

## The Leitch Review of Skills : Learning, demographics and the workforce

### Background and summary

There have been many studies and Government Reviews of adult training and UK skills. The current Government Strategy for Adult Skills was published in a White Paper in July 2002. An update was published in March 2006 following a report on Further Education commissioned from Sir Andrew Foster (November 2005).

In the meanwhile, Gordon Brown asked Lord Sandy Leitch, former Chief Executive of Zurich Financial Services, to conduct a more fundamental review of the state of UK skills in the global context of economic and competitiveness trends.

This paper is TAEN's evidence to the Leitch Review following the Interim Report. It concentrates on the impact of demographic, workforce and life stage changes and the need for skills policies to respond. In summary, we conclude:

- The Skills Strategy is not working well for most adults and is regressive in the face of demographic change in the population and work force.
- It will not deliver the necessary improvement in productivity and competitiveness in the existing workforce (the "stock"), as distinct from the "flow" of young people into the workforce.

There are major paradoxes about the supply and demand for skills and their utilisation in the work force which need to be clarified in the final Leitch Report. If we do not resolve why it is so hard to convince both employers and employees to invest in adult training then the Leitch Report will go the same way as many previous reports.

The following changes would make the Skills Strategy work better and be a genuine life-long learning strategy:

- 1 A high focus on "front-end" motivational and change processes to overcome personal barriers to learning and job change.
- 2 Courses and qualifications fit for the circumstances of all-age adults as well as young people.
- 3 Personally owned learning accounts open to a wide range of people, not just those completing a full Level 2 and moving on Level 3 (announced March 2006).
- 4 Wider recognition of acquired skills and experience through working life.
- 5 Greater flexibility in the Level 2 funding criteria.
- 6 Increased funding obligations for employers.
- 7 Performance measurements of training (both government and employer sponsored) by age cohorts of adults related to speed of demographic change.
- 8 Removal of age-based ceilings on funding of adult learning.
- 9 Demonstrable all-age elements built into the Sector Skills Council's (SSC) programmes and agreements.
- 10 Maintenance of the ring-fencing of Personal and Community Development Learning, concentrated on community programmes plus charging of those who can afford to pay.

## The Skills Strategy and all age learning/training.

There are many good features about adult learning in the UK that are often not well understood:

- There are 20% more adults engaged in learning than in 1997 (Foster p 5).
- There is 75% public funding support for adult learning which costs the learner only 1.42 p per hour on average (Rammell, February 2006). Only 19% of adults contribute financially to their learning in the UK compared to 37% in the OECD.
- There are a higher proportion of over-40s adults participating in learning than in any other OECD country (8% compared to 2% OECD average).
- The budget for Further Education (FE) overall has risen 48% in the last eight years.
- There is a strong focus on raising the quality of learning delivery.
- The budget for Personal and Community Development Learning (former Adult and Community Learning) has been ring-fenced and we have one of the most varied and creative community learning programmes in the world.
- Spending taxpayers' money on people in greatest need and requiring that employers and individuals who can afford to should pay more is right.
- The Government have supported the TU-based Learning Service and the Train to Gain programme, both of which have a good record of reaching a wide age range in the existing workforce.

But despite this, the Skills Strategy is not working well for the majority of adults and the existing work force. A modified strategy is needed if we are to realise Foster's "challenge to provide opportunities to adults who want to gain new skills throughout longer working lives" (p 7).

The Leitch Interim Review stated that UK's international competitiveness and productivity cannot be tackled by "relying on the flow of better qualified young people to drive change by 2020" (p 128). Change or additions to the Skills Strategy are essential. As Foster said: "current structures and policies do not meet the needs of many adult learners who require flexible patterns of delivery". (p 32). The Leitch Interim Review set out scenarios for being more ambitious than the current Skills Strategy, focused around Level 1, 2, 3 and 4 qualifications. TAEN believes that we have to get the current Skills Strategy right for adults first, before we start to move on from it as proposed in the Interim Review.

## The evidence on the Skills Strategy

The cumulative evidence on the impact of the skills strategy is striking. (The evidence quoted relates to various age groups, mainly those in the second half of their careers. More detailed analysis would be needed to delineate more clearly the decline in training by decade cohorts. The data is available but has not been well used.)

Older adults have lower levels of qualifications than young adults but the gap is not being narrowed.

