



Round and round the houses



The Leitch report promises a 'demand-led' skills system but the actual recommendations will mean yet more central planning. We've been here before, writes
ALISON WOLF

At the end of 2006, the Leitch Review of Skills, currently being implemented by government, hit the scales, courtesy of HM Treasury. It weighed in at 148 pages, with a plethora of recommendations for legislation, expenditure increases, administrative reorganisation, quango creation and, of course, a new set of quantitative targets. But if you want the essence of Leitch, a two-sentence quote tells you all you really need to know:

History tells us that no one can predict with any accuracy future occupational skills. The Review is clear that skill demands will increase at every single level.

Read those two sentences, carefully. Then read them again (bearing in mind that they are juxtaposed in exactly this way in the original). Welcome to the strange land of skills policy, circa 2007, where contradictory sentences coexist happily and words mean the opposite of what they seem to mean.

The Leitch Review, headed by businessman Lord Leitch and staffed by government, was set up in 2004 to consider Britain's long-term skills needs. As such, it is the latest in an enormously long list of reports, commissions and reviews which, since the 1860s, have occupied themselves with the supposed failings of the country's vocational and technical training systems, and the extent to which the country's economic growth is being held back by skills shortages. In the last few decades, the pace of both reporting and policy-making in this area has accelerated. Indeed, the Leitch Review was set up just four years after the final report and recommendations of a very large-scale 'Skills Taskforce' created by the incoming Labour Government in 1997, and its inquiries actually overlapped with the launch of the Government's Skills Strategy White Paper.

Further education and training have, in consequence, been the objects of an unprecedented level of central planning and micro-management: far greater than at any previous period and far greater, too, than for any other sector of education. Nonetheless, all this has apparently been to no avail. Our skills base, according to Leitch, 'remains weak ... holding back productivity, growth and social justice'. Indeed, he acknowledges that this frenetic policy-making may be part of the problem:

The Review's analysis shows that previous approaches to delivering skills have been too 'supply driven', based on the Government planning supply to meet ineffectively articulated employer demand. This approach has a poor track record – it has not proved possible for employers and individuals to collectively articulate their needs or for provision to be effectively planned to meet them ... Building a demand-led system is the only way in which to increase employer and individual investment in skills and ensure that increased investment delivers economically valuable skills.

What could be clearer? It does, indeed, beggar belief that any central body can identify the needs and plan the training of a country with over 60 million people. This is a country (and a planet), moreover, where both technical progress and market-driven changes mean that enterprises are constantly in flux, where people's jobs change around them, where employees move frequently within a workplace even when they stay with the same employer, and where the young, in particular, change both jobs and sectors often.

Again and again, the Leitch report argues for a 'demand-led' system which could reflect and respond to what people in the workforce recognise as valuable. But the mantra is just that – a repeated set of words that do not connect with reality. Because the actual recommendations are not for a demand-led system at all. They are for yet more central planning.

The institutional context in which British – and especially English – further education and training take place is by now so complex and constantly in flux that even people who work

in it full-time cannot keep up. However, to illustrate both the existing situation and the nature of Leitch's remedies, let us take a set of centrally positioned quangoes, namely the Sector Skills Councils (SSCs), through which, as Leitch puts it, 'employers collectively articulate their qualification needs' (or, presumably, fail to?).

The 25 SSCs, established in 2001, are successors to the 73 National Training Organisations. The NTOs were created in 1997 and replaced 180 Industry Lead Bodies. They, in turn, had, during the 1980s, replaced the 27 Industry Training Boards of the 1970s. Every one of these networks was set up by governments dissatisfied with the existing set, all had employers appointed to their boards, and all were, therefore, proclaimed by the government of the day to be 'employer-led'.

The responsibility of the current set, the SSCs, is to draw up Sector Skills Agreements, which are meant to show what employers need, and Sector Qualification Strategies, which are meant to meet these needs. They also design Apprenticeship Frameworks for their sector, which lay down in detail what any publicly-supported apprentice must learn and do. They are, in other words, lynchpins of a centrally planned, supply-driven training system.

So are they to vanish? On the contrary, it turns out that the way to 'strengthen employer voice' in a 'demand-led' system is to create a new over-arching quango, the Commission for Employment and Skills, create another completely new set of organisations, which are to be called 'Employment and Skills Boards', and, at the same time, give additional powers to the Sector Skills Councils. But, of course, Leitch assures us that the new Commission will be 'dynamic' and 'employer-led', so no worries there.

