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UK COMMISSION FOR EMPLOYMENT AND SKILLS

Ambition 2020: World Class Skills and Jobs for the UK

The 2010 Report

Royal Society of Arts (RSA), London
28 July 2010

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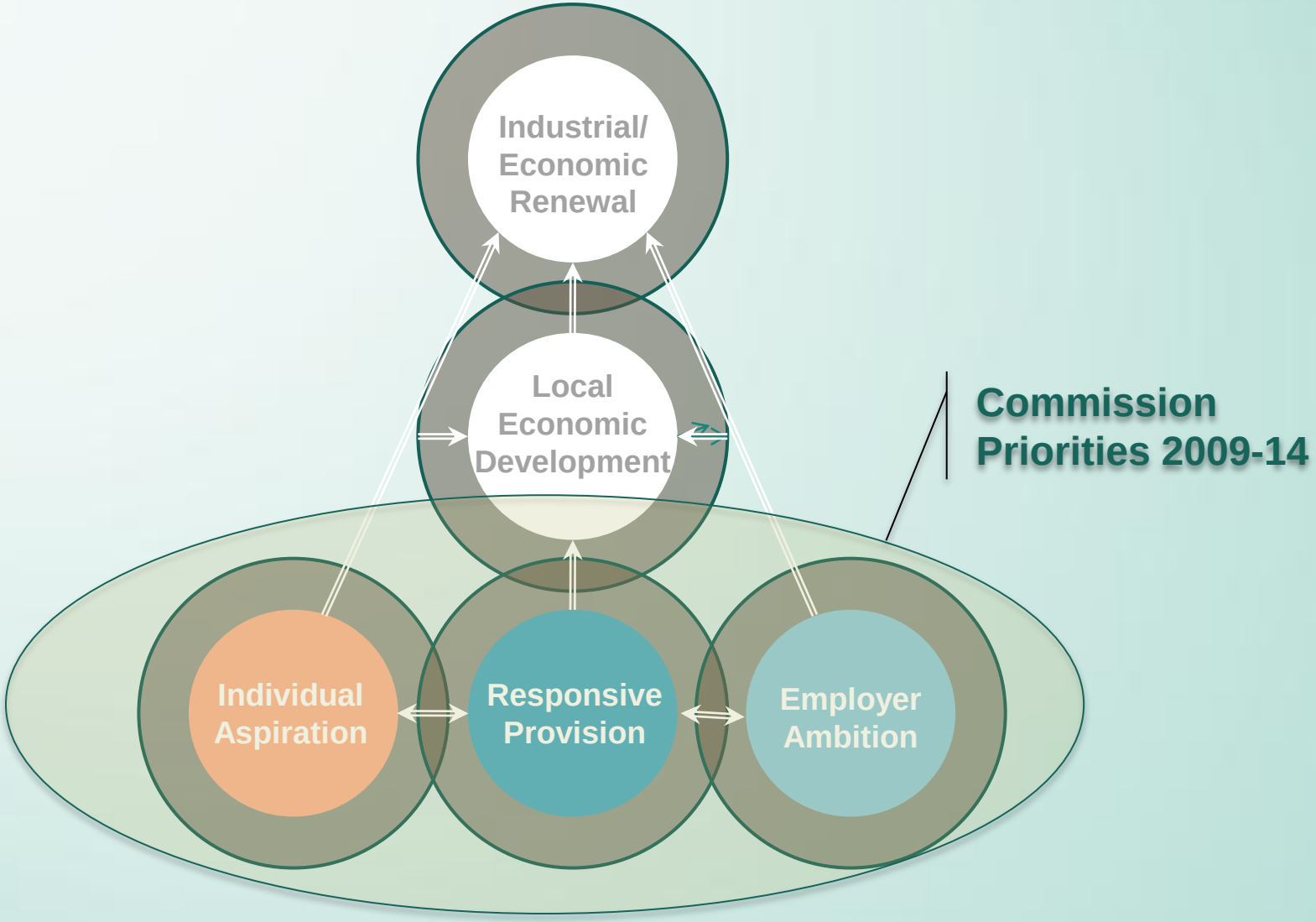
Priorities for Action



