



# Thoughts on a Sustainable Skills System for the UK

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# The need for change

## **Economic Challenges**

The UK economy needs to move from low growth to sustainable levels of high growth. Skills will drive innovation, high productivity, increased digitisation and competitiveness.

This means high skill levels, across all operational, professional, technical and management roles, from Levels 1 to 7.

## **Climate Change**

Tackling climate change is going to fundamentally upgrade the skills we all need over the next 5 years. Our research indicates that 100% of occupations will require some form of re-skilling, 50% significant re-skilling and there will be between 5-10% new 'green' occupations.



# It is not just about new entrants

*“With 80 per cent of the country’s 2030 workforce already in work, improving on-the-job training will be vital”. “... developing an effective retraining system will be crucial as life-long learning becomes ever more critical”.*

Financial Times



The biggest challenge we face is having a skills system which can sustainably and constantly up-skill the workforce in what is a rapidly changing environment.

At present **the blunt truth is that our ‘Adult Education’ and ‘Lifelong Learning’ upskilling and reskilling system is totally inadequate to match the needs of the ‘green’ economy**, and it needs radical surgery if it is going to support a ‘growth’ economy. The policy changes in the “Skills and Post-16 Education Act 2022”, which are welcome, are just not enough and will take too long to implement.

**If we do not fix the current “gap in provision and investment” then we are consigning our young people, children and grandchildren to ever decreasing living standards.**

# Building on progress

Since the Wolfe Report in 2011 the UK has made considerable progress in reforming skills training and assessment. Employers from several sectors report improvements in the quality of individuals entering the workforce. However, there are areas where employers, training organisations, awarding organisations and other stakeholders consider further improvements and streamlining are needed.

In England there has been the redesign of the apprenticeship standards [now re-named occupational standards] with formal independent end-point assessment. Five years ago, the Institute for Apprenticeship & Technical Education was set up for England and the Apprenticeship Levy introduced for employers with a payroll of £3m and more per annum.

Unfortunately, over the last five years apprentice starts in England have dropped considerably, particularly for critical operational occupations at Level 2. This is at a time when employer investment in training has also declined.

At Level 3, occupational T Levels have been introduced in England as an alternative to A Levels, and new Higher Technical Qualifications (HTQs) are also being rolled out at Levels 4 and 5. Reform of other vocational and technical qualifications at Level 3 and below is underway, All of this is aimed at getting people into work and upskilling to improve competence, productivity and quality.



# Building on progress

In our view there has been considerable effort focused on young people (16-24 years old) in England, as new entrants to the workforce; with progress being made on improving quality as mentioned by employers.

In England the reforms to date have been designed around the concept of full-time programmes [un-modularised] lasting between one and six years. This fits the needs of new entrants but does not give an efficient basis, nor curriculum content, for re-skilling and upskilling the existing workforce.

There has been a lack of focus on the urgent need to upskill the 32.8 million people already in the workforce, particularly in respect of the critical Level 2 and below part of the workforce [around 27% of the workforce].

The fact that the English Apprenticeship Standards and the new qualifications, such as T Levels and HTQs, have not been modularised means that we do not have the structure of learning to support coherent up-skilling. Updating of Standards and qualifications is also made difficult due to the lack of modularisation.

**Reform has all taken too long – it is far from agile and needs streamlining.**

In Scotland and Wales there has been work on the development of new apprenticeships and qualifications as well as strategies for the skills needed to address climate change. Devolution in Northern Ireland, Scotland and Wales has resulted in fragmentation from the perspective of UK wide sectors and employers.

# Components of the 'agile' system

**We need a Sustainable Skills System which is separate from the traditional 'academic route', which can flexibly support the implementation of a National Skills Strategy and which:**

- Matches, in a responsive way, the needs of the 'Green' economy, supporting growth, climate change, digitisation and productivity improvements.
- Prepares young people for work and gets them into either an apprenticeship, further training/education or a job.
- Upskills the existing workforce in a continuous agile way; bringing together nationally based Occupational Standards with employer needs and localised delivery, supporting regional and sub-regional priorities.

