



**COMPONENT ONE**

# **The UK's experience with labour market and vocational training**

**Jane Parry**

**Helen Devereux**



**October 2018**

## Contents

|   |    |
|---|----|
| Acronyms Used .....   | 3  |
| 1. Introduction .....   | 4  |
| 2. Recent History of Vocational Education and Training (VET) .....            | 4  |
| 2.1 Structure of VET .....  | 4  |
| 2.2 Gaps in provision .....   | 5  |
| 2.3 Political drivers and change .....  | 6  |
| 2.4 Employer role .....   | 7  |
| 3. The Changing UK labour market .....  | 8  |
| 3.1 Key labour market changes .....   | 8  |
| 3.2 The UK labour market and population mobility .....                        | 8  |
| 3.3 Scoping of future skills .....  | 11 |
| 3.4 Capacity-building around VET .....  | 11 |
| 4. Changing VET in relation to labour market needs .....                      | 12 |
| 4.1 VET impacts upon labour force quality .....                               | 12 |
| 4.2 Relationship between VET, age and career .....                            | 12 |
| 4.3 Gaps and inequalities .....   | 12 |
| 5. Future challenges .....  | 14 |
| 6. Relationship between VET and quality-orientated economic development ..... | 14 |
| 6.1 Case Study: Support for Maritime Training (SMarT) scheme .....            | 15 |
| 7. Recent policy development on these issues .....                            | 15 |
| 8. Conclusions .....  | 16 |
| References .....  | 17 |

## *Acronyms Used*

|       |  |
|-------|--|
| BIS   | (Department of) Business, Innovation and Skills (now the Department for Business, Energy and Industrial Strategy (BEIS)) |
| BME   | Black and Minority Ethnic (groups)   |
| CAVTL | Commission on Adult Vocational Training and Learning   |
| CEBR  | Centre for Economics and Business Research   |
| CIPD  | Chartered Institute of Personnel and Development   |
| DfE   | Department of Education  |
| ESS   | Employer and Skills Survey   |
| EU    | European Union   |
| GDP   | Gross Domestic Product   |
| IPPR  | Institute for Public Policy Research   |
| LEP   | Local Enterprise Partnership   |
| NVQ   | National Vocational Qualification  |
| NRS   | National Retraining Scheme   |
| OECD  | Organisation for Economic Co-operation and Development   |
| RQF   | Regulated Qualifications Framework   |
| SME   | Small and Medium (-sized) Enterprise   |
| VET   | Vocational Education and Training  |
| UKCES | United Kingdom Commission for Employment and Skills  |

## 1. Introduction

In the context of both responding to unemployment and employability, and in ensuring that a country's workforce is able to deliver the skillsets that are required by the economy, high quality vocational education and training stands as a key labour market activation policy (Hansen *et al.*, 2002). However, under the steer of the European Employment Strategy (now the Europe 2020 growth strategy), EU countries have approached this challenge very differently, and the UK has tended to adopt a distinctive perspective on supporting its vocational training infrastructure. Within the OCED, the UK's expenditure on active labour market policies has been notably low (Zwart and Baker, 2018). Notwithstanding this, the current position taken by government in the UK is that the adult skills system plays a crucial role in economic growth (BIS and DfE, 2016). Notably, devolution in the UK has enabled variations in vocational education and training systems to evolve in Scotland, Wales and Northern Ireland in comparison to England.

This report reflects upon the recent history of vocational education and training in the UK, relating changes in the labour market to changes in how VET is organised and delivered, in order to meet the skills challenge of the future. It then turns to the policy challenges that are currently being raised as to how VET can underpin and drive quality-orientated economic development, taking into account broader trends and the stakeholders that need to be engaged in this process.

## 2. Recent History of Vocational Education and Training (VET)

In delivering on VET'S aim to harmonise training and the skillsets demanded by the economy, the UK has traditionally adopted a hands-off approach in terms of intervening on quality, and coordinating employer-employee needs. This is otherwise known as a voluntarist or liberal market approach, and rests upon the assumption that qualified job-seekers will align themselves with positions, providing for a relatively flexible, and potentially responsive, jobs market. Notably this style is distinctive from the majority of other European countries, who have, in large part, taken a more interventionist approach to VET.

### 2.1 Structure of VET

The UK organises its vocational training around National Vocational Qualifications (NVQs), rebranded as the Regulated Qualifications Framework (RQF) in 2015, which runs from levels 1 to 8. These are competency-focused work-based qualifications. Apprenticeships provide a work-based aspect of study, addressing intermediate-level skill shortages. Notably, VET in the UK is more focused on adult apprenticeships than are its European comparators, where youth apprenticeship schemes have tended to be more established and integrated with the education system (Fuller and Unwin, 2011).

The Learning and Skills Act of 2000 provided for the UK's Learning and Skills Council to coordinate training with employers' needs for skills. The UK Commission for Employment and Skills (UKCES) was established in 2008 to raise employers' voice and to provide guidance to the sector on skills and employment, in part informed by the Employer and Skills Survey (ESS) that it managed. The UKCES closed in 2017 amid funding cuts, superseded by the Institute for Apprenticeships. VET provision in the UK is diverse, ranging between employers, and with greater investment made by larger organisations (Page and Hillage, 2006). However, 60% of private sector employment in the UK is