The 2010 Report

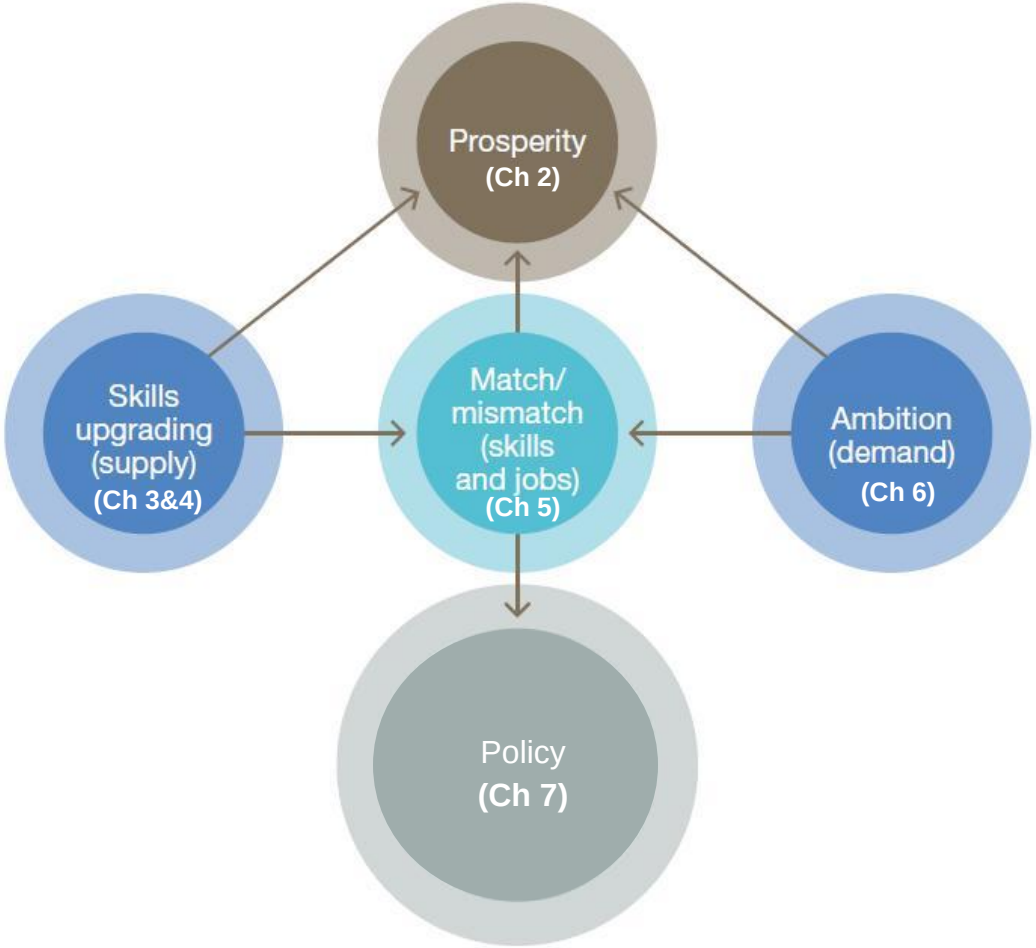
Prosperity: productivity, jobs and inequality:

- **Productivity** ranking unchanged – 11th
- **Employment** ranking unchanged – 10th
- **Inequality** ranking unchanged – 24th

Geography matters:

- Major **geographical variations** in productivity and employment need to be addressed

- **Skills are highly valuable** in addressing productivity, employment and inequality issues



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Skills: The International Position

- We remain, and we expect in the future to remain, far from world class

	Current rank (2007)	Ambition	Expected rank 2020
Low	19	Top 8	20
Intermediate	21	Top 8	21
High	12	Top 8	11

- Performance against other EU countries is stronger

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Skills: The Domestic Position

	2008		2020 Ambition		Projected attainment		Gap	
	%	Number	%	Number	%	Number	%	Number
Level 4+	31	11,179	40	15,717	42	16,399	2 points **above**	682 **above**
Level 3	20	7,082	28	11,002	19	7,599	9 points **below**	3,403 **below**
Level 2	20	7,201	22	8,644	20	7,723	2 points **below**	921 **below**
Below Level 2	17	6,130	6	2,358	14	5,428	8 points **below**	3,070 **below**
No quals	12	4,083	4	1,572	5	2,144	1 points **below**	572 **below**

