

# HIDING THE JOIN

- How Skills and Employability
- Provision can Work Together
- More Effectively

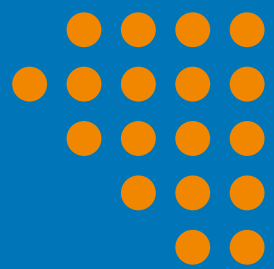
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June 2022



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# ABOUT AELP

## ASSOCIATION OF EMPLOYMENT AND LEARNING PROVIDERS

Association of Employment and Learning Providers (AELP) is a national membership body, proudly representing around 800 organisations. AELP members support thousands of businesses and millions of learners in England delivering a wide range of training, vocational learning, and employability programmes. Our members support learners of all ages, in every community, and at every level of post-16 study.

# ABOUT ERSA

## EMPLOYMENT-RELATED SERVICES ASSOCIATION

The Employment Related Services Association (ERSA) is the trade and membership body for employability and employment support providers and campaigns for high quality services for the UK's jobseekers and low earners. We have charities, local authorities, housing associations, social enterprises, funding bodies and private sector organisations in membership. Our members are a social force for good. We exist to serve the sector and, through the sector, those who use their services.



# INTRODUCTION

Particularly when faced with the economic and labour market damage inflicted by the 2020/21 pandemic, it is more important than ever that all operational and delivery tools at the disposal of policy makers are used to their full effect. Driving up skills and generating sustained employment will be crucial to underpinning economic growth and productivity, and delivering the government's levelling-up agenda.

If the government is to successfully level up for our most disadvantaged communities and people, the organisations that ERSA and AELP represent play a vital role. Their ability to do this successfully needs to be facilitated by joined-up government thinking on policy making, procurement and delivery processes.

Ultimately, the aim is to hide the join between employability and skills support from end-users by ensuring the way it is procured and can be delivered is aligned across the various government departments in which these responsibilities lie. This approach recognises that access to good employment - especially for those facing disadvantage, inequality, and poverty - is critically dependent on what happens from the start of people's education and in their lives. This in turn critically depends on providing continuity of employment and skills support, particularly at key transition points.

The providers undertaking this work are often and quite casually described as falling into one of two broad groups – those supported by funding from the Department for Education (DfE), loosely known as “skills providers”, and those supported by the Department of Work and Pensions (DWP), loosely known as “employability providers”. In fact, there are many crossovers between these two groups, with some organisations existing in both and many more in active collaboration, ensuring that those moving into work can enrol on skills qualifications or those with enhanced skills qualifications use these to find sustained paid employment. This report set out to investigate these linkages in more detail.

## NOTES ON METHODOLOGY

Starting in the autumn of 2021, AELP and ERSA began reviewing the literature on the crossover between skills and employability, investigating whether the premise of a beneficial link could be borne out.

**This culminated by exploring through both desk research and engagement with sector stakeholders the historical extent to which the skills and employability sectors have worked together or collaborated, comparing delivery trends across strands of provisions to look for correlations, and examining case studies of where such initiatives have emerged. This enabled us to formulate recommendations on what can be done to make existing examples of this more widespread and effective.**

Initially, we baselined our work by comparing trends and activities since June 2017, the date of the first general election after the UK's referendum on its EU membership. As the project progressed however, we pushed this baseline date back to gain a more complete and appropriate overview of trends and policy, reflected in the graphics and data finally reported.

Some difficulties were encountered with the comparison of datasets between DWP employability provision and DfE skills provision, which are not captured in consistent time series. Although considerable work was done where possible to transpose these into common metrics, this was not always possible due to a lack of granular data.

Skills provision is devolved to the home nations, employability provision is not. This meant that researchers had to additionally compare different skills datasets using differing metrics from four nations to draw comparisons with employability provision for the UK as a whole. We concluded however that the general thrust of the report was not materially affected by the data we looked at; therefore, for simplicity (and unless noted otherwise), employability data relates to the UK as a whole, whilst skills data relates to England only as the single largest entity within the UK. As a result, data comparisons are used to illustrate general themes and concepts rather than to extrapolate conclusions and draw up recommendations.

In the spring of 2022, we ran a short survey for skills and employability providers to give broad themes and context for interviews and subsequent roundtable discussions which elicited 120 responses from a range of organisations across both sectors. A total of five formal roundtables were held during March 2022 by both AELP and ERSA, in which a total of 30 organisations were represented. These were a cross-section of employability and skills providers, plus other sector stakeholders whose views we felt may be valuable to glean for the purposes of this report. In parallel with this, other informal conversations were held with a variety of stakeholders and officials, whose views were largely used as context and background for this work.