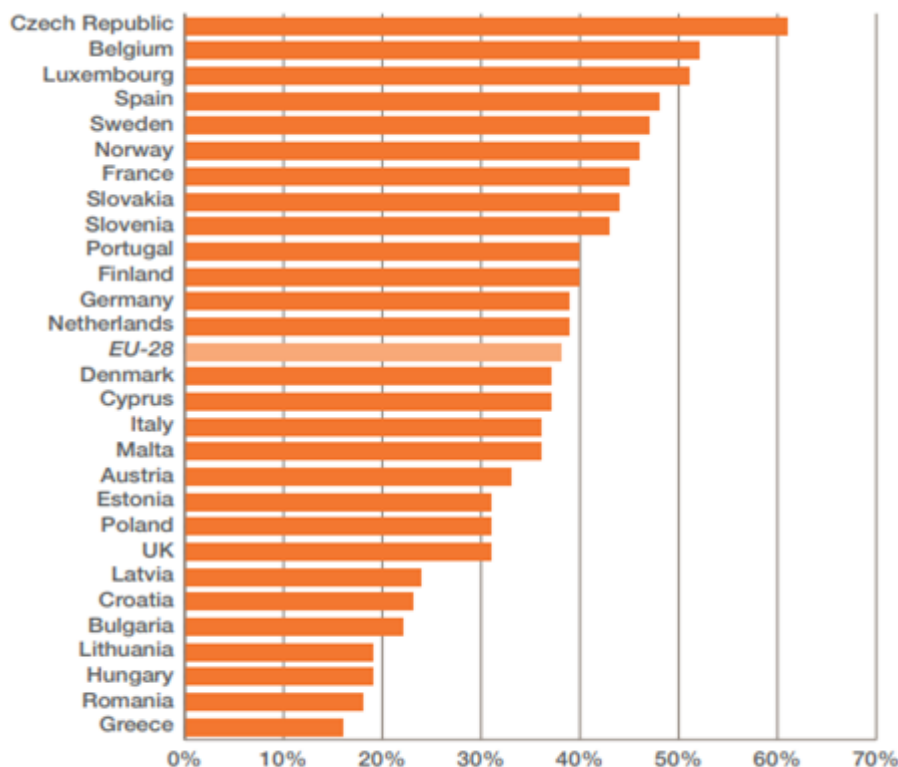
provided by small and medium enterprises (SMEs), that is, a jobs market of 16.1 million<sup>1</sup>. This presents a potential gap in provision.

Delivery of VET in the UK is through a mixed market of providers from the public, private and third sectors (charitable organisations), with approximately half of government funding for skills going to further education colleges (Dromey and McNeil, 2017). Consequently, there is variation of coverage between areas. Very often providers do not specialise in providing VET, but its delivery will form one part of their remit.

## 2.2 Gaps in provision

There is growing concern in the UK around the mismatch between VET and employer need. Furthermore skill shortages are not aligned with the expansion in higher education seen over the past two decades, which has seen a movement from a small professional elite to a mass education system (Foley and Brinkley, 2015). Critical debate has long regarded VET as a weakness in the UK’s education system, and the UK currently scores 16<sup>th</sup> out of 20 OECD countries on its technical education (OECD, 2014). Participation levels in continuing vocational training are relatively low in comparison to the rest of the EU, with the UK falling into the bottom quarter of countries participation-wise (see Figure 1).

**Figure 1: Employee participation in continual vocational training (%) by EU country, 2010**



Source: Eurostat 2014

<sup>1</sup> <https://www.fsb.org.uk/media-centre/small-business-statistics>

By the 2000s, it was already being estimated that one in five UK firms were experiencing inadequacies in employees' skills (Page and Hillage, 2006), with particular areas of need identified around communication, customer services and team-working. The greatest skills gaps were recognised around semi- and unskilled staff, precisely the groups who were the least likely to receive work-related training.

So too, inadequacies have been identified among those undergoing training, with one third of NVQ completers finding themselves unable to translate their qualifications into the kinds of earnings and career progression that they might expect (Wolf Report, 2011), an indicator that led the authors to conclude that the UK's systems of vocational qualifications was no longer fit-for-purpose. Analysis of this inconsistency has identified a two-fold problem: that NVQ qualifications were too shallow and narrow in scope for modern job demands, and in relatively broad occupational pathways, but also that the structure of the UK's labour market incorporated an abundance of lower-level jobs with little opportunity for career progression (Brockmann *et al.*, 2011; Keep, 2012). Indeed, Dieckhoff's comparative analysis found that VET provided only a weak safety net, with untrained individuals not significantly worse off than those who had undergone vocational training (2008).

### 2.3 Political drivers and change

Fluctuation in the UK between Conservative and Labour governments has, in turn, presented a distinctive set of political imperatives driving VET policy. In the 1990s, under a Conservative government, further education colleges became self-governing, with the intention of becoming more responsive to local labour market need.

The mood shifted again under the subsequent New Labour government (1997-2010), which concentrated on expanding state investment in education and training, aiming to make UK workforce skills more competitive. It advocated for a VET system that produced, "*a modern class of technicians, associate professionals and people with higher-level craft and trade skills*" (BIS, 2009: 6).

VET policy in the UK was influenced by the aforementioned Wolf Review of 2010, reviewing age 14-19 vocational education and training; in assessing the then system of vocational qualifications as not fit-for-purpose, the Review (2011) recommended greater deregulation of providers and the expansion of apprenticeships. A further independent review of VET was conducted by the Commission on Adult Vocational Training and Learning (CAVTL) under the Coalition Government<sup>2</sup> (2010-15), part of whose remit was to identify good practice in the sector. This too pushed for the UK's VET system to modernise in order to respond to current challenges and transformations:

*"Strong advanced economies need high-quality vocational education and training that can respond to and prepare us for all changes in work, advances in knowledge and technology, and the increasing demand for people with higher levels of skills."* (CAVTL, 2013: 7)

The report contended that the most important enabler of a successful VET system was its design to work "*as a two-way street*" (2013: 7), that is, being driven by genuine collaboration between training providers and employers, in contrast to the way in which education and skills have tended to be positioned as separate sectors in the UK. The review also emphasised the importance of fostering the sort of VET system that would complement SMEs, where it saw the greatest growth as being.

---

<sup>2</sup> The first Coalition Government in the UK since the Second World War, and formed between the Conservative and the Liberal Democrat parties.

Following CAVTL's review, and driven by a concern to improve the UK's global competitiveness, the current<sup>3</sup> Conservative government has pledged to invest £500m a year in VET. However, adult skills funding has been much depleted by the austerity measures initiated by the Coalition Government in 2010, to the extent of dropping by half over the period 2010/11 and 2020/21 (Round, 2018), and the UK has some distance to travel in catching up with its European neighbours on this issue.

## 2.4 Employer role

Successive UK governments have positioned themselves as employer-led in their approach to VET. However, their policy actions have not always matched this rhetoric, and indeed the voluntarist approach which has broadly characterised the UK's actions on VET provides for a shortfall to potentially arise in the alignment of skills development with employer needs. Consequently, the UK has recently seen increased pressure for an industrial strategy, some response to which has been provided by the Government's 2017 *Industrial Strategy* white paper (see section 6).

Perhaps the most significant recent policy action on VET, and an attempt to engage with relatively low levels of employer investment in training in the UK, has been the 2017 introduction of the Apprenticeship Levy. Under this system, employers who have a paybill of more than £3 million are compelled to invest 0.5% of this in apprenticeship programmes, a requirement that it is estimated will affect 2% of UK employers (HM Treasury, 2015). Non levy-paying employers have 90% of apprenticeship costs met by government, in a policy framed as a 'co-investment', with more concessions available to smaller employers. So too the digital apprenticeship accounts of levy-paying employers will be topped-up a further 10% by government, and where training costs exceed the amounts in their accounts, government will invest 90% of these budgets.

