

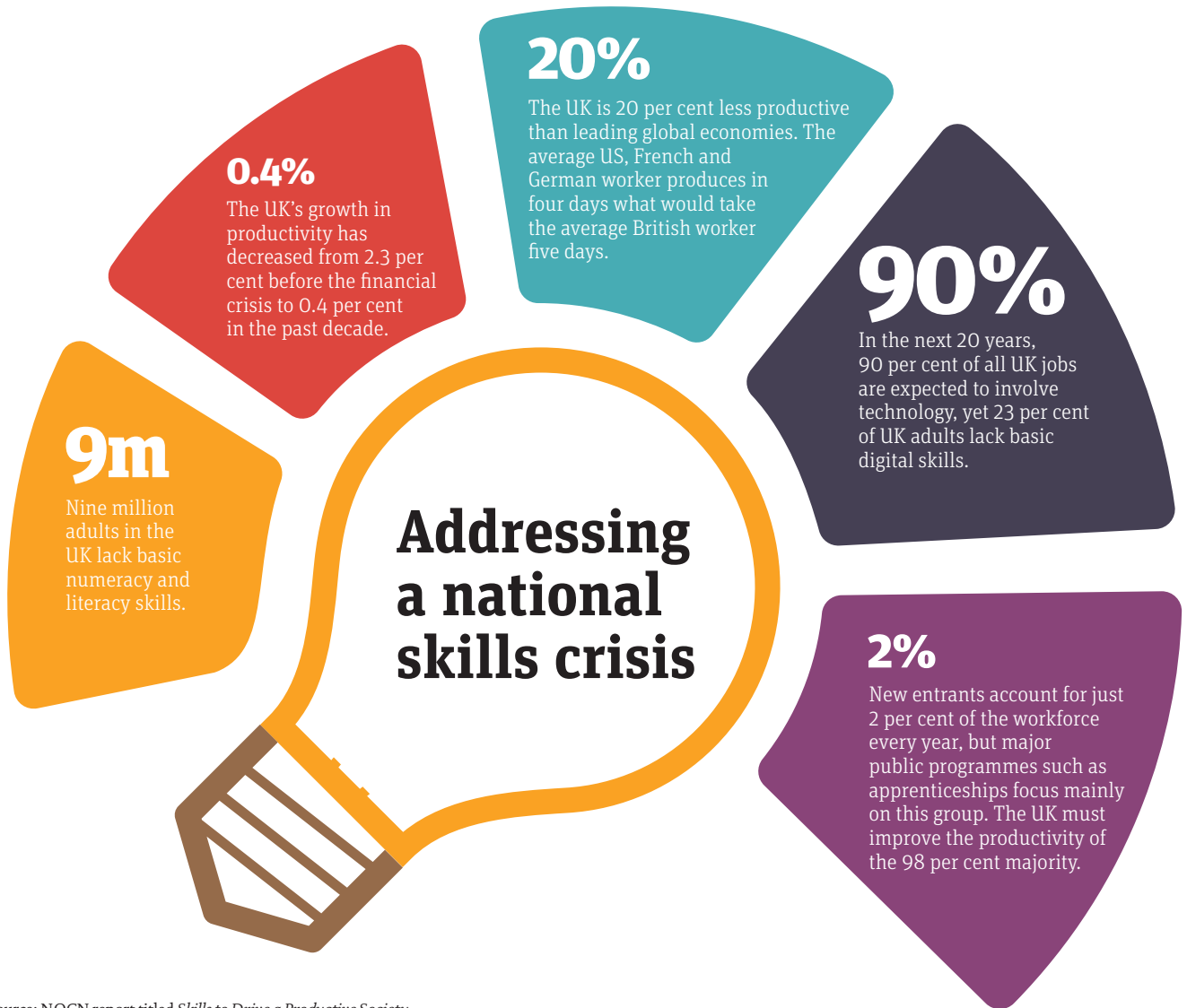
Solving the UK's productivity puzzle

A national skills strategy fit for the future



BY THE NUMBERS

The UK needs a national skills strategy to improve productivity. This has to include apprenticeships, T-Levels, vocational and technical qualifications, short courses and upskilling, with a focus on productivity management and digital skills.



