
**Manchester City Council
Report for Information**

Report to: Economy, Employment and Skills Overview and Scrutiny
Committee - 15 December 2010

Subject: White Paper: Skills for Sustainable Growth

Report of: Deputy Chief Executive (Regeneration)

Summary

The Skills for Sustainable Growth paper sets out the Government's skills policy, which it sees as underpinning the Government's central policy of returning the economy to sustainable growth. The Skills for Sustainable Growth Paper outlines a vision of a decentralised skills system which is demand-led by those who need and use it rather than dictated and run by central Government. The Government will prioritise funding support for learners with low levels of skills or who are disadvantaged and there will be an expectation that learners and employers will co-invest with government to meet the costs of intermediate and higher level training.

While the increased support for apprenticeships is welcome, the overall reduction in government funding for further education and the re-focus on level 3 skills and qualifications will have a negative impact in Manchester, where there are a greater proportion of residents without level 2 qualifications. Local authorities will not have a formal role in commissioning skills training as was proposed for Greater Manchester by the previous Government. Therefore there will be an even greater need to work closely with learning providers to influence the delivery of skills provision in the City to meet the needs of local residents and business.

Recommendations:

Members are requested to note the headlines from the Government's White Paper: Skills for Sustainable Growth.

Wards affected:

All

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Background documents (available for public inspection):

BIS (Department for Business Innovation & Skills) – Skills for Sustainable Growth, Strategy Document. Available on BIS website: www.bis.gov.uk

1. Introduction

The Skills for Sustainable Growth paper sets out the Government's skills policy, which it sees as underpinning the Government's central policy of returning the economy to sustainable growth. It sets out the key challenges which include a less skilled UK workforce than France, Germany or America resulting in UK being 15% less productive than those economies and a current lack of intermediate and technical skills needed for more high skilled and technological opportunities. Approximately 80% of the 2020 workforce has already left school and in 2003, 16% of the working-age population were functionally illiterate.

The Skills for Sustainable Growth Paper outlines a vision of a decentralised skills system which is demand-led by those who need and use it rather than dictated and run by central Government. The Government will prioritise funding support for learners with low levels of skills or who are disadvantaged and there will be an expectation that learners and employers will co-invest with government to meet the costs of intermediate and higher level training.

As with other Coalition Government policies this policy direction is set around three key themes: fairness, responsibility and freedom.

Fairness: Funding for adult education is to be refocused on those who need it most. Support will be given both to adults who lack basic skills and to the unemployed who are actively seeking work. There is a focus on opening up access to higher level skills for people who are from lower socio-economic groups and further education is seen to have a key role to play.

Responsibility: The costs of providing skills development are to be split between the parties who will ultimately benefit: the individual, the employer and the state. Training will remain free at the point of use and payments will be in lieu and related to income.

Freedom: Centrally set targets and bureaucracy will be reduced to enable providers to effectively respond to the needs of business and learners. There will be increased competition between providers combined with providing learners with more and better quality information of what is available to enable them make informed choices, which the Government hopes will drive up standards.

2. Headlines

The Skills for Sustainable Growth paper refers throughout to level 2, level 3 and level 4 qualifications. For ease of reference:

Level 2 is equivalent to GCSE (A*- C) or BTEC introductory certificate;

Level 3 is equivalent to As, A2 level or BTEC national certificate /diploma;

Level 4 is equivalent to HE certificate or professional qualification.

Apprenticeships are at the core of the new skills agenda with increased investment and the number of adult apprenticeships will be increased by 75,000 by 2014/15 to more than 200,000 per year. To meet the needs of an

advanced economy there will be a greater focus on level 3 (technician level) and a clear progression route from Level 3 apprenticeships to higher level skills: level 4 apprenticeships or HE.

Alongside apprenticeships, there will be a wider and more flexible system of vocational qualifications linked to employer-identified needs. Sector Skills councils will act for businesses in regularly updating national occupational standards and qualification awarding bodies will be expected to take these standards into account. The UK Commission for Employment and Skills will be reformed to become a “vehicle for economic growth and social partnership” allowing employers and unions, amongst others, to come together to give leadership to business on skills development

In partnership with the Government’s aim to reduce non-EU migration, there is a desire to reduce the reliance of some sectors of the economy on immigration to fill jobs, instead supporting employers to invest in the skills of the resident workforce

A Growth and Innovation Fund (up to £50m per year) will be established to support employers to be more ambitious about raising skills in their sector. Businesses will be expected to co-fund training costs covered by the Fund.