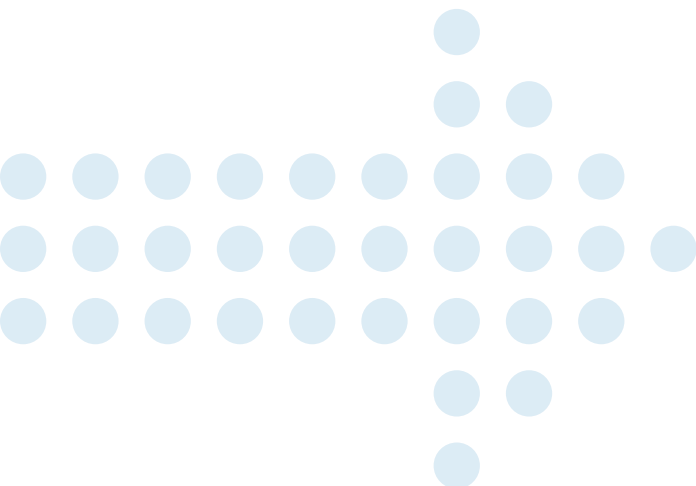
# AUTHORSHIP

This report was written during May 2022 by Paul Warner, Director of Strategy and Business Development at the Association of Employment and Learning Providers (AELP), with Andrew Morton, Labour Market and Policy Research Officer at the Employment-Related Services Association (ERSA).

It was launched at the National Conference of the Association of Employment and Learning Providers in London on 28th June, 2022.

Thanks are also due to the following, all of whom provided invaluable support and insight:

- Elizabeth Taylor for policy input and Henry Foulkes for research input from ERSA;
- from AELP, Chris Cotter for graphs and data visualisations, Anna Das for design and layout, and Malcolm Williamson and Madhavi Kumar for project support;
- all individuals and organisations consulted as part of the roundtable and other discussions, and/or who responded to the survey conducted as part of this report.



# EXECUTIVE SUMMARY

## A BRIEF HISTORY

**The links between an individual's level of skill and their employability are well recognised, but whilst the Department for Education (DfE) and the Department for Work and Pensions (DWP) often refer to joint working to ensure that their respective remits are aligned, in practice there has been little strategic join-up since the days of the New Deal after the Labour government was elected in 1997.**

New Deal was initially the responsibility of a combined Department for Education and Employment (DfEE), but a split into two different departments – DfE and DWP – took place in 2001, since when differences in policy and performance emphasis have become increasingly apparent. The DWP has operated a largely consistent strategy of procurement that makes full use of subcontracting and supply chains across a plethora of different strands of provision. Over the same period, the DfE has used a variety of different procurement models which resulted in often rapid changes of the numbers of providers at their disposal, and stringently restricted the use of subcontracting to all but eliminate many supply chains. For the most part however, the numbers of strands of DfE provision have stayed stable (albeit with occasional blending of funding streams to rationalise the overall offer).

The timing of various policy initiatives in both sectors has varied markedly – something to be expected given political implications and the significance of business cycles. However, the duration of contracting periods for provision within both the DWP and the DfE show little consistency; there is little clear evidence why for example the contracting periods for the DfE's Adult Education Budget (AEB) should be so different from those for the DWP's Work and Health Programme when the same companies are not uncommonly accessing both in order to return people to work and progress them to sustain that employment.

Despite evidence showing the beneficial effects of linking employability and skills provision, there is little alignment between how they are designed, commissioned, procured or funded. The country funds employability provision using generally consistent and stable procurement processes that explicitly encompass subcontracting, split across a relatively large number of different strands. On the other hand, skills are funded using a variety of different procurement processes which tend to discourage subcontracting, across a more limited number of different strands.

## IS THERE JOINT WORKING?

The delivery data indicates that at a design level, skills and employment policy work in isolation from each other – with some minor (and arguable) exceptions there are few if any correlations (adverse or favourable) between performance delivery of DWP-funded and DfE-funded provision. A short survey conducted for this report nevertheless indicated that providers are making ad-hoc links to “feed” each other’s provision – providers of Work Programme, Work Choice, Work and Health Programme, Job Entry Targeted Support (JETS) and Restart all gave examples of how they independently engaged with skills providers to deliver skills funding that met the requirements and needs of employers, whilst amongst respondents referrals from DWP provision to DfE’s Traineeship programme increased from 10% in 2015/16 to 27% in 2020/21.

In evidence to the Work and Pensions Select Committee, the DWP (2020) claim that they worked closely alongside other departments (particularly the DfE) to co-ordinate policy and implementation. The Select Committee’s recommendations in turn indicated that they were not convinced about the effectiveness of these links, at one point suggesting that the now-closed UK Commission for Employment and Skills could be a model for them, inferring that the 2001 split of departmental responsibility for skills and employability required some structural remediation. However, in its response to the report, the government said that “As part of the Government’s wider skills offer, we are continuing to develop DWP’s skills offer” which appeared to infer that they did not consider the skills remit should be the sole preserve of DfE.

On the other side of the departmental divide, there is little hard evidence from DfE highlighting meaningful joint working with DWP, though recent initiatives such as skills bootcamps have been designed with the eligibility of unemployed people and benefits claimants in mind, which is likely to have included input from such colleagues. That said, we heard evidence from one DfE official that in recent years there has been almost no consultation on a number of major policy decisions regarding provision, leading to potential clashes in policy aims and objectives.

Furthermore, with the introduction in 2020 of T Levels, DfE funded its providers (mainly colleges) to set up whole new work placement functions, even though the core competencies for this already existed amongst their own infrastructure of independent apprenticeship and traineeship providers, some of whom were also active in DWP employability programmes. It seems that not only are the two departments operating in design silos, but they are in some ways duplicating remits.