Source: NOCN report titled *Skills to Drive a Productive Society*

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Why the UK must engineer a skilful Brexit

Leaving the European Union represents fresh urgency in plugging this country's chronic skills gap, writes **Graham Hasting-Evans**, managing director of NOCN Group



According to the ONS, we work more hours than most other developed countries, yet the United Kingdom is roughly 20 per cent less productive. Brexit is looming and this is bringing productivity into sharp focus. In order to be ready for whatever the Brexit outcomes, even if in the long term Britannia rules the waves, we are likely to experience a rather tricky patch with higher unemployment, lower tax revenue for public services, increased barriers to trade and lower global demand for our products and services.

Depending on which side of the Brexit fence you sit, the same questions pertain. How do we improve skills policy? How do we increase productivity to counter the negative impacts of Brexit? How can we be ready to take advantage of the opportunities of Brexit? How do we compete as a small fish in a big sea of global markets without the larger clout of the EU behind us? Or, without the restraints of EU regulation, what can we achieve?

Compounding all this, technology will increasingly replace manual, lower skilled work, and digital skills will become a prerequisite of most jobs within a couple of decades – yet nearly a quarter of adult workers lack basic digital skills. An even more pressing issue is that a significant portion of our workforce cannot adequately read and write. Nine million adults, almost 20 per cent of the UK adult population, have low numeracy and literacy skills, significantly below the average for similar economies. As we continue to focus our educational reforms on higher level apprenticeships and technical

qualifications, a massive section of our community is being left behind.

All of these factors have led us at NOCN to publish a report – *Skills to Drive a Productive Society* – in conjunction with the Learning and Work Institute. NOCN is a charitable educational organisation with a range of services, including vocational qualifications, NVQs and apprentice assessments, used by thousands of adults every year to gain skills for employment.

We care deeply about this subject because it matters to everyone and it is the right thing to do, to help improve national productivity within our scope of influence, through education and skills. By improving the skills of our population, we will increase productivity. Maths and English can be improved through functional skills qualifications that are perfectly adequate for most people in most jobs. Digital skills can be easily taught online and in the classroom, covering the usual office software, as well as the more specialised applications.

The existing focus on apprenticeships (and soon to be T-Levels) covers, to a large extent, the 2 per cent of new workforce entrants each year, but what of the existing 98 per cent of the workforce? There needs to be a national focus on reskilling, upskilling, and skills refreshing for every worker at every level. The government's National Retraining Scheme goes part of the way to addressing this issue but employers need more support to upskill their employees. The apprenticeship levy could be used here, with any unspent funding used for other training.

Underpinning all of this is the need for a national skills strategy and this is what NOCN is calling for from the government. We launched our report at the recent Conservative and Labour party conferences to a very positive response, giving us confidence that the political will is indeed there to address this important issue.

The NOCN report is available to download at www.nocn.org.uk/productivity-report

NOCN and the *New Statesman* hosted a panel of experts for a fringe event at the Conservative Party conference to discuss how to boost productivity

Understanding skills as critical infrastructure



The United Kingdom’s so-called productivity puzzle – working out how the country can alleviate skills shortages in crucial industries – is high on the agendas of both major political parties. As the world braces itself for the fourth industrial revolution (“4IR”), the pressure is on to revamp the UK’s skills strategy and ready the nation’s workforce for the future. At the Conservative Party’s conference in Birmingham, NOCN and the *New Statesman* brought together key figures from business, education and politics for a panel discussion on how to best achieve this.

Lord Lucas, member of the all-party parliamentary group on skills and employment, and the owner of *The Good Schools Guide*, suggested that in prioritising participation statistics rather

than course content, the UK had failed to modernise syllabuses alongside widening access. He said: “I think many parents are trying to understand what it is we are educating their children for. There needs to be a clearer message from government and from academia, as to what a course prepares the student to do. What does the progression ladder in an industry look like? There needs to be input from businesses into courses, so that those taking them are actually learning the skills relevant to that particular field.”

Alison Lamplough, vice-chair of the NOCN Group and head of operational training at construction company Laing O’Rourke, noted that skills shortages were especially pronounced in science, technology, engineering and mathematics (STEM) industries. She said this was owed, in part, to “an image

problem” as the UK’s STEM industries struggle to attract new staff. Drawing on The Farmer Review of the UK Construction Labour Model, Lamplough listed barriers to productivity, including “dysfunctional training, poor management practices, dwindling workforce size and a lack of investment in research and development”.