It is still too early to evaluate the impact the Apprenticeship Levy, particularly as take-up and knowledge has been uneven in its first year of operation (CIPD, 2018). However, early indicators on the direction of travel is that the Levy will increase the number of apprentices as anticipated, although about a quarter of employers appear not to be engaging at present (CIPD, 2018), and SMEs are a key group to convince, whose barriers to training may extend beyond financial factors. The CIPD's<sup>4</sup> analysis also suggested that there was an issue around widening access to be broached around apprenticeships, since young people from BME and low-income backgrounds were about half as likely to be taken on for a level 3 apprenticeship, in turn limiting their labour market mobility (CIPD, 2018), an access concern echoed by the Learning and Work Institute (2018). The Apprenticeship Levy has not yet addressed this issue. An additional concern is that the Levy might incentivise some employers to present pre-existing training as apprenticeships, representing no overall gain in training opportunities, a concern that could be allayed by requiring employers to spend funds on in-demand skills (OECD, 2017). The OECD also make the case that employer reluctance around utilising the Levy highlights the need to make a stronger business case to employers of the need for training (2017), that is, of the productivity, profits and workforce gains to be produced from investing in training.

---

<sup>3</sup> At the time of writing, in power 2015-2018 (with a General Election in 2017).

<sup>4</sup> The UK's professional association for human resource management specialists.

### 3. The Changing UK labour market

*“We are living in a period of profound economic turbulence. Establishing a sound economic footing for future generations will require us to value and develop, as never before, people with the creative ability to combine technical, professional and personal skills. Businesses are operating in increasingly demanding and dynamic environments – their needs for skills and knowledge changes with every new technology, every product, and every significant new customer who comes along. And with job growth likely to be greatest in small companies, we need a strong VET system to support those businesses, and to recognise and nurture entrepreneurial talent.” (CAVTL, 2013: 11)*

#### 3.1 Key labour market changes

One of the key changes to the modern labour market, which will affect workforce planning and skills investment is that with increasing life expectancies working lives will be extended, and with this there will be a need to expand lifelong learning. So too, an ageing demographic will drive an increased demand around particular sectors, such as the need for more health and social care staff.

The march of technology has multiple impacts in terms of vocational education and training. It is transforming the learning experience: how it is structured, but also its timescale, and the nature of learning-teaching relationships. So too technology and automation are continually changing labour markets, as well as how individual jobs are performed, which has cumulative impacts upon the kinds of skills that are required within the workforce.

Globalisation has unequal impacts upon regions, with some local areas in the UK seeing a significant loss of work, and with that a disruption of their skills expectations. National labour markets have seen dramatic changes in recent years (Halford *et al.*, 2016) in terms of both labour market structures and new organisational forms, including subcontracting, outsourcing, and looser networks of organisations working together towards particular aims. All of this affects employers’ skill requirements. With shifts in the way that work is organised, there has been a loss of lifelong occupational security, and this informs career expectations and underlines a need for lifelong learning to ensure that individual skillsets remain current.

A further complicating factor in VET provision is the increasing incidence of non-standardised employment across Europe, in which access to training, as well as social protection may be more limited. Non-standard employment, which in data collection terms has included part-time, temporary, fixed-term work, and self-employment, is often precarious and increases workforce inequalities. It can additionally have very variable levels of employment protection and working conditions, including the opportunity to pursue apprenticeships and skills development. This may be an issue for forms of work in which younger workers are over-represented, such as involuntary part-time work and digital platform work. In the UK, non-standard employment has taken on a particular significance: self-employment has risen rapidly in recent years, temporary agency work is the highest in Europe at 3.8%, and there was a big increase in the proportion of people employed on zero-hours contracts from 2013 in the UK (Eurofound, 2017). Low-skilled workers are particularly likely to experience this kind of job insecurity (Zwart and Baker, 2018).

#### 3.2 The UK labour market and population mobility

While changes in work have been a common experience in developed countries, the UK labour market has a number of unique features or circumstances. Primary among these is the current context of Brexit, and the uncertainty of how this will affect labour supply, which is in turn prompting mounting



pressure for strategies to be developed that will enable the UK to cope with the loss of a skilled migrant workforce. A recent IPPR report framed the insecurity presented by Brexit, and the skillset changes likely to occur in the UK over the next decade or so, in terms of a ‘skills crisis’ (Dromey and McNeil, 2017).

The UK has seen a shift away from market dependence upon manufacturing towards a service-based economy, a transformation that has occurred in a relatively short space of time, and which demands a significant reskilling of its workforce. There have been notable gendered dimensions to this, since manufacturing industries were often male-dominated, and at the same time, there has been growing polarisation between higher and lower-skilled jobs. Furthermore, social mobility is limited in the UK, which has one of the lowest-levels of intergenerational social mobility in the OECD (Zwart and Baker, 2018). The OECD has estimated that it would take 5 generations for children born into families at the lower end of the income distribution to reach average income: children’s qualification patterns and occupational attainments tend to mirror their parents’ (OECD, 2018). Furthermore, an estimated quarter of UK workers have low basic skills, a figure below that of most other OECD countries, and this has lasting impact upon employability, career progress, and dispositions towards lifelong learning (Zwart and Baker, 2018).

While internal labour mobility characteristics are decidedly less marked in the UK than in China, there are still some characteristics to be noted. These are key to the analysis of VET development, since participants can only engage in training that sits within the orbits of their mobility. The UK shares with the rest of Europe, higher levels of inter-regional labour mobility than of cross-border mobility, with local authority mobility estimated at 4.9%: which is comparatively raised within the EU, albeit measured differently (Eurofound, 2014). Cross-border mobility flows, while low overall (about half that of the US), as with other EU countries, are raised for countries with related languages, that is, for example between the UK and Ireland (Eurofound, 2014): language being an enabler in work.