Leitch recommends that in future only those vocational qualifications approved by SSCs should receive any public funding support, thus ensuring that 'only qualifications valued and approved by employers' [*sic*] get support. And what will be the measure used to judge whether SSCs are getting this right? Simple – it will be whether they have 'achieved a very significant reduction in the overall number (of qualifications) by 2008'.

Only Lewis Carroll could do this argument justice. Successive governments have, for years, been trying to reduce the number of vocational qualifications (even though, in the meantime, both the size of the overall labour force, and the number of different, and new, jobs, have continued to grow). A major reason for creating the government-run NVQ (National Vocational Qualification) system, back in the late 1980s, was to get rid of the so-called 'jungle' of qualifications, and it was confidently expected that everything other than a neat framework of NVQs would shortly vanish from the scene, to a chorus of employer gratitude.

And, yet, here we still are, with lots and lots of different vocational qualifications.

Could it, just possibly, be the case that these others have survived because employers want and use them? In other words, because these qualifications actually are a response to demand? Literally minded readers obviously need to move into some brave new post-modern world. There they will understand, as does the Leitch Review, that ordering a failing 'supply-driven' system, in which employers cannot 'articulate their needs', to abolish qualifications which are valued by employers is the way to put 'employers in control' and make sure that 'training has clear economic value'.

Skills funding

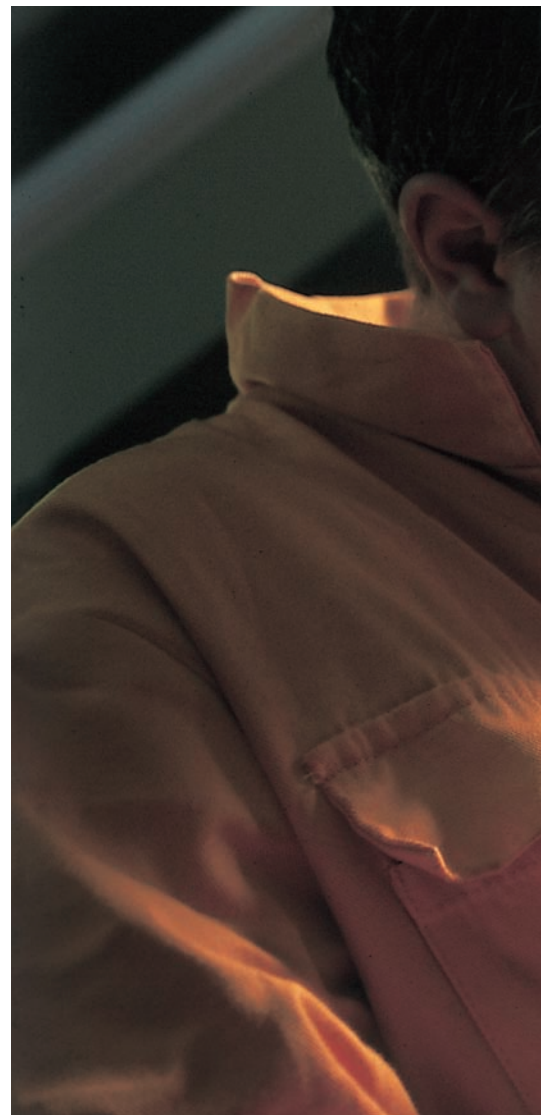
Another key recommendation of Leitch is that all adult skills funding (that is, funding for anyone aged 19 or over) should go through one of two mechanisms: Train for Gain and Learner Accounts. Learner Accounts are currently being piloted as a successor to Individual Learner Accounts, and will provide matched funding for adults, of up to £100, to help pay for approved courses with accredited providers, chosen by the learners themselves. Leitch makes the very reasonable suggestion that these should be expanded, and become the primary mechanism whereby adult vocational education outside people's current workplace is funded; but does not address in any detail the extent to which costs should be split between the individual and the public purse.

He has far more, however, to say about Train for Gain, which pays for training provided to employed people in the workplace, and for which he recommends major expansion. Train for Gain, unlike Learner Accounts, currently does not require *any contribution at all* from the recipient – that is, the employer – nor does Leitch recommend this.

The idea that government should fund employers' training directly is, if you stop to think about it, a very odd one. Such training is, after all, something that is meant to contribute directly to production and productivity. We do not usually go around giving direct subsidies for machinery, or other investment: in fact, that is definitely frowned upon, as distorting competition, reducing efficiency and favouring established firms over new entrants.