In Learning and Skills Council (LSC)-funded learning in England and Wales the over-50s make up half of all adults without Level 2 and yet represent only 4% of those getting full Level 2 qualifications. On ONS data (February 2006) on UK qualifications given by Awarding Bodies 25% of Level 2 Qualifications are obtained by over-40s. (The two sources of data do not appear to align closely but both tell the same story.)

It is important to note that 70% of the requirement to meet the Skills Strategy target for Level 2 can be achieved by elapsed time - 750,000 low qualified older adults leaving each year and 750,000 better qualified young entrants coming in. This does not change the existing workforce (Leitch p 70).

Adults over 40 have lower levels of basic skills and yet make up **under 10 %** of those gaining a qualification on the Skills for Life Programme for adults. 50% of "adults" gaining them are under 19. The Adult Learning Inspectorate (ALI) described the "benefits to adults as negligible". (2005 Report)

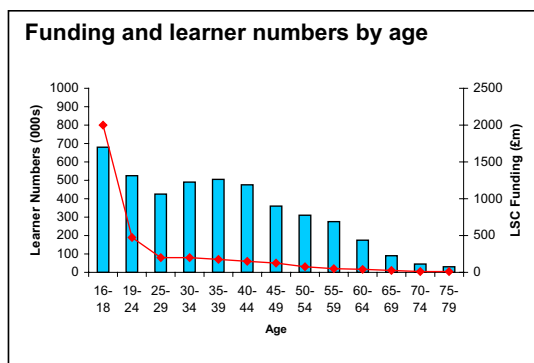
Apprenticeships for adults were proposed by Gordon Brown in July 2003 but have not advanced beyond some pilots based on schemes designed for young people, rather than adapted for adults with decades of acquired experience in the workforce.

Adults over 40 who make up nearly half working age population (not to mention some of the 11 million adults over State Pension Age) represent only **6%** of those using Learn Direct Advice line and **16%** of *nextsteps* clients, though mid and later career stages are obvious times of change and redevelopment after a first career or for women returners.

Adults over 19 make up 8 out of 10 post-16 learners, the majority part time but represent only 50% of the budget. If LSC funding is concentrated only on those doing Level 2, **90% of all learners over 40 would drop out**. The numbers of adult learners is now dropping, especially the over-50s. (LSC Regional Analysis for TAEN/NIACE).

Spending by employers on employees over 35 drops sharply. Take up of the Training Grant in New Deal 50+ has been very low. Few Sector Skills Agreements focus on demographic change. The majority are focused on entry level schemes.

The data about numbers of learners and expenditure need to be clearly distinguished as shown.



## Demographics and workforce supply

Two-thirds of the increase in the workforce to 2020 will be made up of people over 50. The fastest percentage growth will be people over current State Pension Age (ONS, DWP). The rise in the State Pension Age of women in the period 2010-2020 will bring another two million people in their 60s within the normal definition of working age.

Women, ethnic minorities and migrants will make up high percentages of the growth. Over-40s make up half the working age population. Lives and careers are no longer linear. There is a mismatch between the main focus of the Skills Strategy and the Government's ambition of an 80% employment rate.

The Leitch Review and the Skills Strategy should do more than note demographic change, as the Interim Report did (p 19). The Final Report should consider what it means for the Strategy.

## Why is the Skills Strategy not working for most adults?

TAEN believes that the Leitch Review must address this question. Our view is that the explanation is a combination of four main factors which have proved deeply entrenched:

### Personal attitudes to learning and work

Low levels of demand from adults reflect limits on individual self-perception and exclusion of the option of learning and job change. Personal identities often look back, not forward. The unwillingness of many to explore options and choices may be frustrating and alien to well-educated people who work in public policy, but is a fact of life.

To take one example, 80% of non-working men over 50 in the Strathclyde region rejected completely the notion that they could work in most of the growth sectors of the labour force (retail, services, call centres). They could not imagine themselves training for such a change (Napier University 2004).

The Interim Review noted some of these factors in the discussion of barriers to learning, including "no time, nervousness of the classroom and not knowing where to find information". These are all proxies for internalised barriers.

Much training is wasted on those who have not made the first step to thinking what they *could* do or be, from what they *cannot* do or be. Blaming this on personal weakness or on the influence of background and past educational experience does not help. Nor does writing off large segments of under-qualified adults because they do not show interest. We shall not correct UK competitiveness on that basis.