Within the context of construction, Lamplough argued that technology could help to pick up some of the slack left by fewer workers, but “innovation cannot be delivered on concept alone”. She said that technologies of the 4IR, such as off-site manufacturing, could help to “deliver designs with 70 per cent of the construction happening in a factory setting”, but developing these projects would necessitate “more support and provision from government.”



Raj Singh-Dehal, human resources and commercial services director at Center Parcs, highlighted the correlation between transport and productivity. “You’ll observe a lot of regional disparity in this country,” he said, “and improving connectivity outside of London and the South East is a good step if you want to boost productivity. Think about how many hours are lost sitting on cluttered motorways or thanks to slow trains. So

“The UK has a lot of regional disparity”

yes, the productivity issue is one for education and skills, but it is also one for infrastructure.”

Stephen Evans, chief executive of the Learning and Work Institute, railed against the policy of austerity and said that a failure to raise living standards had contributed to the UK’s productivity malaise, while applying the skills debate to a wider one on social mobility. “Productivity can’t grow if people are struggling to afford to live. And learning skills matters for social justice.” He added: “Our output from the education system is pretty woeful. There are nine million adults in the UK who don’t come out of school with functional literacy and numeracy. Adult education is on the wane and the idea that you can’t learn more after you’ve left school is one that needs to be challenged, especially

now that the retirement age is older.”

In the same vein as Lord Lucas, Evans said that “employer input is crucial to informing any skills policy”. Of the apprenticeship levy – a tax on companies to ring-fence funding for apprenticeships – he said that while there was “no need to rip up the policy and start again”, it was in need of improvement. “The levy is a good idea, but there are some teething issues. The Institute for Apprenticeships needs to get faster and more efficient, and it needs to be advised by companies that know the skills they need.”

Gareth Jones, NOCN’s chair of trustees, suggested that the nature of the skills companies require was changing against the backdrop of new social and cultural trends in the workplace, and recommended that the learning process should be “more receptive to new ideas”. He explained: “We’ve got to start thinking about emotional skills. We’ve got to talk about resilience and adaptability, and the earlier you can ingrain that, the better.” Jones added: “Gamification is a way to get people engaged. Years ago, maybe e-learning systems weren’t popular, but now with the younger generation perhaps there’s been a flip. If you get people competitively interested, then that is a way of adding incentives to training.”

Ultimately, with the UK’s decision to leave the European Union likely to put an end to freedom of movement, the focus has shifted, as Raj Singh-Dehal put it, firmly to “upskilling the indigenous population”. That means, the panel concurred, more inward investment, more input from industry into all qualifications, flexibility in learning, and more joined-up thinking when it comes to policymaking. “All issues are skills issues and all issues are productivity issues,” Stephen Evans confirmed. “We’ve got to look at the bigger picture. It should never be too late to get more training. A one-shot chance at 18 to 21-years-old at a three-year undergraduate degree is no way to be. What if you change your mind? We’ve got to be more flexible with our educational offering.”

NOCN and the *New Statesman* hosted a panel of experts at a Labour Party conference fringe event to talk about the challenges involved in delivering a coordinated skills strategy

Why one size doesn't fit all



With the United Kingdom's productivity lagging – it stands 16.37 per cent less than the other G7 nations according to a 2016 report by the ONS – the country's approach to skills and training warrants renewed focus. Especially within the context of its decision to leave the European Union, the aim to create a more self-sustaining UK talent pool must represent a core concern for both major political parties. At the Labour Party conference in Liverpool, NOCN and the *New Statesman* gathered industry experts and policymakers to assess the challenges involved in plugging the UK's skills gaps, sector by sector, as part of a panel discussion at the Arena and Convention Centre.

Mark Dawe, chief executive of the Association of Employment and Learning Providers (AELP), noted in his opening address to the audience “a roughly 40 per

cent decrease in the last year” in the number of apprenticeships being started by 16 to 24-year-olds. Dawe highlighted that this was “as much a social mobility issue as it is a productivity issue” and suggested that the apprenticeship levy – a tax on UK employers to encourage specific funds to be dedicated to apprenticeship roles – was not being executed to its full potential, particularly when it came to smaller businesses.