The counter-argument, in favour of a training subsidy, is that employers may train less than they 'ought' to, for maximum economic efficiency, from fear of trained workers being 'poached' by other employers. But not only is there fairly slight evidence for this being a serious problem in practice; even those who think it may be one, do not argue that employers, left alone, will do no training at all. If the training has a reasonably high pay-off, it will raise profitability, and allow for wage increases, and will be worth it even if some staff quit. So it is only at the margin that the problems occur.

If you are an employer, and you are offered training for free, what are you likely to do? Like most of us, of course, use all or most of the money to pay for something you



would have done anyway. That will free up funds for other uses which may include more training – or may not. Sure enough, that is exactly what the evaluation of the Train for Gain pilots showed. A thorough evaluation by the respected Institute for Fiscal Studies (IFS), carried out for, and published by, the Department for Education and Skills, estimated that at least 90 per cent of the training funded was deadweight – that is, would have taken place anyway, in the absence of any government subsidy.

The Leitch Review, however, is quite confident that making Train for Gain the main route for skills funding is the way ahead, and indeed the way to deliver 'world-class skills'. The pilots, it proclaims, show that this approach 'leads to provision that better reflects ... value for money.' Remarkably, the IFS evaluation does not even appear in the Review's bibliography.

Quantitative targets

The Government has been dedicated to centrally-set quantitative targets as a way of driving public sector behaviour. The results have been heavily criticised, because of the way they distort behaviour and quality. For example, all qualifications in the UK have been given a 'level' (1 through 5), and whether schools and colleges meet their



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performance targets is judged by counting the numbers awarded at a given level. This can lead to some very odd results, since a 'level 2' can cover anything from cake decoration to GCSE Physics, and also encourages institutions to enter students for exams and qualifications they will find it very easy to pass.

Targets have, consequently, come in for intensive criticism from those familiar with the further education and training sector. Leitch is having none of this. More are needed. By 2020, for example, we should have 'exceeding 90 per cent of the adult population qualified to at least level 2 ... a total of up to 5.7 million adult attainments [*sic*] over the period' and have shifted the 'balance of intermediate skills from level 2 to level 3 ... a total of 4 million adult attainments'. A further £1.5-2 billion a year 'needs' to be spent. And the result? That, apparently, is clear: 'The rate of productivity growth would increase by at least 10 per cent, helping to close the UK's productivity gap and leaving the average worker producing £1,800 more output each year by 2020 than would otherwise be the case.'

This statement is, quite simply, nonsense. We do have some estimates of the average productivity impact of employer-initiated training in Britain. As you might expect,

these are positive, since they involve work-related training which has been devised, undertaken and paid for entirely by the employers themselves. We also know that the estimates found in the empirical literature on employer-based training are, taken as whole, highly variable. And we have some recent, quite robust information on current returns to low-level vocational qualifications in the UK. Analyses have been carried out on a number of data sets, and for samples drawn from across the whole economy. Obtaining a low-level vocational qualification generally has little or no impact on someone's earnings and may even be associated with a reduction in earnings compared to matched employees.

The Leitch Review apparently knows about this work (at least, some of it is referenced in the bibliography). It also believes that wages do reflect productivity. 'Firms would not pay them higher wages if they were not more productive', it notes. At which point any joined-up thinking ends.

The Leitch Review is not merely illogical and wrong-headed: it is also puzzling. It states, at the start, that we cannot predict the future with accuracy, and then, a few pages later, states that '[t]his report recommends the optimal level of skills in the economy'. It argues that wages reflect productivity, and then recommends that government spending

be directed largely to paying for qualifications of a type which do not seem to be increasing productivity at all. It proclaims the virtues of demand-led funding while advocating a whole network of additional quangos, and a system in which, in its own words, 'integrated objectives ... cascade down' through agencies and providers.

And a final puzzle: why Leitch at all, so soon after all those other reviews? This one, however, is easily solved. Because Leitch, like Train for Gain, is the Treasury's very own, conceived apart from and visited upon what was the Department for Education and Skills by the one department that matters, run at the time by our current Prime Minister. Two months after Leitch reported, the advertisement was already out for the Chair of the new UK Commission for Employment and Skills. Stand by for all the rest – but don't, I suggest, bet your own money on that predicted productivity surge.

Alison Wolf is Sir Roy Griffiths Professor of Public Sector Management, King's College London.

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