## **Inappropriateness of the Skills Strategy offer**

It is now widely recognised that full qualifications, academic year based courses and courses designed for young people are not what great numbers of adults and employers want. The offer represents a barrier to participation and reinforces the personal attitudes just described. 86% of adult learners are part time (Hughes p 10). Very little has yet been done to adapt courses for those with many years' experience of adult life and to take account of their current circumstances.

## **Qualifications are not a good proxy for the skills and experience of the older half of the workforce.**

The Leitch Interim Report recognises "the importance of looking at wider definitions of skills" than qualifications, but then does not do so. The Review should do this in the final report. The trend towards more robust qualification strategies for entry into many occupations is understandable for quality improvement. But much more work is needed on appropriate adaptation of qualification pathways for those with prior experience in the same or other careers.

Qualification requirements are a barrier to using the skills and experience of the existing 40+ workforce (nursing is one example). While overall the data shows that those with low skills are less likely to be in work, it also shows that employment rates in mid and later career are not determined by level of qualifications gained in youth. Yet 25-year-old qualifications are still used to describe the skills of a mid-career individual.

## **Funding of learning**

Adults over 30 cannot retrain or add to existing qualifications and skills unless they can afford to pay for it themselves and support themselves while doing so (except for those without Level 2 who, as already described, are not taking up the offer). Most people want an answer to the simple question: "What can I get for free?" The funding regime for adult learning means that it is impossible to give an answer to that question. That is an important barrier.

Whilst employers demonstrate reluctance to invest in reskilling the existing workforce in mid-career, it is tough to expect people to invest their own money in speculative re-training when they do not know whether they will be able to get a job at the end of it, especially when they have

reached an age where there may be barriers to opportunity. As mid-career returners to the workforce re-enter at average discounts of 25% in pay, the returns on personally funded re-training fall with age.

## **The 'paradoxes' of skills supply and demand**

The Leitch Review has been asked to map future demand for skills in the economy. Huge amounts of work have been done for years by public agencies mapping the skills supply and demand and producing Labour Market Information (LMI). It is not clear that all this effort has made a major difference to the effectiveness of the labour market in matching employers' skills needs and the flow of candidates to meet those needs in real time.

TAEN's view is that there are paradoxes and contradictions about the skills market which need to be understood and explained, if we are to make progress. These puzzles about the skills market remain in spite of the research literature on skills. They can be dealt with by saying that the labour market system is imperfect, but this does not take us much further forward.

In outline the questions are:

### **Demand for low skilled jobs or not?**

Elementary jobs are forecast to decline by almost one million by 2012 (Working Futures National Report, 2004). Yet one of the strongest sectors of the labour market continues to be low skilled, low pay, low qualified jobs where there are the greatest shortages. There are forecast to be 13.5 million new jobs up to 2012 of which 12.2 million are replacement rather than new jobs (Working Futures National Report 2004). High turnover, low skilled jobs will make up a high proportion. This can be explained by the "hour-glass" interpretation of the workforce (cf Work Foundation publications), but does not support the current Skills Strategy, unless one accepts that low skilled jobs are to be done very largely by migrant labour.

### **Are the existing skills of well-qualified people well used, before declaring that there is a skills shortage?**

There is ample evidence that under-utilisation of people with good qualifications is as big an issue as low productivity of the segment of the workforce without qualifications. 35% of the workforce are over-qualified for the job they are doing (Green 2004).

Recent Chartered Institute of Personnel and Development (CIPD) publications demonstrate that better management and use of existing skills and experience could make just as big a contribution as new Skills Strategy to productivity. Employer bodies stress the need to recruit managers and professionals from abroad when there is a large pool of people in the second half of their working lives who are either out of the workforce prematurely or under-utilised. A common reason for turning down mid-career candidates for jobs is that they are “too well qualified”. Frequent reorganisations and waves of redundancies damage corporate memory and skills bank as fast as training can add to them.

### **Are qualifications necessary?**

Just as there is under-utilisation of those with qualifications there is also a large segment of the labour force demonstrating that formal qualifications are not a precondition for doing all sorts of jobs. 48% of those without Level 2 are working in skilled jobs (Learning and Skills Development Agency, Flint 2005).

Many of the UK's smaller businesses and larger scale entrepreneurs would not be there if the owner manager had been forced to do a qualification first. Learning on the job and through experience is less measurable than qualifications, despite the efforts put into Accreditation of Prior Learning (APL).

