

LEITCH REVIEW OF SKILLS: HIGH LEVEL SUMMARY

Background

The Leitch Review was tasked in 2004 with considering the UK's long-term skills needs. The UK has had 14 years of unbroken growth and has the highest employment rate in the G7. Its skills base has also improved significantly over the last decade. Despite this, the UK's skills remain weak by international standards, holding back productivity, growth and social justice. The Review has found that, even if challenging targets to improve skills are met, UK skills will still lag behind that of many comparator countries in 2020. We will run to stand still.

The global economy is changing rapidly: emerging economies such as India and China are growing dramatically; increasing technological change; and global migration flows. Unless the UK can make its skills base one of its strengths, UK businesses will find it increasingly difficult to compete. As a consequence of low skills, the UK also risks a lost generation, cut off permanently from labour market opportunity and facing increasing inequality. The best form of welfare is to ensure people can adapt to change. Where skills were once a key lever for prosperity and fairness, they are now increasingly *the* key lever. Radical change is necessary and urgent.

UK vision and ambitions. The Review recommends that the UK commits to becoming a world leader in skills by 2020, benchmarked by the upper quartile of the Organisation of Economic Co-operation and Development (OECD). This means doubling attainment at most levels. Objectives include:

- **95% of working age adults to achieve functional literacy and numeracy** (up from 85% literacy and 80% numeracy today). A total of 4.5 million more adults with functional numeracy and 2.2 million more adults with functional literacy. This means over 700,000 basic skills attainment per year compared to 110,000 today.
- **Exceeding 90% of workforce adults to be qualified to at least Level 2, achieving 95% when feasible** (up from 70% today). 95% would mean 1.7 million more adults with Level 2 and 500,000 people achieving Level 2 each year compared to 210,000 today.
- **Shifting the balance of intermediate skills from Level 2 to Level 3** and improving the esteem, quantity and quality of intermediate skills, including asking Sector Skills Councils (**SSCs**) to set an ambitious target of doubling apprenticeships to 500,000. Overall this means 1.9 million more adults with Level 3 and over 300,000 people achieving level 3 each year compared to 130,000 today.
- **Exceeding 40% of the adult population qualified to Level 4 and above**, accelerating the increase of people with high skills, up from 29% today. This means 530,000 people a year compared to around 250,000 at present.

Principles. Four principles should underpin delivery:

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- **Shared responsibility for delivering the ambitions.** Employers, individuals and the Government must improve their efforts, through increased investment and action. Employers and individuals should contribute most where they derive the greatest private returns. Government investment should be focused on market failures, ensuring a basic platform of skills for all, increasing access and tackling market failures.
- **Focus on economically valuable skills.** Skill developments must provide real returns for individuals, for employers and for society at large. Where possible, skills should be portable to deliver mobility in the labour market for individuals and employers.
- **Demand-led skills.** We must ensure that the skills system meets the needs of employers and individuals by reducing the micro supply-side planning of vocational skills; and
- **Build on existing structures.** Don't chop and change. Improve the performance of the current structures through simplification, better performance management and clearer remits.

The Prize

The prize for achieving this ambition is great. The Review estimates an overall net benefit of around £80 billion over 30 years. This would come from a boost in the productivity growth rate of up to 15 per cent and an increase in the projected growth of the employment rate of around 10 per cent. Social deprivation, poverty and inequality will also diminish.

Remit

The Review's remit was adult skills. More than 70 per cent of the 2020 working age population have already left compulsory education. Despite this, the Review recognises the vital contribution of effective education for young people to the new ambition. There have been significant increases in schools standards over the past decade, with more young people than ever achieving 5 good GCSEs. However, more than one in six young people leave school unable to read, write and add up properly. The proportion of young people staying in education past the age of 16 is the lowest in the OECD. The Review emphasises how critical the Government's reforms to GCSEs are to embed functional literacy and numeracy and how important it is that the new 14-19 Diplomas succeed. Once post-16 participation increases towards 90 per cent, Government should consider changing the law so all young people remain in education or training up to age 18.

Main recommendations

- **Increase adult skills across all levels.** Progress towards 'world class' is best measured by the number of people increasing their attainment. The additional cost of realising our ambition will build up over time to between £3-4 billion per year by 2020.

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- **Route all adult vocational skills funding through Train to Gain and Learner Accounts by 2010.** On adult skills, streamline the role of the Learning and Skills Council to become a funding body and promoter of provider competition.
- **Strengthen employer voice.** Rationalise the existing bodies, strengthen the collective voice and better articulate employer views on skills by creating a new **Commission for Employment and Skills**, accountable to Government and the Devolved Administrations and responsible for managing the employer voice in the skills system within a framework of individual rights.
- **Increased employer engagement and investment in skills.** Reform, re-license and empower Sector Skills Councils (**SSCs**). Deliver more economically valuable skills by only allowing public funding for vocational qualifications approved by **SSCs**. Expand skills brokerage services.
- **A new 'Pledge' for employers to train all eligible employees up to Level 2 in the workplace.** If the improvement rate is insufficient by 2010, introduce a statutory entitlement to workplace training in consultation with employers and unions.
- **SSCs and brokers** working to increase employer investment in Level 3, 4 and above qualifications in the workplace. Extend Train to Gain to higher levels: double apprenticeships, improve employer engagement with universities.
- **Increase people's aspirations and awareness of the value of skills.** Create high profile, sustained awareness programmes. Rationalise existing fragmented services and develop a new universal adult careers service, offering a skills MOT.
- **Create a new integrated employment and skills service** locally, to increase sustainable employment and progression. A new programme for basic skills improvements in helping disadvantaged people find and stay in work. New programme to improve basic skills. Nationwide network of employment and skill boards.

Impact

These recommendations will deliver a strong positive impact on the UK's economic and social performance:

- **Workless people** will have better diagnosis of their skills needs and greater support as they make the transition into sustainable work.
- **Low-skilled workers** will have more chances to gain a Level 2 and basic skills in the workplace through Train to Gain, and more control over flexible learning through their Learner Account.
- **Skilled workers** will have more opportunities to develop in the workplace, through apprenticeships, degrees and management and leadership programmes.
- **Small firms** will have better access to increased levels of training for employees, including managers. This training will have increased relevance, so that management skills and profits will improve; and

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- **Employers** will have more strategic influence over the skills strategy and system, greater incentives to invest in skills across all levels, access to brokerage; and increased public support for workplace training.

The UK will be able to compete with the best in the world. Productivity and employment rates will increase. Poverty and inequality will decrease.

Next steps

This report presents the policy framework for delivering world class skills. The Government and Devolved Administrations need to act urgently to develop detailed implementation plans.

There is no time to waste.

Mike Campbell

Sector Skills Development Agency

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