## HIDING THE JOIN BETWEEN EMPLOYABILITY AND SKILLS PROVISION

The DfE and the DWP therefore seem to be somewhat isolated from each other in their approach to enable individuals seeking work to benefit from truly integrated skills and employability support to find work by refreshing their technical skills or getting new ones. Indeed, on occasion they appear to forget that a parallel department already exists working on the piece of the policy jigsaw that they are not.

The initial findings of our work are both reassuring and frustrating. Reassuring, because despite questions about competition and overlap strategically and operationally, it does not seem from the delivery data that DWP and DfE provision adversely affect each other - if a strand in one department is prioritised by government, there seems to be little or no discernible effect on the programmes of the other. On the other hand, nor is there any correlation between the success of provision across departments – our findings do not indicate any structural or process alignment between them in the outcomes that each achieves.

This is frustrating because research backs the view that once in work, there is a strong opportunity to also engage an individual in an apprenticeship or other work-based learning programme which positively affects their overall prospects for earnings and progression. Providing a base of work-related skills in this way not only makes it much more likely that the employee will stay in work as well as significantly enhance their overall career prospects and earning potential in the long term, but it also gives additional benefit to the employer in terms of productivity.

The lack of alignment between DWP and DfE in properly highlighting this as a possibility is disappointing, and indeed it can become an issue in unexpected ways. As an example, providers repeatedly told us anecdotally of employers using the possibility of a DWP-funded Kickstart subsidy as an objection to taking on DfE-funded Traineeships which aim for very similar policy outcomes - though whether this materialised in them taking on a Kickstarter instead is open to question. This might mean the strategic gap between DWP and DfE, and the introduction of new strands without adequate consultation across government, means that not only are outcomes not as aligned as they could be, but unintentionally it can give employers objections to not take on a young person on any sort of provision at all. It is difficult to reconcile the government's desire to build a high-wage, high-skill economy when they miss opportunities such as this to do both at the same time.

It is a slightly different story at provider level where, according to our research, employment support providers thought that there were a number of aspects within DfE provision that both positively and negatively impacted their ability to start or secure employment for their participants: this is despite contracted DWP programmes demanding skills offers placed closer to (or within) the DfE's remit.

More specifically, we noted that for DWP-funded providers, the single most popular provision to link to within DfE was most likely to be the Adult Education Budget (AEB). This is largely because AEB tends to fund shorter, sharper skills programme that do not delay the drawdown of funding for the employment objectives that are being sought. This is an example of what amounts to a type of “pooled” budget where funded outcomes and policy objectives align across both the DWP and the DfE, suggesting more opportunities of this nature should be formulated.

Generally speaking however, the procurement strategies of the DfE and the DWP vary markedly, increasing the cost of delivery for providers who operate in both spheres and taking funding away from front-line delivery. Such difficulties could also be compounded by the introduction of the UK Shared Prosperity Fund, the allocation and eligibility for which is controlled by a third government department, the Department of Levelling Up, Housing and Communities (DLUHC).

**In summary, we propose thirteen recommendations as a result of the work undertaken for this report, which we believe would much more effectively “hide the join” between support for those looking for work, and the support offered to them to increase their personal skills both then and when work has been secured.**

We have split these into three categories of recommendations: the first is broader and thematic - termed ‘new principles for policy design’ - and the second is more targeted at specific policy change - called ‘recommendations for policy change & implementation’ – whilst the final recommendation is directed to the provider representative bodies.

# RECOMMENDATIONS: NEW PRINCIPLES FOR POLICY DESIGN

- 1** Policy must be motivated by the intention to remove barriers - barriers for both participants seeking to access some complementary form of employment support and skills offers, and providers who need to be able to tailor offers to individual and employer needs
- 2** In considering policy for the interlinked areas of employability and skills, a common language and universally agreed-upon definitions are required in order for both the DfE's and DWP's policy agendas to be successfully implemented
- 3** Consideration should be given to a return to a departmental format such as that of the former DfEE (Department for Education and Employment)
- 4** Policy makers must better understand and accommodate individual area dynamics found in the relationships and networks of employers, providers, schools and colleges, local government official and Jobcentre Plus offices that operate at a local level, and that are critical to addressing our most pressing labour market problems
- 5** All employability and skills provision should operate within the context of a national framework that works to facilitate geographical transfer of skills, ensuring that the supply of more specialised skills, or those related to new technologies, are not structurally restricted to particular areas
- 6** For Local Skills Improvement Plans (LSIPs) to be fully affective and to fulfil the objectives set out for them, it is key that they take into account all training and employability provision in their area, irrespective of the type of institution delivering it.