The Leitch Interim Report recognises that formal qualifications are not the only measure of UK skills but then sets up scenarios based entirely on them, making no allowance for acquired skills.

### **Attitude and aptitudes and/or skills?**

Employers say that the things they are looking for most of all are the soft skills of attitude, enthusiasm, commitment, etc (Leitch p 46). Except where these are included in Skills for Life, the qualification system is no guarantee of delivering this. Of course attitude to work by itself is not enough either.

### **What is the impact of employer training?**

There is a large mismatch between the scale of employer-funded training as measured by surveys (£20-30 billion a year or £5-9 billion a year if employee time is stripped out) and any measurement of its impact on UK skills and qualifications. There is little data on how many qualifications are gained through employer-funded training. The indication that 60% of the

workforce has received training in the past 12 months (LSC Employer Survey 2004) does not tally with the views of many mid-career workers who are not aware of having received any training for years or decades. Employer training is mainly delivered to those already well qualified, running counter to Government focus on those with greatest need.

Can the Leitch Review map future skills needs if we do not know what employer-funded training achieves in addition to Health and Safety, job induction and the work of bodies such as the Construction Industry Training Board (CITB)?

### **Why are employers unconvinced in the face of the evidence?**

‘People are our greatest asset’ and skilled people are more productive. Nevertheless the history of skills policy has been of largely unsuccessful government attempts to draw two unwilling horses, employer and employee, to the water to drink. On the evidence of the Employment Training Pilots, the Train to Gain programme risks being widely used to fund training which an employer would have had to pay for anyway (Hughes p 32). Is compulsion the only answer? We look to the Leitch Review to explain these contradictions before mapping the future.

### **What to do?**

The Education and Skills budget has to be allocated between pre-school, school, 16-19, higher education, adults and the workforce. TAEN believes that the current allocation will not achieve the necessary skills improvement for the existing workforce, as compared to the flow of young people into the workforce. Can we have real impact on the existing workforce as well as the flow of young new entrants if 50% of the post-16 budget is spent on the under-19s, 90% on under-30s and 10% on the over-30s, as at present (LSC Budget statements)? We shall certainly not go beyond the ambitions of the current Skills Strategy, as the Leitch Interim Report suggests should happen.

Some of our suggestions do not require major resources, as opposed to adaptation of delivery processes. However, TAEN does not believe that in legal (LSC Act) or organisational terms post-19 resources should be the residual item in the education budget, after dealing with foundation and higher learning. There is an urgent need for a credible and respected means to examine the trade-offs between incremental spend between the different segments of the education and skills budget.

Some of the required actions are apparent from the commentary above. Against that background we believe that the Skills Strategy should have a stronger focus on the following:

### **1. Removing personal barriers.**

Unless there is a greater emphasis on career advice and support in the workplace, the home, and in public agencies, we shall continue to waste the potential of much of the existing workforce. We shall not reach the harder-to-help. The past, especially the earlier part of our working lives, exercises a powerful influence on our definition of our current circumstances and what is possible in the future. For many people this limits thinking opportunities and potential development. Until this door is unlocked, demand for adult training will remain limited to those with prior learning experience and the confidence to embark on new training. Recognition of these personal barriers and a preoccupation with overcoming them must be at the heart of the Skills Strategy. Good signposting is essential in place of the current system which Foster called “out of date, fragmented and ill informed” (p 31). At present it is a marginal aspect of DfES/LSC work with limited profile. Pathways to Work and reform of Incapacity Benefit is a start down this road.

### **2. Re-design training and qualifications for mid-career adults.**

There are significant moves towards more flexible learning packages, bite-sized learning, recognition of prior learning (Recognising and Recording Progress and Achievement - RARPA) and so on. But there needs to be a large change of mindset about curriculum fit for purpose for all ages. There are 5,000 qualifications “without guiding principle or coherence and not fit for purpose” (Hughes p 37). Using courses designed for teenagers and tweaking them is not sufficient.

It should be part of the Skills Strategy to make major change with an accelerated new Framework for Qualifications. This is not to criticise the work of existing qualifications bodies, but the “demographic quake” needs to reach everyone in education and learning.

One way forward is to build on the Test Bed learning pilots. The informality, experimentation and break from formal qualification targets has had positive results with adults of all ages in communities with little learning tradition.

