn.org.uk/](http://www.unionlearn.org.uk/)

## **Working Neighbourhoods Fund for England.**

Launched in November 2007 this programme is aimed at delivering a more targeted approach to neighbourhood renewal which will put employment at the centre of area-based regeneration and will provide £1.5 billion over a 3 year period. See [www.communities.gov.uk/publications/communities/workingneighbourhoods](http://www.communities.gov.uk/publications/communities/workingneighbourhoods)

## **The Vocational Qualifications Reform Programme**

DIUS is working with the Qualification and Curriculum Authority, the LSC and the SSDA to develop and implement a modernised vocational qualifications system. The programme of work over the next few years aims to develop a system of vocational qualifications which has the flexibility to meet individual and employment needs.

[www.dfes.gov.uk/skillsstrategy/index.cfm?fuseaction=content.view&CategoryID=6](http://www.dfes.gov.uk/skillsstrategy/index.cfm?fuseaction=content.view&CategoryID=6), <http://qfr.lsc.gov.uk/ukvgrp/> and <http://www.ssda.org.uk/ssda/default.aspx?page=3318>.

## **Sector Skills Agreements**

The agreements, developed by all Sector Skills Councils are now on stream. The agreements map out the skills employers need in their workforce and how these skills will be developed – both now and in the future. [www.ssda.org.uk/ssda/default.aspx?page=813#1895](http://www.ssda.org.uk/ssda/default.aspx?page=813#1895)

## **EU Policy Context**

At a European level, the European Employment Strategy focuses on growth and employment from 2005- 2008. It is supported by new priorities within the Broad Economic Policy Guidelines and new Employment Policy Guidelines that are agreed annually.

## **European Employment Strategy (EES)**

The revised strategy, also known as the "Luxembourg Process", aimed to improve co-ordination between Member States and the European institutions and better coordinate employment

policies with the EU's economic policies. To measure the effectiveness of this approach the EC introduced the priority of growth and employment into new Broad Economic Policy Guidelines and new Employment Policy Guidelines. Each year the European Council agrees a series of guidelines setting out common priorities for Member States' employment policies. One of the main components of the EES is the Joint Employment Report, 'Employment in Europe 2006' published in October 2006 by the EC's Directorate-General for Employment, Social Affairs and Equal Opportunities.

At the Spring 2006 European Council, Heads of State and Government restated the need for more effective and comprehensive implementation of the European Employment Strategy, and emphasised the need for an adequate balance between security and flexibility in the labour market (i.e. "flexicurity"), mobility, education and skills, and a life-cycle approach to labour force participation. See [http://ec.europa.eu/employment\\_social/news/2006/nov/employment\\_europe\\_en.pdf](http://ec.europa.eu/employment_social/news/2006/nov/employment_europe_en.pdf).

### **Modernising social protection for greater social justice and economic cohesion: taking forward the active inclusion of people furthest from the labour market.**

This Communication from the European Commission was published in October 2007. In accordance with Article 138(3) of the EC treaty, social partners are invited to express their views on the approach outlined. Given the subject matter, the Commission also invited all stakeholders, including public authorities at all levels, civil society organisations and service providers, to express their views. See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007dc0620:EN:NOT>.

### **Matching Messages to Policy**

The overarching messages from the Equal Programme in relation to addressing skills gaps are:

- In tackling skills gaps it is important to address both supply and demand side issues in conjunction with the relevant stakeholders to develop joined up solutions. This reflects the Leitch Review's proposal to adopt a demand-led approach. This will be facilitated by the new Commission for Employment and Skills, with funding for adult vocational training being directed through Train to Gain and Learner Accounts.
- That the way forward is for much more direct link between employers and training providers. Specifically, that training provision is driven by the needs of employers and the market rather than providers with targets to hit that are dictated via central, regional and local government. This challenge has to be addressed through the development of Train2Gain which is a critical part of the response to the issues highlighted by Leitch.
- That holistic, blended and tailored approaches are required to meet the diverse needs of target groups. This is particularly referenced to soft skills needs as a skills gap (includes

motivation, confidence and self esteem). This is reflected in the Government's intentions as set out in the White Paper, Ready for Work: Full Employment in Our Generation. A key future action will be to pursue an integrated employment and skills service which will deliver a personalised and responsive approach to benefit recipients. This includes higher discretion for Jobcentre Plus staff and public, private and third sector providers to tailor the employment & skills support offered to the needs of individuals.

- A formulaic NVQ framework will not necessarily provide the relevant skills and experience for a learner to properly and efficiently do their job. Consideration must be given to combining accredited learning with workplace learning and portfolio development to give a better reflection of learning and experience gained. These are challenges that are being raised with the Sector Skills Councils and with accrediting bodies such as the Qualifications and Curriculum Authority.

## Further Information

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### United Kingdom

For further information on skills and education policy and research:

- **Department for Innovation, Universities and Skills (DIUS)** is responsible for leading on skills policy. For the latest documents and announcements go to:  
<http://www.dius.gov.uk/policy/skills.html>

### Also subscribe to

- **Department for Innovation, Universities and Skills (DIUS)** – (its newsletter on the latest developments in FE and Skills <http://www.dius.gov.uk/mailshots/newsletters.html>)
- **Learning and Skills Council (LSC)** – register for regular email alerts from the LSC at <http://www.lsc.gov.uk/News/lscwebalerts>
- **Sector Skills Development Agency (SSDA)** is a non-departmental public body responsible for funding, supporting and monitoring the network of Sector Skills Councils (SSCs). Amongst its specific responsibilities the SSDA promotes sharing of best practice and collates labour market intelligence. Go to: [www.ssda.org.uk/ssda/default.aspx?page=1](http://www.ssda.org.uk/ssda/default.aspx?page=1)
- **Sector Skills Development Agency (SSDA)** – subscribe to the SSDA's monthly policy newsletter (Intelligence) and weekly newsletter (Involve) about sector skills initiatives at [www.ssda.org.uk/ssda/default.aspx?page=18](http://www.ssda.org.uk/ssda/default.aspx?page=18)
- **Trades Union Congress (TUC)** includes a comprehensive list of learning and skills policy updates on its website at <http://www.tuc.org.uk/skills/> .

For more information on the European Social Fund in England 2007-2013 visit

<http://www.esf.gov.uk/> and view Regional ESF Frameworks at [http://www.esf.gov.uk/regional\\_esf\\_frameworks/](http://www.esf.gov.uk/regional_esf_frameworks/)

### Europe

For further information on all relevant European legislation go to The European Parliament: Legislative Observatory at <http://www.europarl.europa.eu/oel/index.jsp>

To receive an electronic newsletter (the "ESmail") from the European Commission's Directorate-General which oversees employment and skills policy, DG for Employment, Social Affairs and Equal Opportunities, e-mail to [empl-esmail@ec.europa.eu](mailto:empl-esmail@ec.europa.eu).