## RECOMMENDATIONS FOR POLICY CHANGE & IMPLEMENTATION

**7** The need for a proper and effective all-age careers system, and how that should link across information, advice and guidance (IAG) for both employability and learning, should be central to the review by Sir John Holman, the Department for Education's Independent Strategic Adviser on Careers Guidance

**8** More "pooled" budgets (using the initial model of the AEB as an example) should be co-designed and co-commissioned by all government departments with responsibilities for skills and employment provision to facilitate funding processes and funded outcomes aligned to the needs of all

**9** Better alignment and simplification of funding boundaries is needed across all government departments with responsibilities for skills and employment provision. This should aim to increase overlaps between localised and national funding streams, allowing providers to more efficiently plan consistent delivery across the country

**10** Local infrastructures should be fostered, exploiting those local networks noted above (recommendation no.4) and Local and Combined Authorities' increasing responsibilities, to make government-sponsored Youth Hubs a success and to maximise those monies from the UK Shared Prosperity Fund (UKSPF) and Community Renewal Fund (CRF). Both the UKSPF and CRF however need to have their financial commitments to employability and skills greatly enhanced beyond current proposals

**11** The DWP's major nationwide procured provisions have not been formulated with seamless linkages to skills offers in mind. This creates barriers for both participants and providers alike, both of whom must be able to maximise their provisions without burdensome restriction

**12** Targeted policy interventions directed toward vulnerable and disadvantaged groups need to better match up those elements of support for job seekers with incentives for prospective employers. In joining together tools like wage subsidies, levies, guaranteed job interviews, training (for both soft and technical/ accredited skills), policy makers must also balance and weigh these together, so they complement each other

## RECOMMENDATIONS FOR SECTOR REPRESENTATIVE BODIES

**13** As representative bodies of the employability and skills sectors respectively, ERSA and AELP should consider additional ways in which joint working could further common objectives, and particularly to facilitate easier and more effective alignment between skills and employability provision

These different recommendations are addressed, not in turn, but as they emerge within a broader discussion concerning the better joining of skills/employability provision and policy.



# THE LINKS BETWEEN EMPLOYABILITY AND SKILLS

Stakeholders that contributed to roundtables organised for this research highlighted the importance that they be able to offer individually tailored support to different individuals and their individual needs and individual circumstances.

A simple and analytically credible definition of ‘a barrier’ is created when a provider’s ability to do the above is hindered. In our stakeholder roundtables, employability providers spoke repeatedly of the various difficulties they had in accessing the skills packages and offers they needed for their employment support programmes and the often-innovative methods they used to get around them.

## RECOMMENDATION: POLICY PRINCIPLES

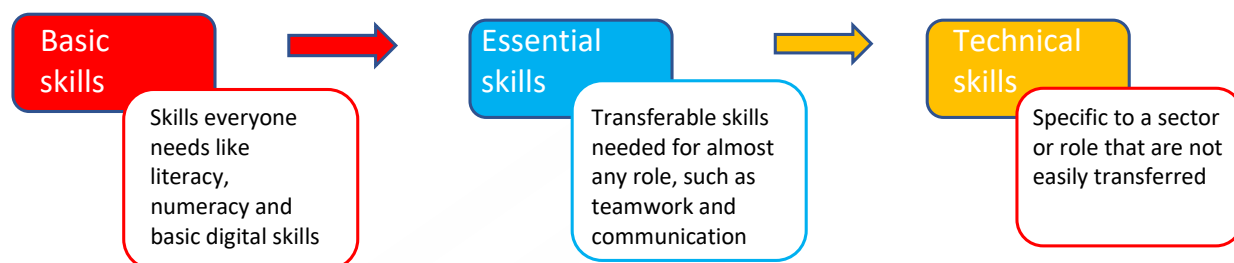
**Policy must be motivated by a goal to remove barriers - barriers for both participants seeking to access some complementary form of employment support and skills offers, and providers who need to be able to tailor these offers to individual and employer needs.**

Anecdotally, it has long been accepted that there is a strong positive correlation between the attainment of skills and employability prospects – skills in terms of both accredited and non-accredited technical/vocational qualifications, and what are termed “soft skills” relating to more generic and transferable characteristics such as communication, problem-solving, and team-working. Data shows increased levels of skills of any sort tend to result in less prolonged periods of unemployment, an easier progression from non-employment to employment, faster in-work career progression, and higher lifetime earnings.

Skills and employability providers however can often mean slightly different things when they refer to “skills”. Employability providers generally tend to refer to “skills” as being of the “soft” or transferable type, seeing a distinct difference between these and the outcomes of regulated qualifications. For their part, DfE providers tend to view “skills” in a more general sense, evidenced for example by their curriculum coverage of knowledge, skills and behaviour elements within the employer-based standards that almost all technical qualifications are now based on, and the achievement of which are central to any funding drawdown. This diversity of terminology and meaning can therefore lead to some confusion when overall policy objectives are being articulated by one or other department, and was certainly a keen point of discussion amongst providers at the roundtables convened for this report.

The House of Lords Youth Unemployment Committee (2021) identified this as a problem and suggested a unifying of the language of skills between DfE and DWP, so that when it comes to making skills policy, there is a common language and universally agreed-upon definitions through which both the DfE’s and DWP’s policy agendas can be successfully implemented. The report highlighted one model that may serve as the basis for such a move:

*Figure 1: A common terminology*



## RECOMMENDATION: POLICY PRINCIPLES

**In considering policy for the interlinked areas of employability and skills, a common language and universally agreed definitions would better allow for both the DfE’s and DWP’s policy agendas to be successfully implemented.**

## THE EVIDENCE FOR A LINK BETWEEN EMPLOYABILITY AND SKILLS ACQUISITION

**It is clear that the attainment and development of skills in some form has a positive effect on the ability of an individual to gain, retain and progress in employment. There is additionally considerable evidence showing that higher skill levels amongst employees contribute to higher productivity returns, a matter of huge significance to employers.**

The link between low youth unemployment and vocational education is well established by research at both the individual and country levels. For example, Winkelmann (1996) identified that German apprentices experienced fewer unemployment spells in the transition to their first full-time employment than did non-apprentices. Likewise, Korpi et al (2003) found that the skills, qualifications and credentials generated by educational systems are strongly related to labour market attainment, particularly in the transition phase between school and work. The linkages lay in the specific skills learnt and the high productivity that results from the learner (Ryan 2001, Gangl et al. 2003).