Some gendered effects around internal labour mobility are observable, such as female graduates’ greater mobility than their male counterparts (Faggain *et al.*, 2007). There has also been some limited evidence that individuals with more resources are better equipped to respond to regional labour market disadvantage through becoming mobile, and stronger evidence that it is the young adult population that is most likely to become geographically mobile in order to pursue more productive labour markets (Pearson and Lawless, 2012). Individual resources structure students’ experiences of mobility, with greater geographic mobility displayed by the more socio-economically advantaged groups of undergraduate students (Donnelly and Gamsu, 2018). Correspondingly, least student mobility, as measured from ‘home’ to region of study, is observed in more deprived regions, including the North East and North West of England, and Wales, areas historically associated with working-class culture and industry in the UK (Donnelly and Gamsu, 2018). The authors noted that staying closer to home for these students provided a complex mixture of family and cultural resources, which outweighed the perceived benefits of mobility at this stage in their life. Such mobility differences are significant if they then lead to longer-term geographic patterning of post-graduation skills, which disadvantage particular regions in responding to skill shifts in the labour market, and which will consequently require a nuanced and responsive local industrial strategy to resolve.

A factor which impacts on the UK’s internal labour mobility is the availability of public transport, particularly in relation to public transport utilised for commuting purposes. There are substantial variations – both in terms of per capita and in absolute terms – in public spending on transport in different areas of the UK. For example, the levels of planned public spending per capita on transport

is nearly five times higher in London than in Yorkshire and the Humber (IPPR 2018). Thus public transport is disproportionately invested in in different geographical areas, which in turn impacts upon, and potentially impairs, individuals' capacity to effect mobility within labour markets.

Within the UK, the housing market is also an important factor that impacts upon internal labour mobility, and there are several reasons for this. Firstly, research by the BBC (2018) revealed that for a one-bedroom rental flat to be considered affordable, an individual's gross annual income would need to be £24,800 in England. In Scotland this amount is £20,700 and in Wales it is £17,600. Thus there are substantial differences in housing costs in different geographical regions of the UK, which are reflected too in property prices. However, irrespective of these differences, minimum wage rates are universal across the UK in the public sector (with some London weightings). Consequently, the higher living costs in some areas are likely to make labour markets less mobile than they might be if there was more intervention around wage rates. It is therefore unsurprising that research indicates that low skill/education workers – who typically earn lower salaries – are particularly constrained by the housing market (Gregg *et al.*, 2004).

Secondly, there is a shrinking stock of social housing<sup>5</sup> and government data indicates that 1.8 million households are waiting to be allocated a social home (Shelter, 2018). The waiting time for such an allocation is lengthy and an analysis of the English Housing Survey in 2010/11 showed that two-thirds of those on the waiting list had been waiting for longer than one year (Shelter, 2018). Consequently, once a family is allocated a social home in a particular area, the household is likely to be reluctant to give up this home since the allocation of a home in a different geographical area can entail a substantial wait. The Centre for Social Justice (2013) in the UK argues that social housing tenants are disproportionately geographically immobile in comparison to the rest of the population and a key reason for this is the current social housing system, which they suggest traps social tenants in geographical areas. There are complex reasons then, why labour market mobility in the UK is informed by socio-economic factors, and it cannot be assumed that population movement will follow skill shortages without first addressing the infrastructural issues raised here, and tackling the *causes* of the barriers to geographic labour mobility.

By contrast, there are some aspects of the UK welfare system that promote internal labour mobility. The welfare system provides work-related benefits, which are universally applicable across all areas of England, Wales and Northern Ireland<sup>6</sup>. Thus, individuals are free to move around these areas of the UK and remain entitled to the same benefits, such as Universal Credit, which financially supports individuals seeking work. In many other senses, however, the introduction of Universal Credit has attracted widespread criticism (Dwyer and Wright, 2014; Millar and Bennett, 2017), not least for failing to support workers in precarious labour markets (Dean, 2012). There is also concern that a single benefit (Universal Credit replaced six previous working benefits) will inevitably be unable to provide appropriate support to claimants' wide range of labour market and broader circumstances (Millar and Bennett, 2017). This signals a clear need for employment and social protection management systems to work together in an integrated way to ensure that workers on low incomes are able to effect desired mobility and skills development that is also likely to benefit the economy.

---

<sup>5</sup> Shelter (2018 [online]) defines social housing as: "housing let at low rents on a secure basis to those who are most in need or struggling with their housing costs. Normally councils and not-for-profit organisations (such as housing associations) provide social housing in the UK."

<sup>6</sup> Scotland now has devolved power of its welfare system.

Additionally, policy instruments need to work intelligently, informed by labour market data to tackle geographical disparities, and to talk to each other on multiple levels. Despite this, Eurofound (2014) noted a broader lack of utilising policy instruments to target mobility around skill shortages in EU countries, and even less evaluation of these techniques.

### 3.3 Scoping of future skills

Changing labour markets and occupations will shift the skills base needed within the UK economy. Certain occupations, including education, healthcare, and public sector organisations have been forecast to grow, while there will be a reduced demand for the skills incumbent in construction, agriculture, and administration (Bakhshi *et al.*, 2017). Through mapping future employment patterns, the authors of the Nesta report anticipated that the skills most central to the new economy will be communicative, higher-order cognitive, systems and digital skills. The latter will be critical both in and of themselves in a labour market being driven by technological change, but also in terms of being maintained over the lifecourse, and in training being integrated into occupational structures across social groups. Other jobs likely to prove resilient, or for which there will be increased demand include those not subject to international trade, such as food preparation, hospitality and leisure services, and elementary occupations; creative jobs; and artisanal jobs (Bakhshi *et al.*, 2107).

One of the challenges for policy makers will be developing the kinds of training infrastructures that ensure a ready labour supply of the skills needed for the future economy, and many of the UK's future skills needs are anticipated to be at the VET level. Other key trends driving the UK's future job markets are decarbonisation and the creation of green jobs (such as, scientists, engineers and technicians); the ageing demographic (informing a need for more health and social care staff, and prompting concerns about replacing retirees); globalisation (prompting the unequal distribution of work and loss of work opportunities in some areas; and Brexit (and the potential loss of a migrant workforce) (Dromey and McNeil, 2017).

### 3.4 Capacity-building around VET

The challenge then, is building capacity around vocational education and training in order to meet the demands of the new work landscape and quality-orientated economic development within a global economy. So too VET systems much be responsive to local needs and maintain the quality of the qualifications provided, in order to ensure appropriate coverage that fits with employers' needs. Part of this will include ensuring that local enterprise partnerships (LEPs) – the voluntary partnerships between local authorities and businesses, with the responsibility for leading on local economic growth - have good access to labour market data to support this. Funding cuts around the UK's austerity policy (2010 – current) have provided an additional challenge, and Brexit is likely to further complicate matters.