**Key components of an agile streamlined system are:**

- Common modularised Occupational Standards across the UK which comply with 'international' standards, such as those we might see in the WorldSkills competitions. These would set out full competency for the occupation – in fact a “national skills curriculum”. A streamlined process is needed for development.
- Structure of modularised provision: apprenticeships, qualifications, full-time courses, short courses and foundation qualifications and programmes that support all the necessary pathways and routes into employment and career development within employment from Level 1 to Level 7.
- Governance and delivery structures with agile decision making – both nationally and on a local level to support 'levelling up', deliver regional skills requirements and aid social mobility.
- Sustainable, streamlined, more efficient funding arrangements for all parts of the sector.

# Common modularised occupational standards

## To achieve a Sustainable Skills System we need to:

- Review our existing Occupational Standards and pathways (core and options) and take a view, sector by sector, on:
  - Which of these will be significantly impacted by climate change, digitisation and productivity gains. It would be useful to prioritise the quick wins so that a practical programme of updating can be formulated.
  - Which are 'common' across several sectors or sub-sectors.
  - What are the new Occupations or major pathways and when might they need to be developed.
- Design a 'template' for modularising all Occupational Standards and hence apprenticeships, qualifications and short credentialled courses. This would aid streamlined development; the diagram overleaf gives an example of what this might start to look like. The concept here is to ensure that elements which are subject to frequent change can be readily separated out for updating as 'modules'.
- Put in place a more sustainable structure and process for employer engagement in the design and updating of Occupational Standards and their pathways.
- Speed up the development and updating of Occupational Standards and their pathways.
- Work towards common Occupational Standards across the UK; whilst appreciating this is harder to achieve, it does not mean we should not try.