Government funding will support specific training for people on active benefits. For those who have no Basic Skills, all training will be free as this will be seen as a failure of the State. For everybody under-25 and those on active benefits the first Level 2 and Level 3 qualifications will be fully funded. From 2013/14, Level 2 qualifications for over-24s will be co-funded but there will be no government funding for Level 3 and Level 4 qualifications. The Government’s view is that training for adults at level 2 and above brings greatest benefits to the individual and it is therefore fair that individuals should contribute to the cost of acquiring these skills. All unfunded qualifications will remain free at the point of use with Further Education loans available in a similar manner to those announced for Higher Education.

Level 2 qualifications delivered within SMEs will be co-funded. Funding for informal adult and community learning will be protected and Government plans to reinvigorate and reform it so that it builds the Big Society, engages the disadvantaged and offers good progression routes to formal learning.

Everyone will be given a Lifelong Learning Account which will combine information about grant funding, learning opportunities and government-backed FE loans as well as a discretionary learner support fund. It will also provide incentives for learning and a means of recognising the positive social impact of volunteering.

The creation of an all-age careers service is designed to provide independent & impartial advice to all learners about the options and benefits available to them of different types of training. It will be driven by the needs of individuals and is designed to help them understand their starting point and achieve their goals. The service will be open to all young people and adults and available

online and in the community with intensive face-to-face support for those with the greatest need. The Papers states that Local Authorities will provide wider personal support to vulnerable young people, those who are 13-19 NEET and young adults with learning difficulties and disabilities to the age of 25.

The paper reiterates Government commitment to the Leitch ambition of developing a world class skills base but will abolish the Leitch targets & systems of centralised control. Learning providers will be able to supply the type and volume of training needed in their local areas.

Funding for FE will be simplified by reducing the number of separate budget lines and reducing the number of audits, forms and interactions with the Skills Funding Agency. The Government aims to achieve a greater alignment of pre and post 19 funding systems. There is a greater focus on outcomes including employment outcomes for skills funding. Whilst there is a general presumption that central Government will play the role of facilitator and will not generally intervene, the exception to this is where provision does not meet minimum levels of performance and Government will act decisively to close failing colleges /training providers.

3. Initial implications for Manchester

More detailed work on the implications of this Paper both for the Council and its residents is underway. However, initial consideration of the Skills for Sustainable Growth paper would suggest the following are issues and opportunities for the City:

The focus on apprenticeships and increasing both the number of adult apprenticeships and funding for the programme will help support the City's aspiration for 20% of 16 to 18 year olds becoming apprentices (current figure is 9%). Equally the City Council and our partners are committed to raising the number of young people entering apprenticeships at level 3 but conscious of the need to maintain a significant number of opportunities at level 2 given the starting point of many of our young people.

For Manchester, it is very important that Government invests in skills training for residents who do not have level 2 qualifications and prioritises the needs of people who are out of work, have poor work prospects because of low skill levels and those who are vulnerable /disadvantaged. There are approximately 53,600 Manchester residents with no qualifications (16% of the working age population as opposed to a national rate of 12%) and just over 64,000 people of working age claiming an out of work benefit. A greater focus on outcomes including job outcomes by the Skills Funding Agency will help support the City Council and Manchester Partnership's strategic priorities on tackling worklessness.

Unfortunately, unlike the section 4 powers that were available through the statutory city region pilot, local authorities will not have a formal role in commissioning skills training. Providers will have greater freedom and flexibility to meet the needs and demands of individual learners and

employers. Although their primary relationship is with learners and employers, providers are expected to engage with Local Enterprise Partnerships (LEPs), Jobcentre Plus and Local Authorities and respond to local economic strategies. It is therefore important that the City Council and our partners use our existing strategies and established partnerships (Work & Skills Partnership and 14 -19 Partnership) to influence skills provision in the City and help drive up demand for skills from individuals and employers.

One of the central tenets of the Skills for Sustainable Growth white paper is that the cost of providing skills development will be shared between the parties who benefit: the individual, the employer and the state. This is set within the context of the Comprehensive Spending Review and a £1.1bn or 25% reduction in government funding to adult and further education over the next 4 years. It is difficult at this point to assess the appetite of individuals and businesses for co-funding skills training for level 2 and above for over-24s and level 3 and above for people aged between 19 and 24. It needs to be considered alongside other changes in education e.g. ending Education Maintenance Allowances (EMAs) and changes to HE funding and fees.

The Manchester Independent Economic Review (MIER) reported that skills are a critical factor in dealing with the challenges to improve the City's productivity and drive economic growth. Increasing skill levels is central to both boosting productivity and ensuring that more Manchester residents benefit from the employment opportunities created as a result of a stronger economy. It is therefore important that the City and our partners maximise any opportunities for the development of and investment in skills created by this White Paper. Our challenge is to ensure that the (reduced) public funding is focused on employment, apprenticeship and education/ qualification outcomes that Manchester residents and businesses need.