The key response to changing skill demands from the UK government has been the Apprenticeship Levy (see section 2.4 above), operational from 2017, and intended to bolster adult further education. Critics have already suggested that the Levy will be insufficient to counter existing skills deficits in the workforce, and have proposed that its reach be extended as a central strategy of investing in high-quality skills development and VET (Dromey and McNeil, 2017).

#### **4. Changing VET in relation to labour market needs**

A number of areas of the UK's vocational education training system look likely to shift in the near future in relation to its changing labour market.

##### **4.1 VET impacts upon labour force quality**

The funding cuts of the UK's austerity regime have had the unintended effect of incentivising training providers to pursue easy wins, that is, to offer cheaper-to-deliver and more simple courses, at the expense of developing more complex and higher-quality training that might engage employers in more challenging ways. The effect of this can be to work against the development of specialist and higher-quality vocational training, and to exacerbate skills gaps in some sectors, at precisely the point when future indicators point towards an economy that requires a range of innovative and specialist skills (Bakhshi *et al.*, 2017; Dromey and McNeil, 2017). This is already becoming apparent: in 2015 the UKCES Employer Skills Survey reported that 14% of employers were experiencing skills gaps within their workforces, and two-thirds of employers were experiencing recruitment difficulties (UKCES, 2016). A consensus is emerging in the UK that its VET system is in urgent need of steering towards greater trainee-skills alignment or matching in order to avoid further growth in the skills gap, and with it an overall decline in labour force quality.

##### **4.2 Relationship between VET, age and career**

A critical issue in the ensuring that VET meets the needs of the future workforce is taking a lifecourse approach to training needs, particularly so with increasing life expectancy and the kinds of demographic shifts that necessitate extended working lives as a policy tool. The UK's participation in lifelong learning is currently higher than the EU average (19.4% compared to 9.1%) (European Centre for the Development of Vocational Training, 2013). So too, apprenticeships have been getting older in the UK, influenced by the 2017 funding changes. However, apprenticeships still remain a relatively younger training experience in the UK, with 54% of starts from the under 25s (Powell, 2018). So too, the UK's vocational training system has been criticised for its rigidity around specific occupational pathways, which fails to foster the kind of outlooks among participants likely to position them as lifelong learners (Keep, 2012).

##### **4.3 Gaps and inequalities**

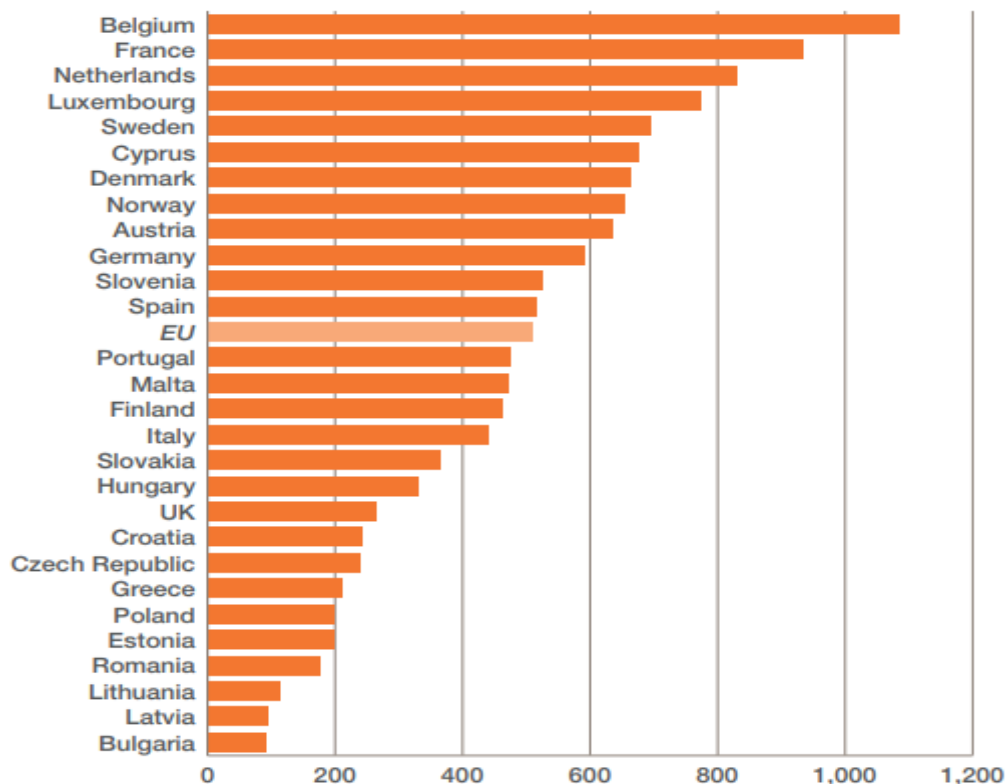
A number of gaps and inequalities are evident in the UK VET system, which provide learning for future development. Firstly, pay progress has not matched VET development (Leitch, 2006), some indication that the UK's vocational training has low value with employers. One consequence of poor alignment between VET and post needs, noted by Dieckhoff (2008), is that employers need to provide additional in-house training; however, internal training will be job-specific and unlikely to provide transferability to other organisations, potentially keeping employees stuck in posts that they have outgrown. Indeed, the OECD estimate that the UK has one of the EU's highest rates of under-qualification (2017). Simultaneously, it displays the single highest rate of over-qualification for jobs (Dromey and McNeil, 2017), suggesting a mismatch at the higher education level between qualifications and workforce skills needed. Over-qualification is itself a form of underemployment, and indeed the underutilisation of skills within the economy provides a concern regarding its potential impacts upon national efficiency. The authors of the IPPR report suggest that some of the indicators that can be utilised to identify workforce skills shortages include low productivity, low pay, and sectoral imbalances (Dromey and McNeil, 2017). The OECD Skills for Jobs database currently identifies knowledge gaps in the UK workforce relating to education and training, health services and STEM subjects, as well as sectoral-

transferrable skills gaps around verbal, quantitative, complex problem solving, reasoning and social competences (OECD, 2017).

Relative to its EU neighbours, the UK currently has low levels of employer investment in VET, and this fell by 13.6% between 2007 and 2015 (Dromey and McNeil, 2017: 65) (see Figures 2 and 3 below). Notably, this comparison predates the introduction of the Apprenticeship Levy in the UK, which it might be expected will increase employer contributions over the longer-term.