He said: “The apprenticeship levy could be a game-changer. The introduction of new standards is great, while the increase in the number of apprenticeships at higher and degree level is now giving young people a genuine choice over whether or not to go to university. But we cannot deny that damage is being inflicted on the social mobility agenda because of the way the levy is being implemented. At AELP, we

would encourage that employers are not charged for taking on 16 to 24-year-olds, as an incentive to take more on.”

Dawe argued that apprenticeships at level two or three – comparable to GCSE or A-Levels – had “not been prioritised” and thus SMEs were struggling to deliver apprenticeships to meet some of the levy's criteria, such as 20 per cent off-the-job training on a minimum 12-month programme, when the maximum funding on lower levels is “significantly less” than at degree level. He said: “We need government to understand that all levels of apprenticeships are vitally important. There should be no employer contribution there [at levels two and three]. We should be stimulating SMEs to create and deliver apprenticeships, not getting in the way.”

For a country so physically small, the UK's regional disparities are staggering. **Emma Hardy**, MP for Hull West and



James Frith MP argued that skills provision should be allocated according to regional needs

“Wages have stagnated for years”

Hessle, said that any skills policy must be “thought about on a region by region basis”. She continued: “Different areas should identify their different skills needs, so when we talk about skills, we want to be making them place-based and responsive.” Hardy railed against the idea of a “one-size-fits-all approach”, and said that the Institute for Apprenticeships (IFA) – the executive public body sponsored by the Department for Education – “could not make every decision from Whitehall”. Hardy went on: “The IFA is responsible for quality control, but Ofsted should be too. And regionally employers should be involved, influencing and informing the qualifications and skills that area needs. Our industrial strategy needs to be done regionally.”

James Frith, MP for Bury North, agreed that devolving some responsibilities could help to deliver a more effective skills strategy. “We should be lobbying central government to allocate capital accordingly. The metro mayors initiative has a lot of potential in this regard. In Greater Manchester, we know where our strengths lie, and we can then adopt our college and university offerings to suit the emerging creative industries, and the manufacturing sector locally.”

David Hughes, chief executive of the Association of Colleges, pointed out the dangers of cities and regions bottlenecking investment towards one sector alone. “If you look at London,” he said, “then you can see financial services have been prioritised, while other sectors miss out.” Hughes also noted a reticence to upskill existing members of a workforce – “too many employers expect new staff to arrive ready-made and don’t invest in internal training” – and said that companies should “play a more active role in informing colleges and universities of the changing needs their industries are facing”.

Graham Hasting-Evans, NOCN’s managing director, stated that the UK’s productivity deficit was owed, in part, to a failure to modernise management practices and working conditions alongside introducing new

qualifications. “If we train a workforce, but don’t train the managers, then the investment and infrastructure are not in place to make the most of those new skills.”

Hughes stressed, meanwhile, that “with wages stagnant for about ten years”, employee motivation across sectors had failed to keep pace “with any idea of economic progress”. He added that “employer behaviour” had become “a bit lazy” and “the focus on just getting new people in” actually undermined the case to boost productivity by existing staff. Hughes lamented “the collapse of part-time adult education” and questioned whether the UK’s comparably low contact hours in full-time university courses were value for money, or indeed if they covered enough material. “If you compare to the UK to the other OECD nations, then this idea of 14 to 15 hours tuition per week is pretty low. We are seriously behind.”

Sarah Horner, head of policy and communications at the Learning and Work Institute, said that the need to make education more directly relevant to society was a key challenge that needed to be overcome in “giving young people an incentive” to enrol in courses and training. “If young people don’t feel that they have a stake in what’s going on, and you see that particularly in areas that are far removed from decision-making in Westminster, then they may wonder what the point is. Why should they choose to study more?”

Finally, overarching the panel’s discussion was an agreement that the UK needed to modernise its attitude towards lifelong learning. As David Hughes put it: “We invest heavily until the age of 22 and then stop, despite the retirement age being north of 65 these days.” Access to part-time training opportunities, employer-led training internally, and revamping existing practices, appear to represent the core tenets for shaping future skills policy. And with Brexit looming on the horizon, it has never been more important to reach consensus on how to make the most of the talent at home.



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