This correlates with more recent findings by Mailys (2019) who noted that whilst vocational education may ease the entry into the labour market, it becomes far less influential for their prospects and progression if individuals are not prepared to upskill to adapt to new technologies or switch to different occupations skills. Even this small selection of academic work over a span of nearly 25 years give strong examples of how well-recognised the links between vocational skills and the prospects of gaining and progressing in employment can be.

The link with soft skills is equally well-established, particularly regarding their importance to employers who are recruiting or who are looking to progress workers through career paths. According to Young (2018) for example, a report of interviews with four hundred Fortune 500 CEOs found that 75% of long-term career success was dependent upon developing soft skills; with this, there was a correlation between the strength of soft skills in an individual and their prospects of completing high school.

This percentage exactly matched work by Dabke (2015) who found that amongst interns, interpersonal skills, courtesy and positive attitude were positive predictors of effectiveness whilst professionalism, teamwork, and interpersonal skills emerged as the positive predictors of consideration for permanent placements. Bishop (2017) agreed, saying that “A new employee’s soft skill development is the single most important predictor of that employee’s future productivity or success at work.”

# THE EFFECT OF A SKILLED WORKFORCE ON THE ECONOMY

In general terms, highly skilled nations are wealthier than poorly skilled nations. There is also significant empirical evidence of a positive relationship between skills and growth performance, whereby such individuals tend to have better jobs and higher wages compared to those with low or no skills. Countries that invest more in human capital have better growth performance than those without effective development skills programs (Krueger and Lindahl 2001).

The Industrial Strategy Council (2019) reported that *“a skills mismatch can act as a drag on economic growth by limiting the employment and earnings opportunities of individuals and impacting on firm performance and productivity”* and that UK firms reported that *“lack of access to the right skills was the number one threat to the competitiveness of the UK labour market”*. The report concluded that

“(though) there are a number of policies targeting areas where a skills mismatch could occur ... existing commitments do not look to be sufficient in scale to address the skills gaps predicted.”

The impact of automation on demand for skilled labour, as well as the Covid-19 pandemic, has meant a serious reappraisal of its role in the economy going forward. Taylor et al (2022) reported on a correlation between high levels of furlough and jobs at risk of automation, concluding that wider transferable skills complementing new technologies are expected to be critical to future employment, calling them *“essential employment skills”*. Allas et al (2020) found that upskilling *“can offer far greater payoffs to UK employers than they have unlocked to date.”* Even more alarmingly, they found that the prospects for those with low or no skills in the labour market were decreasing:

“Skills already in shortage, such as those needed in e-commerce and supply-chain analytics, are likely to face higher demand ... over the long term. Moreover, many low-skilled jobs displaced in the (Covid-19) crisis may never come back.”

The DfE themselves (2121c) reported that on average, all levels of learning generate strong returns, typically being higher for younger workers, with a net present value (NPV) showing a positive correlation against each pound of government funding at every level of qualification (see figure 2):

**Figure 2: NPV of classroom-based qualifications, 2018/19**

PROVISION TYPE	NPV PER START	NPV PER £ OF GOVERNMENT FUNDING	NPV PER £ OF TOTAL COST
Below Level 2 (19+ yrs)	£12,000	£29	£14
Full Level 2 (19+)	£39,000	£21	£6
Full Level 3 (19+)	£82,000	£31	£9

## A BRIEF OVERVIEW OF THE SKILLS AND EMPLOYABILITY SYSTEMS IN ENGLAND

The strong need for a trained and skilled workforce is therefore best seen as an economic opportunity not only for individuals, but for UK organisations and for the UK economy as a whole. With this in mind, policies should use all available resources in a complementary fashion to ensure that as many people as possible are employed and can stay employed and productive. It is no surprise therefore to find that the various government departments responsible for business, work and education have in various ways and at various times sought to bring these factors together when considering economic policy options.

Of particular relevance are organisations that provide support to individuals either seeking work or seeking to improve their prospects through enhancing their individual skills and qualifications. As noted at the start, these are often described as falling into one of two broad groups – those that align with the funding and policy regime of the Department for Education (DfE), loosely known as “skills providers”, and those that align with the regime of the Department of Work and Pensions (DWP), loosely known as “employability providers”. As also noted above, there is considerable overlap and crossover between

these two camps with some organisations operating in both, and many more engaged in active (and sometimes complicated) collaboration whereby jobseekers seeking work or new work can take on training and enhanced skills qualifications to attain sustained paid employment.