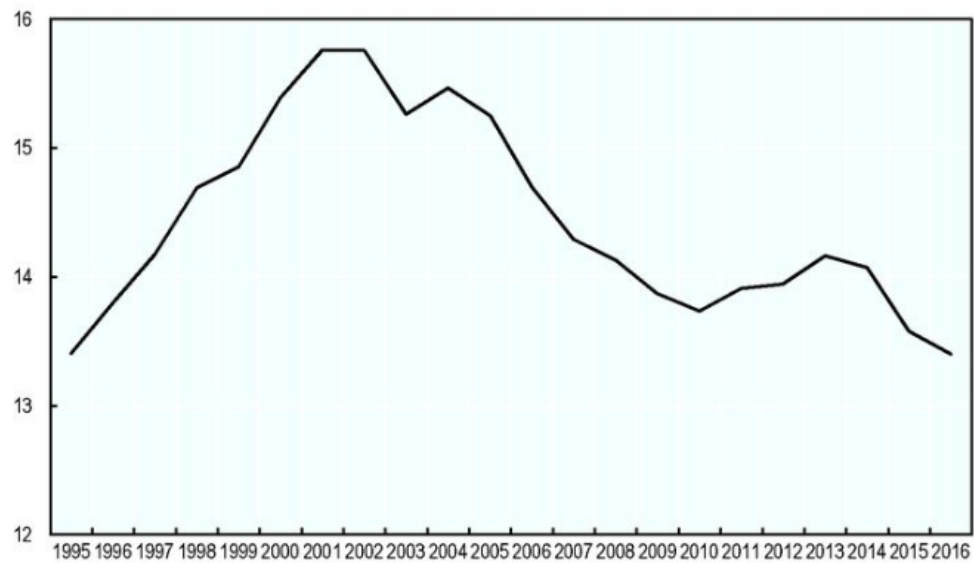
A further inequality in vocational training in the UK, is the growing geographical discrepancy in the UK’s provision, with a widening skills gap evident between the north of England and the rest of the UK (OECD, 2015). This is likely to have impacts upon productivity, and further exacerbate regional differences and quality of life issues (Round, 2018). The UK training system has proved ill-equipped to address workforce inequalities, particularly in terms of its poor engagement with deindustrialising regions (such as the north of England), and those with least skills and financial resources the least likely to participate in training. Zwart and Baker (2018) suggest that a useful policy response to addressing geographical skills mismatch issues would be to promote workers’ labour market mobility by removing barriers to their moving to posts where their skills were needed (see section 3.2).

**Figure 2: Cost per employee of continuing vocational training courses by EU country, 2010**



Source: Eurostat 2014

**Figure 3: Share of employees age 16-64 receiving job-related training in the UK over time**



Source: Office for National Statistics.

### 5. Future challenges

Key among the issues that will provide a future challenge to the way VET is organised in the UK is demographic change, and the ageing workforce which this has prompted. It is estimated that there will be a shortfall of 6.5m younger workers entering the labour market by 2022 (CIPD, 2012). The implications of this shift are that there will be a more pressing need for VET to be effectively targeted at young people to provide maximum occupational gain, but also that VET will need to expand its range across the labour force.

Alongside this, there is a need to raise and maintain the quality threshold of VET to ensure that it meets employers' needs within changing workplaces. Technological shift will be a key challenge within this, both in terms of provision reflecting how learning process are being revised by technology, and also in ensuring that vocational training's content incorporates ongoing skill shifts that have been driven by technological change.

### 6. Relationship between VET and quality-orientated economic development

The UK experience of VET provides several learning points in terms of how VET can impact upon quality economic development in the labour market. The Apprenticeship Levy has been the key policy tool used by UK government in recent years in taking a more proactive approach to VET, and even before this experts were arguing that investment in vocational skills would have economic benefits for the country. For example, the Centre for Economics and Business Research (CEBR) estimated that raising VET spending by 10% would in turn increase UK Gross Domestic Product (GDP) by £163b (CEBR, 2015). And in quantifying the impacts of existing spending, the CEBR estimated that investments over 2010-11 of £1.2b on apprenticeships had seen an economic impact of £25.3b (CEBR, 2013).

By contrast, low-skilled workers, one of the consequences of weak VET systems, actually have a negative impact upon national productivity and growth, and this is in direct contrast to the stimulating



economic effect of high-skilled workers (Zwart and Baker, 2018). The OECD argue that a key way for the UK to improve job quality and productivity will be through strengthening skills, and that this will also have significant impacts on individual quality of life since the impacts of higher skills on earnings is accentuated in the UK (Zwart and Baker, 2018; OECD, 2016). VET is a key tool then in promoting both labour market productivity and social mobility.

Another approach to stimulate VET provision has been preferential tax schemes for defined numbers, a catalyst that has been successful in some sectors, for example, in the UK seafaring industry (see case study in section 6.1 below). More broadly, there are relatively few sector-specific training levies in the UK, since this approach fell out of favour in the 1980s, and those remaining tend to be within the construction, engineering and film industries (OECD, 2017).

### 6.1 Case Study: Support for Maritime Training (SMarT) scheme

Shipping is an industry of key strategic importance to the UK, with 95% of imports and exports being transported by sea (Department for Transport, 2018). The Support for Maritime Training (SMarT) scheme was launched in 1998 to support the vocational training of officers, cadets and ratings (Maritime and Coastguard Agency, 2014). Alongside this, the UK Tonnage Tax scheme provides an incentive for the provision of training to seafarers, in that in order to accrue financial benefits shipping companies must sign up to and agree finding for training, basing this upon their fleet size. The way the scheme works is that shipping companies are provided with the opportunity to pay tonnage tax (a form of corporation tax) on a fixed notional profit, rather on than the actual profits made on their shipping activities, and that this is calculated on the basis of ships' net tonnage.

The scheme has been successful based on a number of indicators, which provides a strong signal that it has achieved quality-orientated economic development within the UK labour market. Officer Cadet numbers have doubled, and with this the industry has benefited from an improved supply of trained seafarers, an efficiency that has broader economic benefits. An independent review has estimated that each SMarT beneficiary generated an additional £14,500 output in comparison to the UK's average worker productivity, and that the scheme in total has produced economic benefits of between £58 and £70m (scaled up to current prices) (Chamber of Shipping, 2016). In recognition of this success, in 2018 the Government announced that SMarT funding would be doubled to £30m/year (Gov, 2018).