### **3. Learner Accounts.**

The upset over the administration of Individual Learner Accounts a few years ago should not be allowed to get in the way of a new flexible system of personal learner accounts into which learning activity, great or small, formal and informal can be entered. This is about the learner owning the learning rather than an institution. It is part of removing barriers of fear and giving control to the individual.

The Further Education White Paper of March 2006 set out plans for Learner Accounts for individuals achieving Level 2 and embarking on Level 3 courses. This is likely to be open to only a very modest percentage of adult learners and, in particular, very few over 40. Learning Accounts should be extended more widely.

### **4. Better use of existing skills in the workforce.**

Realism and honesty about the extent to which current skills and qualifications are “wasted” should be a necessary starting point. Paradoxically, the Employer Training Pilots have made a contribution to recognition of acquired skills because they have been largely about accrediting existing skills, rather than delivering new training in the workforce. This may not have been the intention. It does not add to the sum of skills but illustrates a way of recognising acquired skills with a qualification.

There is also much training delivered to the existing workforce as part of updated qualification requirements to practise and Continuous Professional Development, especially in the public sector. Building on this forms an important part of the Sector Skills input to the Skills Strategy.

### **5. Modification of the Level 2/3 criteria for funding.**

Use of prior qualifications is the most obvious and simple way to implement a policy of concentrating resources on those with greatest need. However, it is inevitably a blunt measure. It ignores the fact that there are many people without Level 2 who have ample resources and many others with Level 2 or higher qualifications whose personal circumstances mean that they have great personal and financial needs. A more flexible system is needed in which part (say 2/3<sup>rd</sup>s) of the budget is governed by absence of prior Level 2 qualifications in order to qualify for funding while part (1/3<sup>rd</sup>) is flexible for local discretion to determine allocation to those in need.

## **6. Funding.**

If the general public cannot find out or understand what training is available to them at what cost, what is free and what they have to pay for, then this is a barrier to increasing participation. There is a need for simpler communication to the public of what can be obtained at what price, explaining what contribution Government or employers are making to that.

As the Pensions Commission set out in the context of pension and savings, it is clear that behavioural sciences throw more light than rational economic theory on attitudes to training. Compulsory training levies should be considered. They work in the construction industry and in some competitor nations with the highest levels of productivity.

## **7. Targets.**

There need to be targets which illustrate the impact of the Skills Strategy on the working age population and its responsiveness to demographic change. Post-19 learning is not a meaningful measure. Ministerial statements about the success of the Skills Strategy for young people and adults disguise its insignificant impact on adults over 30. There should be measurement and milestones for over-30s and over-50s within the overall national targets.

## **8. Age criteria for training.**

There needs to be an age at which the funding regime switches from foundation learning for young people to adult learning. In the Learning and Skills Council Act this is set at 19. The announcement in the March 2006 Budget that all FE learning would be free up to age 25 aligned it with the current age ceiling on funding of apprenticeships. It also put those in the under-25 age group in FE in a more similar position to those in higher education. While free training for those under 25 will be welcome, it does beg the question why those over 25 should be treated differently.

TAEN's view is that we shall not be able to tackle the skills of the existing workforce if the funding regime is based on the presumption that over-25s can be treated differently. It would not be acceptable for the funding regime to be based on exclusion of some people on the basis of colour, gender or disability.

## **9. Sector Skills.**

It is early stages in Sector Skills Agreements. The most common focus is on how to increase the flow of qualified young entrants, especially amongst those sectors who perceive themselves as having an ageing workforce. There should be an appraisal by the Sector Skills Development Agency of the extent to which the current work of SSCs is responding to demographic change and efforts to re-skill and retain existing workers in an era of longer working lives.

## **10. Personal and Community Development Learning (PCDL).**

PCDL ranges from local courses widely perceived as catering for segments of the population who could afford to pay more to community-based outreach workers targeting people to take the first tentative steps towards some learning. At all levels it has been shown to have major personal and community well-being impacts with hard-to-measure spin-off effects of reduced demands on health and social services and increased voluntary roles in society. Because its budget is ring-fenced, it is less at threat than part-time, college-based learning which does not lead to qualifications. It should be sustained with the focus on the community-based work and a shift in the geographic distribution to the regions with high levels of non-participation in learning.

TAEN  
April 2006

*TAEN is a membership organisation whose Members are drawn from across the labour market. They include public, private and voluntary sector employers and organisations, government agencies, business and regional agencies, trades unions, law firms, employment and career guidance service providers, research and training bodies, professional institutes and educational institutions.*

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