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In a Nutshell

- We will **slightly exceed the Level 4+** ambition
- We will **under-achieve on all other skill levels**
- **We will not, in addition, attain the ambition of 95% functionally literate and numerate:** reaching 93% and 89% respectively

But, geography matters too:

- Major geographical variations between **skill rich and skill poor communities** need to be addressed

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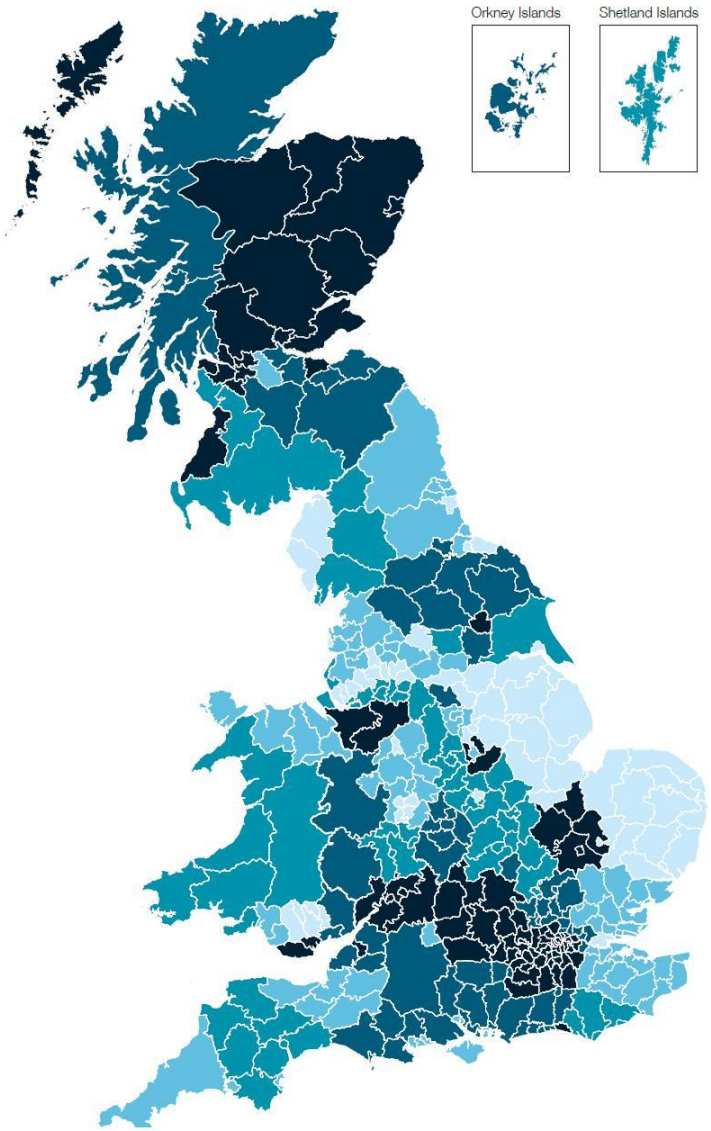
Skill Rich and Skill Poor Areas

Ranking by proportion with L4+ qualifications by local area

- Very high
- High
- Medium
- Low
- Very low



Source: Annual Population Survey, derived from NOMIS, 2010

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Investment in Skills Development

There is considerable investment in skills development:

- £55 billion (in 2007/08) or 4% of GDP
  - Public Sector: 47%
  - Private Sector Employers: 30%
  - Individuals: 17%
  - Voluntary and Community Sectors: 6%
- The majority of **employers** do train: 68% in 2009, despite the recession
- But, training activities have clearly been affected over the last 2 years
- Concerns that the training is unevenly and **unequally distributed**
- Who will take up the **public sector** slack?
- **Individua**l participation in **training** is declining: levels now the same as in 1993