This has been the case for many years. In the 1990s the government's 'Training for Work' (TfW) programme was funded by what was then known as the Department for Employment and Education (DfEE) and aimed to move long-term unemployed people into work experience placements enhanced with skills or other relevant training in order to convert such roles into paid employment. This provided some coherence between employability and skills streams, though it was by no means perfect. One sector leader who worked extensively on TfW contracts reported that in general, training elements were not specifically paid for and were therefore largely overlooked by providers in favour of reducing delivery costs by simply placing individuals into work experience placements and converting these into employment.

The election of a Labour administration in 1997 saw the end of Training for Work and heralded the introduction of 'New Deal' the following year, a comprehensive welfare-to-work programme that in design at least, embedded clear routes to incorporate training and learning as part of the return-to-work journey. This was a clear reflection of the fact that both skills and employability were contained within the remit of one department. New Deal set out to specifically address and identify the barriers to a return to work for long-term unemployed individuals, including any skills deficits, through specific targeted strands such as New Deal for Young People, New Deal for Lone Parents, and New Deal for Musicians.

Although New Deal continued in some form until 2011, its nature and purpose evolved rather more quickly. As the economy improved and long-term unemployment became less of a concern, its purpose began to subtly shift. A modified 'Flexible New Deal' was introduced in 2009 which required jobs not just to be attained, but also sustained for providers to attract full funding. Whilst policy continued to recognise this might best be done through engagement in training (although not itself a requirement), policy emphasis shifted to make clear that if a job could be sustained without resort to training it would still qualify for funding. Around the same time there were a series of funding scandals that hit colleges of further education in particular, giving rise to calls for much stronger oversight of their performance and funding.

This contributed to the decision in 2001 to split responsibilities for skills and employment between a newly formed Department for Education and Skills (DfES), and Department for Work and Pensions. Alongside this was the gradual but constant revival of the concept of apprenticeships, which were primarily designed as in-employment training schemes for young people early in their careers to build initial work competencies. As these began to gain currency, interest and traction, there was an intention for the two departments to work together but over time it became clear that they were in fact diverging from each other, with successive initiatives in one department taking increasingly less regard to policy design and development in the other.

In retrospect, this movement was completely entrenched by the financial crash of 2009, which made the government focus very squarely on the need to mitigate or preferably avoid mass unemployment with the advent of the 'Work Programme'. If movement into work could be completed more quickly without developing individual skills, then the dilution of the inherent skills training aspects within welfare-to-work programmes appears to have been deemed acceptable.



Concurrently, though the right words were being said about the need to maintain a robust infrastructure of skills training for both those seeking work and those in work, in a period of massive financial constraint on public finances, the amount of money being made available to support this was gradually reducing (IFS, 2021). Taking into account the results of two major reports by Alison Wolf (2011) and particularly Doug Richard (2012) which both addressed the need for much closer alignment between the skills system and the workforce needs of employers and industry, this was addressed through a redesign of the work-based learning system.

This included a new system of vocational employment-centred Study Programmes at and below Level 2 (the accepted minimum for entry to the workforce), and the design of a new apprenticeship system funded via a bespoke apprenticeship levy to be imposed on larger companies. The trade-off for this extra expense for employers was that the entire system would be reformed and redesigned to give employers a much stronger input into the content of apprenticeships, making them directly relevant to real-world job roles instead of relating to more general concepts of education and training. The concentration of effort this required from DfE to simultaneously review and implement new ways of working in areas as diverse as design, curriculum, pedagogy, funding, access, digital support, quality assurance, and review across many strands of their provision meant that they became concentrated on these tasks, and increasingly looked less and less at how they might effectively link to employability programmes funded by DWP.

As years passed DfE also became increasingly averse to subcontracting arrangements, imposing successively stricter regulations and in some cases almost eliminating it entirely from provision. DWP had meanwhile continued over this period with a broadly consistent commissioning strategy and processes (DWP 2022a), albeit in a variety of manifestations of provision, (DWP 2022b). Through this DWP established a substantial infrastructure of potential suppliers ranging from multi-national organisations and supply chain leaders, through to specialist niche providers and charities, making full use of subcontracting strategies.

What has increasingly become evident is that despite the intrinsic links between the ability to secure sustained employment and having the skills to be able to perform a particular role or occupation, the two systems of provision within DfE and DWP have been drifting further apart. In a time of constrained public finances, this raises the spectre of a duplication of effort and potentially a weakening of the capacity of either sector to sustain operations in the longer-term.

This duplication of effort is illustrated by a tendency of the two departments to extend their own remit into the crossover of skills and employability provision without considering what already exists there, with (for example):

-  DfE funding a whole new infrastructure of work placement provision for the purposes of employability as T Levels were introduced, when this already existed not only within their own provider base, but extensively within DWP's
-  DWP possibly extending their skills provision even though this already exists within DfE, as evidenced by the government statement that “As part of (our) wider skills offer, we are continuing to develop DWP’s skills offer ... we are developing proposals on an enhanced skills offer for DWP customers to encourage more people to improve their digital and other basic skills.” (House of Commons, 2021)

It was this interplay between employment and skills provision that led to this report – to look for any correlation between the performance of various forms of skills and employability provision offered by the two departments, but also to see if providers were linking these strands of provision up despite the distance between the two policy making structures involved. In the next chapter, we analyse performance data about trends in provision in some of the key strands of DfE and DWP provision, considering whether they demonstrate any correlations (positive or negative). It also considers the results of a survey undertaken by researchers for this work to explore whether providers are nevertheless blending these strands of provision as workarounds for the divergence of policy making between DfE and DWP.