# Updating occupations

Existing core and options occupational standards = KSB's

**Green Materials**

**Green Equipment**

**Green & Digital Methods**

**Green Materials**

**Sector Green Awareness**

**Materials suppliers input**

**Equipment suppliers input**

**Digital technology & New methods input**

**Waste management & Recycling practices input**

**Levels: Management Prof & Tech supervisory operational**

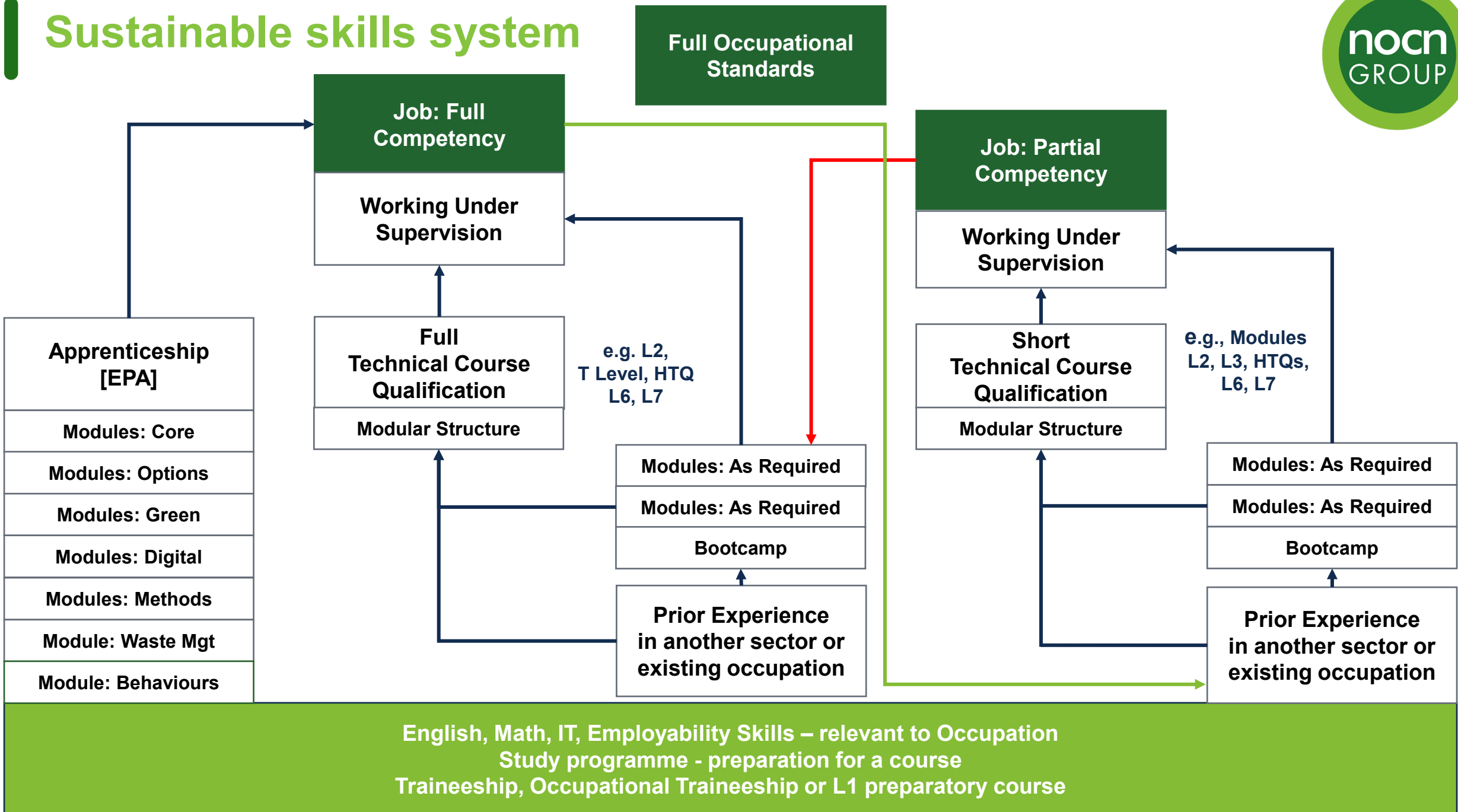


# Structure of modularised provision

**The diagram overleaf sets out an example of the structure of modularised provision. Key points include the requirement to:**

- Communicate that there are a wide range of progression routes for new entrants and those developing in their careers or moving sector.
- Recognise that not every occupation needs an apprentice programme.
- Clarify that people may become competent through a number different ways. In fact, some people may be partially competent in an occupation and still be gainfully employed. In these circumstances we need to ensure that these people have flexible programmes [extra modules] available to gain full competency if necessary.
- Design modules as an integral part of an Occupational Standard. This will give us Apprenticeships, full-time programmes and qualifications, again set out in logical modules for efficient updating and upskilling.
- Include smaller credentialled programmes, traineeships, bootcamps and qualifications, which combine perhaps a set of 'modules' to get the person into employment or advance in their career.
- Recognise that for many (27% of the UK workforce) Level 2 is the destination. Although we must ensure that progress to Level 3 and beyond is part of the structure of provision.
- Have a wide range of foundation skills at the levels necessary to cover employability, English, maths, digital skills, teamwork, work ethic, sustainability etc.

# Sustainable skills system



# 1 Career pathway 1

**A** wanted to develop a career in hospitality and to become a Hotel Manager.

They came from a home where it was difficult to study and education was not valued. **A** did badly in their GCSEs so went to FE College on a study programme for hospitality. Whilst there, **A** passed their Functional Skills maths and English at L1 and undertook a series of employability courses.

**A** was fortunate to get an apprenticeship as a Hospitality Team Member Level 2 and after 15 months successfully passed the end-point assessment. They then worked in a hotel which was part of a major chain for 4 years.

The management in the chain spotted **A**'s abilities and sent **A** on a Level 3 supervisory course and Functional Skills English Level 2. **A** passed the course and received the qualification certificate and was also successful with Functional Skills. Shortly afterwards **A** was promoted to an internal vacancy in another hotel for a Hospitality Supervisor.

