Skills and Training

Introduction

The Rt Hon Sajid Javid MP, Secretary of State for Business, Innovation and Skills:

> "Boosting productivity is the economic challenge of our age."

The Rt Hon Matt Hancock MP, Minister of State for Digital and Culture:

> "Should driverless cars become ubiquitous, families will be able to spend their savings on something far more useful than a steel box that spends most of its life sat on the driveway. Everywhere we turn, digital technology is driving improvements in almost every sphere of life. … The fact is we are just in the foothills of a new technological revolution that will do even more to lift living standards and improve the human condition."

The Rt Hon Karen Bradley MP, Secretary of State for Digital, Culture, Media and Sport:

> "This government is committed to…ensuring the UK is the best place to start and grow a digital business, trial a new technology, or undertake advanced research - and that the UK digital sectors remain world-leading. This requires supportive regulation but also first-class digital infrastructure and an advanced skills base."

The career landscape is constantly evolving and workers require very different skills today than in generations past. Even since today's school-leavers were born, there are now fewer personal assistants, typists and bank clerks but more care workers, nurses and teachers.

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Productivity & Globalisation

According to the OECD, productivity growth is the central driver of rising economic output and material living standards across countries. Yet, for many years, productivity has been slowing in many advanced and emerging economies.

The slowdown predates both the 2008 economic crisis and the current technological wave that created the digitalised economy. It has occurred at a time of rapid technological change, increasing participation of firms and countries in global value chains, and rising education levels in the labour force, all of which are generally associated with higher productivity growth.

In most OECD countries the slowdown has cut across nearly all sectors, affecting both large and small firms alike. It has been particularly marked in industries where new digital and technological innovations were expected to generate productivity dividends, such as in the information, communication, finance and insurance sectors.

Factors behind the paradox may be skills mismatches, sluggish investment, and declining business dynamism. This slowing productivity growth has hit wages and may exacerbate income and wealth inequalities, by trapping many workers in low productivity activities with high job insecurity, so creating a vicious circle.

London has the highest levels of productivity, by some margin, of any region or country in the UK. Wales has the lowest. Internationally, comparisons of GDP per hour worked show that productivity in the UK is just above average among OECD countries, but is lower than that of the G7, Euro area and European Union averages. Workers in neighbouring Ireland outperform those in the UK by 75%.

Technological Change

Historically, automation has increased productivity, which in turn has led to a net increase in employment. Nevertheless, increased investment in lifelong vocational education and training will be required to help people adapt to increased automation.

A key theme in the government's new industrial strategy is a place-based strategy centred around university research centres, science parks and other enablers of business growth. The approach also involves extending the latest digital infrastructure beyond the major urban centres to facilitate small digital start-ups in other parts of the country.

Changing Skill Requirements

Over the period 2003-2013, the UK saw a marked shift towards attainment at the highest qualification levels and away from those without formal qualifications or qualifications at the lowest levels.

The UK still lacks professionals with STEM (science, technology, engineering and mathematics) skills, especially engineering and IT professionals. The development of Robotics and Autonomous Systems, for example, requires highly skilled workers in disciplines like robotics, computer science and statistics.

There are gaps in the coverage of higher apprenticeship standards and frameworks. The principal focus of existing frameworks is on technicians at level 4, rather than at the higher skills level required for professional roles. There are no standards and frameworks that focus specifically on physical scientists.

A lack of integration of vocational elements into UK academic programmes could damage perceptions of UK graduates' employability and of the quality of UK universities. Competitor nations in the developing world are increasingly able to exploit markets that have traditionally been dominated by developed nations like the UK. So the UK must "run to stand still" in order for it to maintain its relative performance.

The UK's strength is its bank of higher skills. Improving the performance of lower level and intermediate skills will likely prove a greater challenge. A priority for the UK's skill profile is to accelerate the rate of reduction in the proportion of low-skilled people in the population.

Conservative Policy

Our track record

- Published the Government's 15-point productivity plan, which aims to improve the UK's transport and digital infrastructure, increase investment in the economy, enhance the skills of the workforce, build more houses, move people off welfare and into work, encourage exports, and rebalance the economy away from London.
- Announced the creation of a National Productivity Investment Fund. In the four years from 2017/18 to 2021/22, the Government has allocated £23 billion in spending for the new fund to be spread across four main areas: housing, transport, digital communications, and research and development.
- Published a green paper on the Government's industrial strategy stating that improving productivity is a key objective.
- Worked with over 2,000 businesses to test new ways to improve workplace productivity as part of the UK Futures Programme, an £8.8 million co-investment programme between public and private sectors.
- Set out the biggest overhaul of post-16 education in 70 years with over £500 million a year of new funding to improve technical training.
- Launched new industry-designed degree apprenticeships in 2015. These combine a full degree with professional training, with the cost shared by the employer and the government.
- More than £100 million of funding from the Research Councils has been committed for Robotics and Autonomous Systems projects alongside additional private investment. Public funding also includes £100 million for an Intelligent Mobility Fund.

What our manifesto said

"Our modern industrial strategy is designed to deliver a stronger economy that works for everyone – where wealth and opportunity are spread across every community in the United Kingdom, not just the most prosperous places in London and the south east. It will help young people to develop the skills they need to do the high-paid, high-skilled jobs of the future. And it will back Britain for the long term: creating the conditions where successful businesses can emerge and grow, and helping them to invest in the future of our nation."

"If our modern industrial strategy is to succeed, it must address the UK's slow productivity growth and it must be funded properly from the start. So we have launched a new £23 billion National Productivity Investment Fund. The government will target this spending at areas that are critical for productivity: housing, research and development, economic infrastructure and skills. This will include £740 million of digital infrastructure investment, the largest investment in railways since Victorian times, £1.1 billion to improve local transport and £250 million in skills by the end of 2020. The National Productivity Investment Fund will take total spending on housing, economic infrastructure and R&D to £170 billion during the next parliament."

Questions for discussion

1. Whose responsibility should training be: the citizen, schools and universities, the employer, the state, or all of them? In the Armed Forces when you sign-up all training is paid for in return to several years' service, but this is not the case in the rest of the public sector. Is this fair? What new contract might we offer our citizens?
2. How might a Conservative Government seek to boost productivity across the UK?
3. In what ways could the UK build on its world-class reputation for training and expand opportunities for lifelong vocational education and training? Do we need a top-down national skills programme or a bottom-up sectoral or geographical approach?
4. In what ways does training need to catch up with the changing skill requirements of modern technology? Are there any new and innovative models of training in your area that could be used elsewhere?
5. How should a Conservative Government deal with possible widening income gaps arising from increased automation?
6. What policies should a Conservative Government adopt to balance the need for improved training and productivity in the UK with any desire to reduce our reliance on skilled technical expertise from abroad? How might these be paid for?