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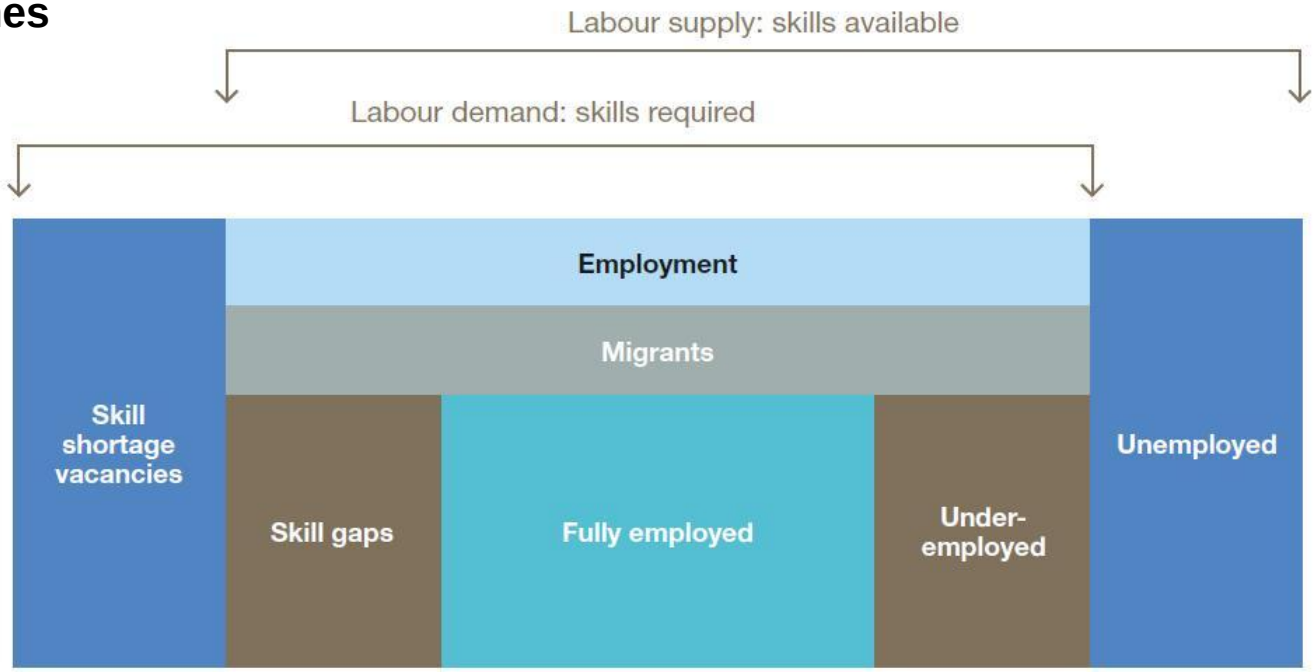
So, *what do we need to do?*

- High Level Skills ..... but, Economically Valuable Skills
- Intermediate Skills including Apprentices
- Low Level Skills, Literacy and Numeracy
- Local Action

Mismatches between Jobs and Skills

We need to move the story on from being primarily about skills upgrading to one about **mismatches**