After 2 years in this role **A** has started modules for a Level 4 HTQ aimed at becoming a Hotel Manager.

## Career pathway 2

**B** had been a Dental Nurse for nearly 15 years and wanted to develop in dentistry.

To improve the low grades at GCSE, **B** attended Functional Skills courses at Level 2 for English and maths, passed and was certificated.

With confidence in these subjects **B** felt able to enroll on part-time Level 5 course for Dental Technician. **B** passed this course and obtained a job as a junior Dental Technician, under supervision.

After several years as a Dental Technician **B** is considering how to become a Dentist, through further part-time training and supervised work experience.



## Career pathway 3

**C** left school with few GCSEs and went on to College to do a study programme and Functional Skills.

Having completed these and also passing Functional Skills Entry level, **C** could not decide what to do.

They got a basic job in a warehouse but did not like working in this environment so moved to a labouring job in construction.

After some years they had started, supported by workmates, to use some construction plant and loved this job. **C** saw an advert for a Construction Plant Bootcamp for the HS2 Project on-line.

**C** attended the course and was successful. They passed the Bootcamp, gained a CPCS RED card for two types of major plant and were immediately given a job on the railway project. They will continue to develop their skills to get a full BLUE card over a two-year period.



# Governance and delivery

Central Government needs to 'own' the overall governance of the Sustainable Skills System and work in co-ordination with the devolved Governments in Northern Ireland, Scotland and Wales.

In England, the role and authority of the different leaders for the localised economic regions e.g. Mayoral Combined Authorities, Local Enterprise Partnerships (LEPs), Chambers etc. are critical to success and need to be embedded in the governance arrangements.

The same is true of the employers and their various industry bodies and sector skills councils.

Clearly stated and defined roles for oversight and development are paramount, such as, in England, Ofsted on inspection and the Institute for Apprenticeships and Technical Education on occupational standards, apprenticeships, technical qualifications and modules.

High quality training development and independent assessment and certification is needed from awarding organisations (former ABs, AOs and EPAOs) and universities, with quality assurance control from organisations e.g. Ofqual in England and Qualifications Wales in Wales.

High quality training delivery needs to include full-time provision such as that in Further Education Colleges and universities as well as, as importantly, work-based learning as provided by independent training providers. All have their important and different role to play.



# Employer involvement

Employers are critical to the success of a skills system and need to be engaged. We need employers to be realistic about what can be achieved and also contribute to a debate where-by a proportion of the workforce can be partially competent, rather than having to be competent for all situations.

The current system requires employers to lead the process, yet it is widely reported that they neither want or feel able to do this.

SMEs particularly are excluded from this process, yet they are often the innovators, and will need new skills soonest.

Employers want to be involved in the process but the skills sector needs to take control and lead the way by:

- Designing the occupational standards to build the skills pipeline
- Working with employers of all sizes to build foundations of future skills not yet in high demand