## 7. Recent policy development on these issues

The *Post 16 Skills Plan* of 2016 attempted to confront some of the long-standing problems in the UK's VET system, and to propose reform, including around VET's relatively weak standing and connections to work pathways. It set out a vision that effective training be provided to create a high-skill workforce, and that 16 year olds were offered robust choices about academic and technical training that prepared them for the modern labour market. This was to be provided through a common framework of 15 routes of technical education (branded 'T levels', and designed in consultation with employers), with a higher proportion of time invested in weekly training by participants than previously, and a raising of the quality standards of technical education to new global standards. This is in contrast to the markedly varied routes through vocational education that have previously characterised the sector, including more than 20,000 courses being on offer (Zwart and Baker, 2018). The Institute of Apprenticeships, which is part of this sequence of policy change, sets out to coordinate employer panels around apprenticeship standards.

Following on from this, the UK's *Industrial Strategy* white paper has committed the Government to raising the standing of technical education to that of academic education, with high levels of occupational competency (HM Government, 2017). This has been kick-started by the extension of the Apprenticeship Levy earlier in 2017, intended to provide for 3m new apprenticeship starts by 2020, and it was anticipated that T-levels would eventually attract £500m of funding. The White Paper also announced the creation of a National Retraining Scheme (NRS), tapping into concerns that training required a more age-distributed focus to be taken, as well as those relating to the changing skills makeup necessitated by an increasingly digitised and automated labour market. The NRS would be stimulated by a £64m investment in the priority areas of digital and construction training, and together this policy programme provides some departure from the UK's more traditional free market (and arguably unsuccessful) approach to VET, offering the potential to bring it more in line with the more interventionist approach of comparable developed countries.

## 8. Conclusions

Vocational training stands amid changing times and some of the new challenges ahead will call for more responsive VET infrastructures, that expertise and skills are built in line with labour market demands, and that the quality of training is maintained. Thus far, the UK's market-reliant approach has not prevented skills gaps from emerging within its labour force, indicating a need for better communication with employers regarding their VET needs. Indeed, the pace of change amid international labour markets (Halford *et al.*, 2016) arguably calls for more accurate and nuanced forecasting and management of anticipated skills sets supported by high-quality data, with active labour market policies deployed around low-skilled workers for whom the risk of labour market deprivation is greater. This broader set of employment and social protection policy will need to engage with the barriers to mobility in order to promote participation in the kind of VET that will drive the skillsets of the economy's future.

Now and in the future, there is a need to invest in extending the reach of VET provision, as well as developing consistent incentives to ensure that employers in turn invest in VET. This process has already started in the UK with the Apprenticeship Levy, and initiatives like the SMarT scheme in the seafaring industry suggest the potential in developing sectoral schemes.

At the broader level, shifts in demography and work organisation will drive a demand for lifelong learning, and there is significant work to be done in developing an infrastructure that supports this. Finally, policy should focus attention on how high-quality VET can be driven, at the same time as making it attractive to deliver by the different kinds of providers who have come to characterise the UK vocational and education training market.



## References

- Bakhshi, H., Downing, J., Osborne, M. and Schneider, P. (2017) *The Future of Skills: Employment in 2030*, London: Pearson and Nesta.
- BBC (2018) Where does rent hit young people the hardest? <https://www.bbc.co.uk/news/business-45559456>
- BIS (2009) *Skills for Growth*, London: Department of Business, Innovation and Skills.
- BIS and DfE (2016) *Post-16 Skills Plan*, Cm 9280  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/536043/Post-16\\_Skills\\_Plan.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/536043/Post-16_Skills_Plan.pdf)
- Brockmann, M., Clarke, L. and Winch, C. (eds.) (2011) *Knowledge, Skills and Competence in the European Labour Market: What's in a Vocational Qualification?* Abingdon: Routledge.
- CAVTL (2013) *It's about work ... Excellent adult vocational teaching and learning*, Learning and Skills Improvement Service 324.
- CEBR (2014) *Economic impact of apprenticeships: A CEBR report for the Skills Funding Agency*. Available at: <http://www.cebr.com/reports/economic-impactof-apprenticeships>
- CEBR (2015) *Report for the City & Guilds Group*.
- Centre for Social Justice (2013) Social mobility requires geographical mobility.  
<https://www.centreforsocialjustice.org.uk/csaj-blog/social-mobility-requires-geographic-mobility>
- Chamber of Shipping (2016) *SMarT Plus*.
- CIPD (2012), 'Managing a healthy ageing workforce: a national business imperative'. London: CIPD.
- CIPD (2018) *Assessing the early impact of the Apprenticeship Levy: Employers' perspective*
- Dean, H. (2012) 'The ethical deficit of the United Kingdom's proposed Universal Credit: Pimping the Precariat?', *Political Quarterly*, 83 (2): 353–9.
- Department for Transport (2018) UK port freight statistics 2017  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/739789/port-freight-statistics-2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739789/port-freight-statistics-2017.pdf)
- Dieckhoff, M. (2008) 'Skills and occupational attainment: a comparative study of Germany, Denmark and the UK', *Work, Employment and Society*. 22 (1): 89-108.
- Donnelly, M. and Gamsu, S. (2018) 'Regional structures of feeling? A spatially and socially differentiated analysis of UK student im/mobility', *British Journal of Sociology of Education*  
<https://doi.org/10.1080/01425692.2018.1426442>
- Dromey, J. and McNeil, C. (2017) *Skills 2030: Why the Adult Skills System is Failing to Build and Economy that Works for Everyone*, IPPR [https://www.ippr.org/files/publications/pdf/skills-2030\\_Feb2017.pdf](https://www.ippr.org/files/publications/pdf/skills-2030_Feb2017.pdf)
- Dwyer, P. and White, S. (2014) 'Universal Credit, ubiquitous conditionality, and its implications for social citizenship', *Journal of Poverty and Social Justice*, 22 (1): 27-35.
- Eurofound (2014) *Labour Mobility in the EU: Recent trends and policies*, publication office of the European Union, Luxembourg  
[https://www.eurofound.europa.eu/sites/default/files/ef\\_publication/field\\_ef\\_document/ef14\\_56en\\_1.pdf](https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef14_56en_1.pdf)
- Eurofound (2017) *Labour Market Change: Non-standard forms of employment: Recent trends and future prospects*, Dublin: Eurofound  
[https://www.eurofound.europa.eu/sites/default/files/ef\\_publication/field\\_ef\\_document/ef17\\_46en.pdf](https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef17_46en.pdf)