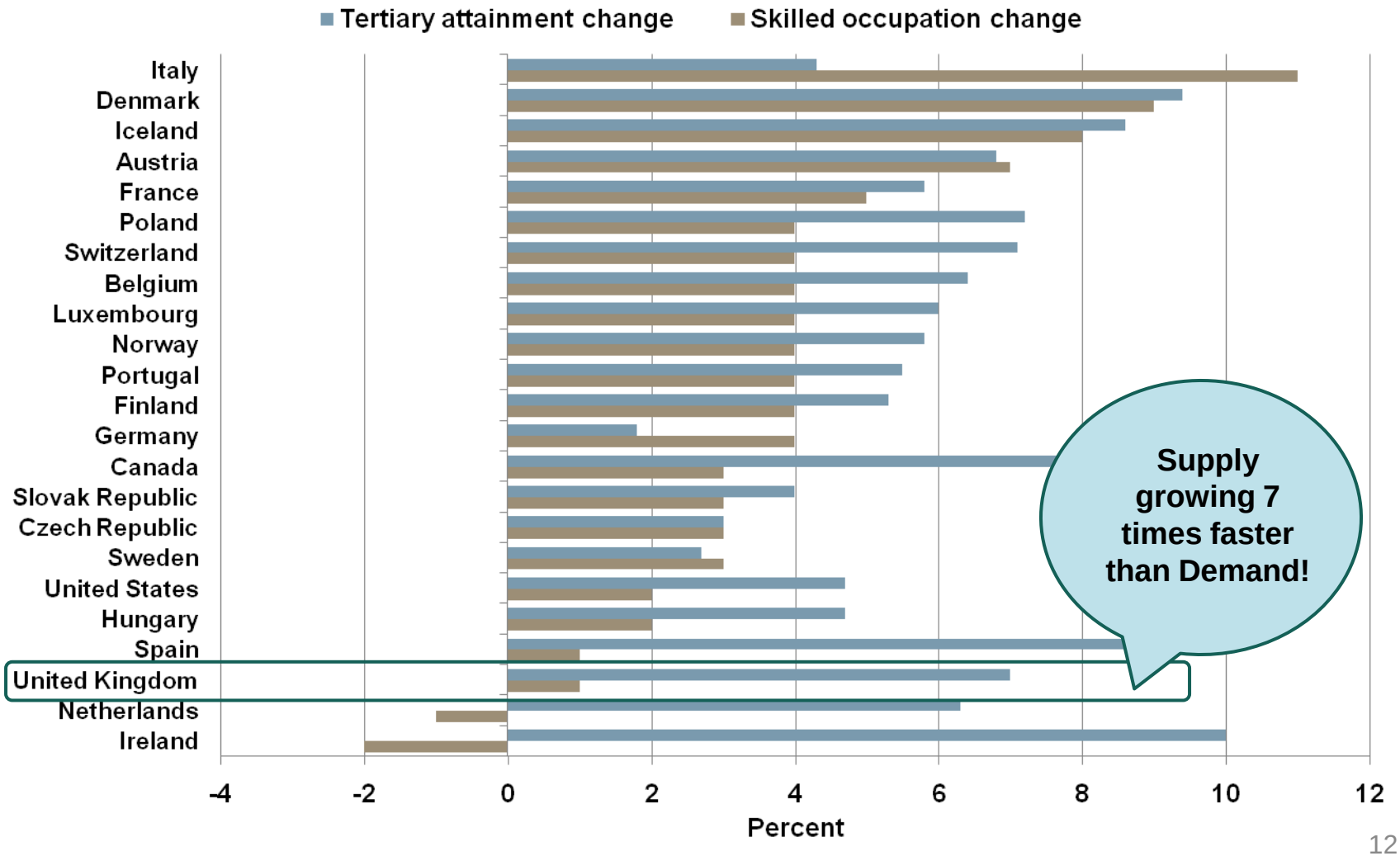
- **Skill shortages** relatively small; **skill gaps** larger
- **Unemployment** and **under-employment** even larger
- **Migration**: a 'balancing' force but, for how much longer?
- Most mismatches are **occupationally, sectorally and geographically specific**

Raising Employer Ambition

And, the story also needs to encompass our **economic ambitions**

- Skills are, in the end, a **derived demand**
- Product market strategies drive skill use and level of skill needs – we need more **'economic pull'**
- Skills need to be effectively used in the workplace – **High Performance Working** is key
- Employer ambition and skills utilisation ultimately driven by the quality of **management and leadership**
- Growth **in high skill jobs not keeping pace with growth in high skilled people**

Difference between Skills Supply & Demand: Change between 1998 and 2006



Source: Ambition 2020, Chart 7.1, p 115 - OECD, Education at a Glance 2008, Table A1.3a and Table 1.6

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Skills and Employment Policy

Three **underlying** issues to be addressed:

- **Individual** aspiration
- **Employer** demand
- Responsive **provision**

What needs to be done?

- **Alignment** to labour market needs
- Reduce **bureaucracy**
- From outputs to **outcomes**
- Stimulate **demand**
- System-wide **integration**
- **Reduce reliance on public funding**
- **Stimulate private** (individual and employer) **investment**

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Action for Government

- **Renew our commitment to a world class ambition and establish appropriate transparent benchmarks** to assess progress
- **Support businesses to create more jobs and more highly skilled jobs**
- **Invest in the 'right', economically valuable, skills**
- **Use information, 'nudges' and incentives** as levers to raise investment in skills
- **Achieve 'more for less' by empowering customers**, focusing on outcomes and **placing trust in providers**