# Sustainable funding

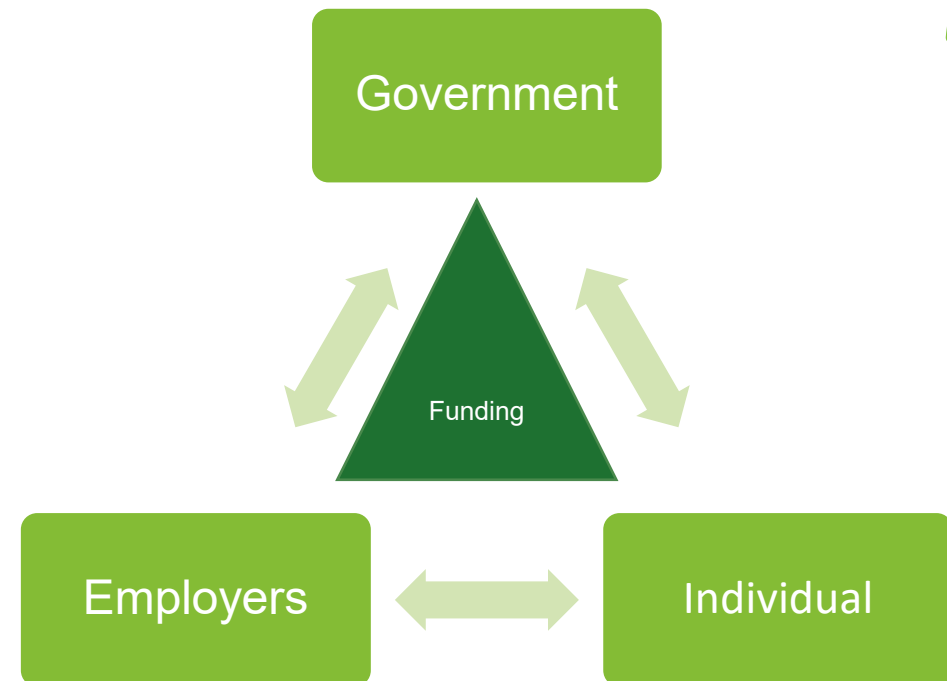
To support a sustainable, agile skills system, funding is key, and value is required from all three parties to the system.

We need an equitable and fair split of funding from the three parties.

The system must be streamlined and match the differing payment profiles of, for example, front-loaded apprenticeships as well as the ability to easily deal with situations where apprentices move employer or change programme.

There needs to be simple funding arrangements to cover all parts of the economy and all sizes of employers.

The system needs to cope with modules, full programmes, and the differing pathways a learner might take.





# Sustainable funding – Government

Government spending in real terms has fallen considerably.

The complexity of the funding masks the reduction.

Funds are allocated either directly via the Education and Skills Funding Agency (ESFA):

- 16-19 education.
- Half of the Adult Education Budget.

Or via the devolved local and mayoral combined authorities:

- Half of the Adult Education Budget.
- Via the Apprenticeships Levy, managed by the ESFA, but dependent on employer contributions.
- Via the student loan company for some FE students.

Yet to meet Government policy objectives, through Levelling Up, Build Back Better and Build Back Greener, we need many more skilled workers. This is not just new entrants from the education system, but the essential upskilling of the existing workforce.

Government needs to invest in both new entrants as well as upskilling to achieve this. This could include Government funding for certain types of learners, an Education Maintenance Allowance (EMA) and full funding for apprentices 16-19 years old.



# Sustainable funding – Employers

At present, outside of the Levy, employer investment has fallen.

The number of apprenticeship starts is down to around two thirds of that before the Levy was brought in. Clearly this is very concerning.

Whilst understanding the debate about making the Levy wider to cover other training, the result of this, if the Levy is not increased, is that the number of apprenticeship starts will be cut to a third of that prior to the Levy coming in, which is even more disastrous.

What are the options for increasing the ‘employer’ contribution, to be coordinated by Central Government?

- Option 1: Do nothing and remain as we are, fixing nothing.
- Option 2: Increase the % paid by the present Levy paying employers and earmark a set % for other training and support (e.g. EMA, functional skills modules for new green skills). This could include reducing the payroll cut-off sum in order to bring more SME employers into paying the Levy.
- Option 3: Widen out the number of employers paying the Levy but retain it for apprenticeships with some flexibilities at the margins. Plus introduce a Skills Tax Credit for training.
- Option 4: Do away with the Levy with the risk of reduced investment in skills in the storm of potentially the worst recession in UK history.

# Sustainable funding – Employers

Both Options 2 and 3 should result in an increase in employer investment but care will be needed on how fast to introduce this during the recession. An option analysis is needed.

There has been a lot of debate over the Education Maintenance Allowance (EMA). In this respect both Options 2 and 3 could fund EMA for apprentices and learners being supported by employers through these programmes.

Central Government needs to coordinate the employer contribution e.g. Levy and say a Skills Tax Credit system. Other than perhaps a very limited number of overall strategic programmes, it seems better that everything else is delegated, through a single pot process to the local economic lead organisations such as the Mayoral Combined Authorities, Chambers of Commerce and LEPs. This will allow them to implement the Local Skills Improvement Plans (LSIPs) in a more meaningful way.