- European Centre for the Development of Vocational Training (2013) *On the way to 2020: data for vocational training and training policies. Country Statistical Overviews*, Research Paper no.31, [https://warwick.ac.uk/fac/soc/ier/publications/2013/th\\_lg\\_cedefop\\_research\\_paper\\_no\\_31\\_2013.pdf](https://warwick.ac.uk/fac/soc/ier/publications/2013/th_lg_cedefop_research_paper_no_31_2013.pdf)
- Eurostat (2014) *Continuing Vocational Training Survey* <https://ec.europa.eu/eurostat/web/microdata/continuing-vocational-training-survey>
- Faggian, A., McCann, P. and Sheppard, S. (2007) 'Some evidence that women are more mobile than men: Gender differences in UK graduate migration behaviour', *Journal of Regional Science*, 47 (3): 517-539.
- Foley, B. and Brinkley, I. (2015) *Unemployed and overqualified? Graduates in the UK labour market*, The Work Foundation.
- Fuller, A. and Unwin, L. (2011) 'Vocational training and education in the spotlight: back to the future for the UK's Coalition Government?', *London Review of Education*, 9 (2): 191-204.
- Gregg, P., Machin, S., & Manning, A. (2004). Mobility and joblessness. In *Seeking a premier economy: The economic effects of British economic reforms, 1980-2000* (pp. 371-410). University of Chicago Press.
- Gov (2018) Government doubles trainee funding in SMarT move to boost UK maritime sector <https://www.gov.uk/government/news/government-doubles-trainee-funding-in-smart-move-to-boost-uk-maritime-sector>
- Halford, S., Hudson, M., Leonard, P., Parry, J. and Taylor, R. (2016) *The New Dynamics of Work Scoping Study*, Work Futures Research Centre Working Paper <http://workfutures.southampton.ac.uk/files/2013/08/2016-NewDynamicsOfWork.pdf>
- Hansen, H., Hespanha, P., Machado, C. and van Berkel, R. (2002) in van Berkel, R. and Møller, I.H. (eds.) *Active Social Policies in the EU: Inclusion through participation?* Bristol: Policy Press.
- HM Government (2017) *Industrial Strategy: Building a Britain fit for the future* [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf)
- HM Treasury (2015) *Spending review and autumn statement 2015*, Policy paper.
- IPPR (2018) New transport figures reveal North to receive "indefensible" £2,555 less per person than London. <https://www.ippr.org/news-and-media/press-releases/new-transport-figures-reveal-north-to-receive-indefensible-2-555-less-per-person-than-london>
- Keep, E. (2012) *Reforming Vocational Qualifications: Some problems ahead?*, SKOPE Issues Paper 28.
- Learning and Work Institute (2018) *All change: Where next for apprenticeships? Ten essays on quality, access and the future* <https://www.learningandwork.org.uk/wp-content/uploads/2018/06/All-Change-Where-next-for-apprenticeships-1.pdf>
- Leitch, S. (2006) *Prosperity for all in a global economy – World class skills*, The Stationary Office [http://dera.ioe.ac.uk/6322/1/leitch\\_finalreport051206.pdf](http://dera.ioe.ac.uk/6322/1/leitch_finalreport051206.pdf)
- Maritime and Coastguard Agency (2014) Support for maritime training <https://www.gov.uk/guidance/support-for-maritime-training-smart>
- Millar, J. and Bennett, F. (2017) 'Universal Credit: Assumptions, Contradictions and Virtual Reality', *Social Policy and Society*, 16 (2): 169-182.
- OECD (2014) *Skills Beyond School: Synthesis report*, OECD Reviews of Vocational Education and Training <http://www.oecd.org/education/skills-beyond-school/Skills-Beyond-School-Synthesis-Report.pdf>
- OECD (2015) *Employment and Skills Strategies in England, UK*, OECD Reviews on Local Job Creation, Paris: OECD Publishing [https://www.oecd-ilibrary.org/employment/employment-and-skills-strategies-in-england-united-kingdom\\_9789264228078-en](https://www.oecd-ilibrary.org/employment/employment-and-skills-strategies-in-england-united-kingdom_9789264228078-en)
- OECD (2016) *Skills Matter: Further Results from the Survey of Adult Skills*, OECD Skills Studies, Paris: OECD Publishing [https://www.oecd-ilibrary.org/education/skills-matter\\_9789264258051-en](https://www.oecd-ilibrary.org/education/skills-matter_9789264258051-en)

- OECD (2017) *Getting Skills Right: United Kingdom*, Paris: OECD Publishing [https://read.oecd-ilibrary.org/employment/getting-skills-right-united-kingdom\\_9789264280489-en#page1](https://read.oecd-ilibrary.org/employment/getting-skills-right-united-kingdom_9789264280489-en#page1)
- OECD (2018) *A Broken Social Elevator? How to promote social mobility. How does the United Kingdom compare?* Directorate for Employment, Labour and Social Affairs  
<http://www.oecd.org/social/broken-elevator-how-to-promote-social-mobility-9789264301085-en.htm>
- Page, R. and Hillage, J. (2006) *Vocational Education and Training in the UK: Strategies to overcome skills gaps in the workforce*, Institute for Employment Studies, Brighton.
- Pearson, S. and Lawless, P. (2012) 'Population mobility in regeneration areas: trends, drivers, and implications; evidence from England's New Deal for Communities Programme', *Enviro*
- Powell, A. (2018) *Apprenticeship Statistics: England*, House of Commons Briefing Paper.
- Round, A. (2018) 'Northern Leaders Must Tackle Widening Skills Crisis', IPPR  
<https://www.ippr.org/news-and-media/press-releases/northern-leaders-must-tackle-widening-skills-crisis>
- Shelter (2018) Improving social housing.  
[http://england.shelter.org.uk/campaigns/\\_why\\_we\\_campaign/Improving\\_social\\_housing](http://england.shelter.org.uk/campaigns/_why_we_campaign/Improving_social_housing)
- UK Commission for Employment and Skills (2016) *UKCES Employer Skills Survey 2015: UK Report*  
<https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-report>
- Wolf, A. (2011) *Review of Vocational Education – The Wolf Report*, London: Department for Education (DFE).
- Zwart, S. and Baker, M. (2018) 'Improving productivity and job quality of low-skilled workers in the United Kingdom', *OECD Economics Department Working Papers*, No.1457, Paris: OECD Publishing.