If we are going to be serious about skills investment, then any under-spends on the employers' contributions through the level of Skills Tax Credit or the Apprenticeship Levy should be given to local economic leading organisations. This could be used, for example, to fund local priorities as well as capacity building for tutors and assessors in the new green, digitisation and productivity improvement skills.



# | Sustainable funding – Individual

In many other countries individuals pay a higher proportion for their own skills development.

The tradition in the UK is that individuals will not do that to the scale needed, e.g. we have only tens of thousands of people who will take out loans against a need to re-skill the target 32.8 million people.

The low unemployment situation, coupled with the cost-of-living crisis means that individuals are not able or do not need to retrain on long term programmes. Policy ideas such as 'adult' T Levels are unlikely to be attractive to other than a small minority of learners.

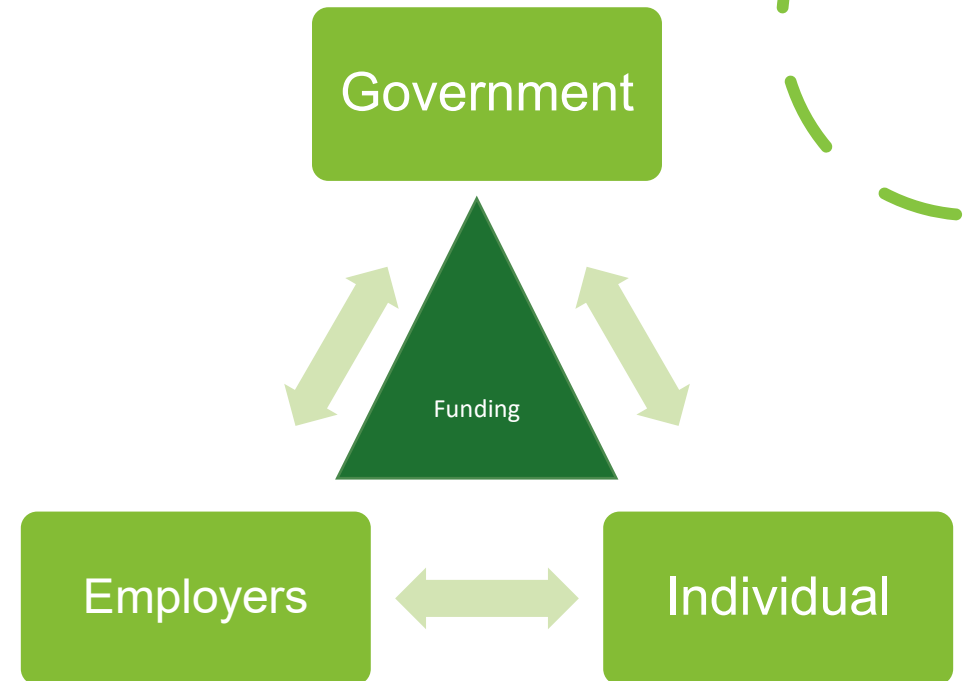
In addition, the low wage for an apprentice is less attractive than a low-skilled but higher paid job, even if it has no long-term career prospects.



# Sustainable funding

We need a Sustainable Skills System which is properly funded by employers, Government and, to a much lesser extent, the individual.

The system needs to be streamlined, agile and fit for purpose, not just for now but for the next decade.



# Everyone engaged

**All parties need to be engaged in developing the National Skills Strategy for a green and competitive economy with the underpinning Sustainable Skills System that will deliver it:**

- Governments across the UK.
- Local authorities & bodies - Mayors, LEPs etc.
- Employers.
- Industry organisations - CBI, BCC, FSB etc.
- Trade bodies.
- Professional bodies.
- Industry training bodies - e.g. CITB, ECITB
- Trade unions.
- Training providers.
- Awarding/assessing organisations.
- Content providers and publishers.





# Let's all move forward the debate

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