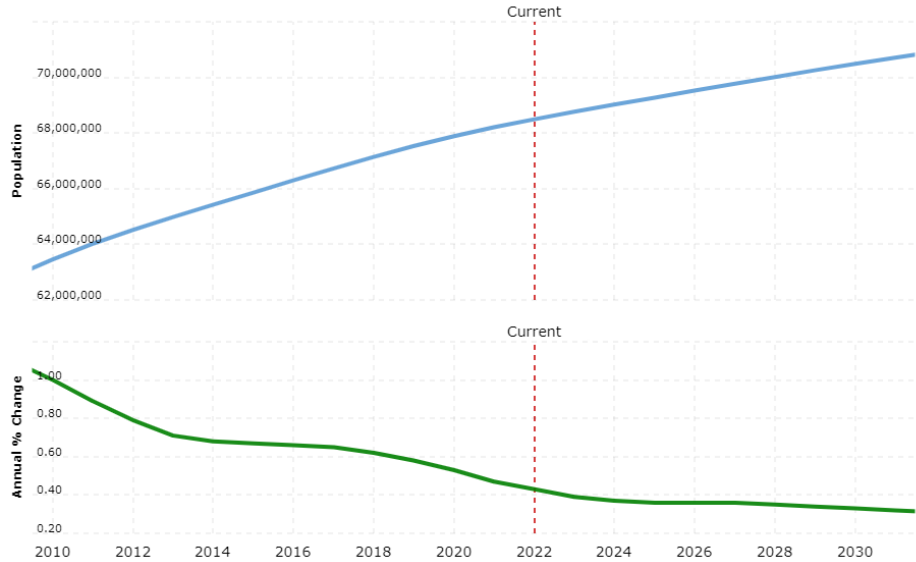
# DETAILS OF DELIVERY

## DEMOGRAPHICS

It is important to set a context for the discussions that follow, in terms of how delivery data relates to population and cohort size.

The overall population of the UK is on a rising trend and is set to hit 70m by 2028:

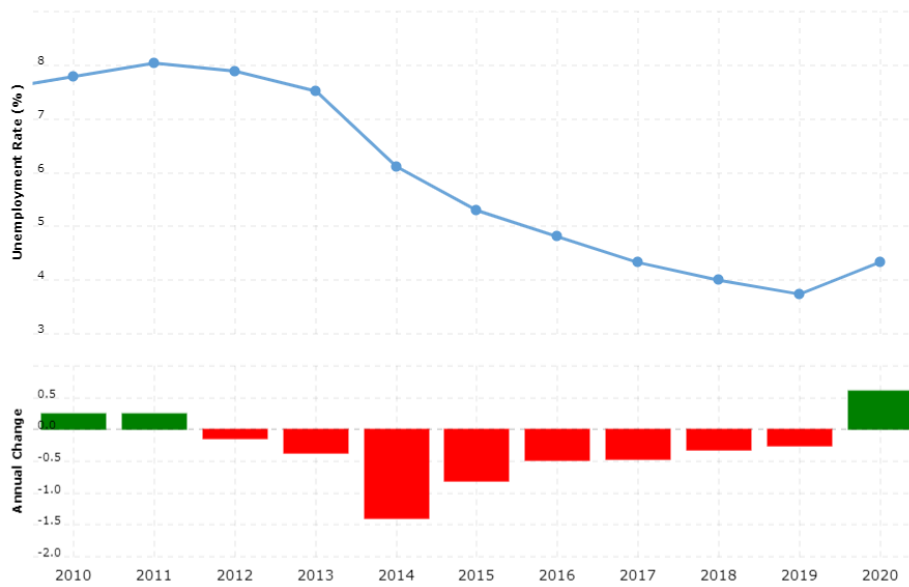
Figure 3: UK population over time



Source: Macrotrends, <https://www.macrotrends.net/countries/GBR/united-kingdom/population>, accessed 20 Apr 2022

Over the same period, and until the onset of the Covid-19 pandemic, unemployment had been steadily decreasing:

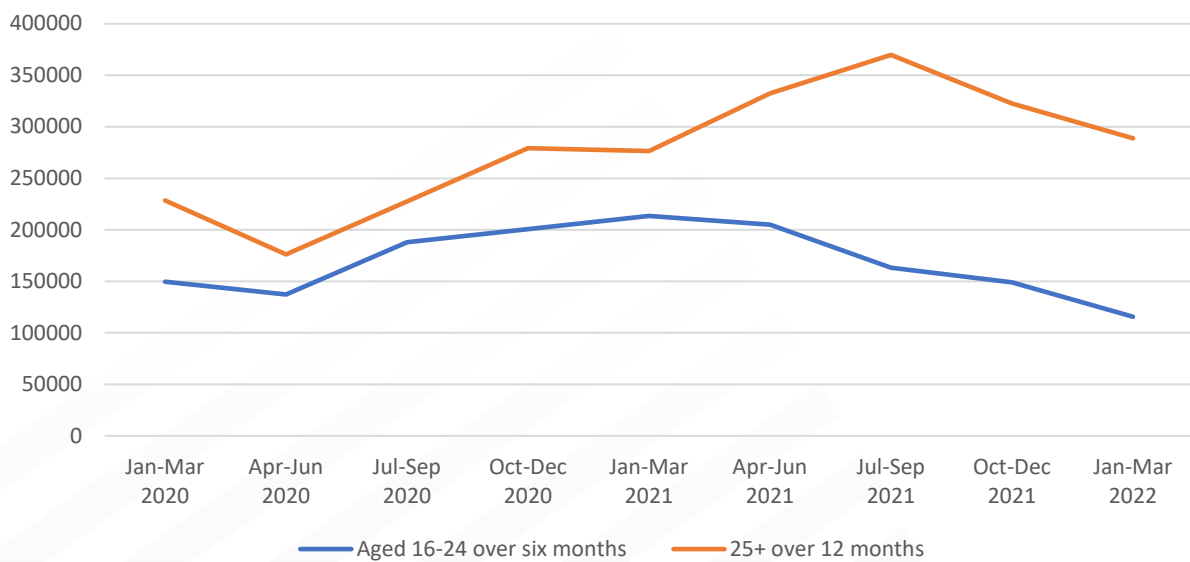
**Figure 4: UK unemployment over time**



Source: Macrotrends, <https://www.macrotrends.net/countries/GBR/united-kingdom/unemployment-rate>, accessed 20 Apr 2022

Reinforcing evidence of these trends, long-term unemployment is also dropping:

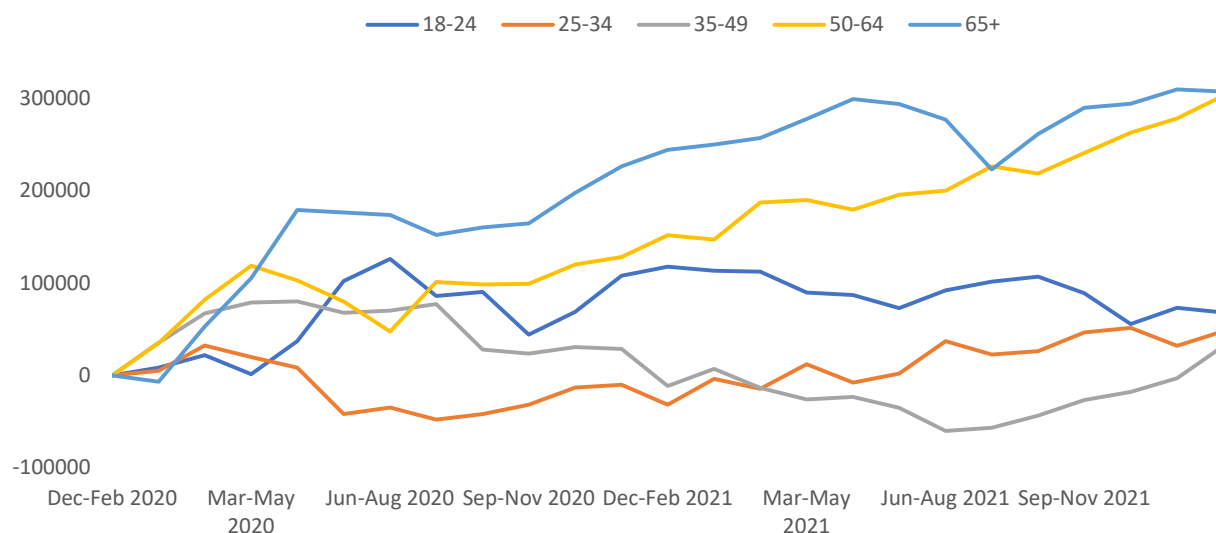
**Figure 5: UK long-term unemployment levels over time**



Source: Analysis of ONS quarterly data.

Similarly, levels of economic inactivity are showing signs of flattening out following the pandemic and are expected to fall again as people move back into the labour market:

**Figure 6: Economic inactivity levels by age group - compared to Dec 2019 to Feb 2020**



**Source: Analysis of ONS quarterly data.**

The incidence of (generally) falling unemployment and (potentially) falling economic inactivity despite an overall rising population means that the labour market is now tight and could be characterised as a “seller’s market” – that it is relatively easier to find work now than previously, and there is a temptation therefore for individuals and employers alike to forego training and skills requirements in order to fill jobs. This suggestion appears to be happening, as evidenced by data shown in the following section.

It may however be a false economy, as the Institute for Fiscal Studies (IFS 2021) report that after a period of reduced cohort sizes in 16-18 education since around 2010, numbers have started to rise again. In the latest year of data in 2020–21, numbers grew by nearly 5%. This reflects both a combination of growth in cohort sizes and increased levels of participation in education as other employment and training opportunities dried up during the pandemic. Further rises are expected over the next few years due to population growth, with numbers currently projected to rise by 10% between 2021 and 2024.

In short, this means that it is projected that the number of young people coming on to the job market over the next few years is about to rise, possibly mitigating labour shortages and redressing the balance of the market in the “buyer’s” (employer’s) favour, which may mean an increasing search for skilled workers again. If the UK continues to accept a period of reduced linkage between skills and

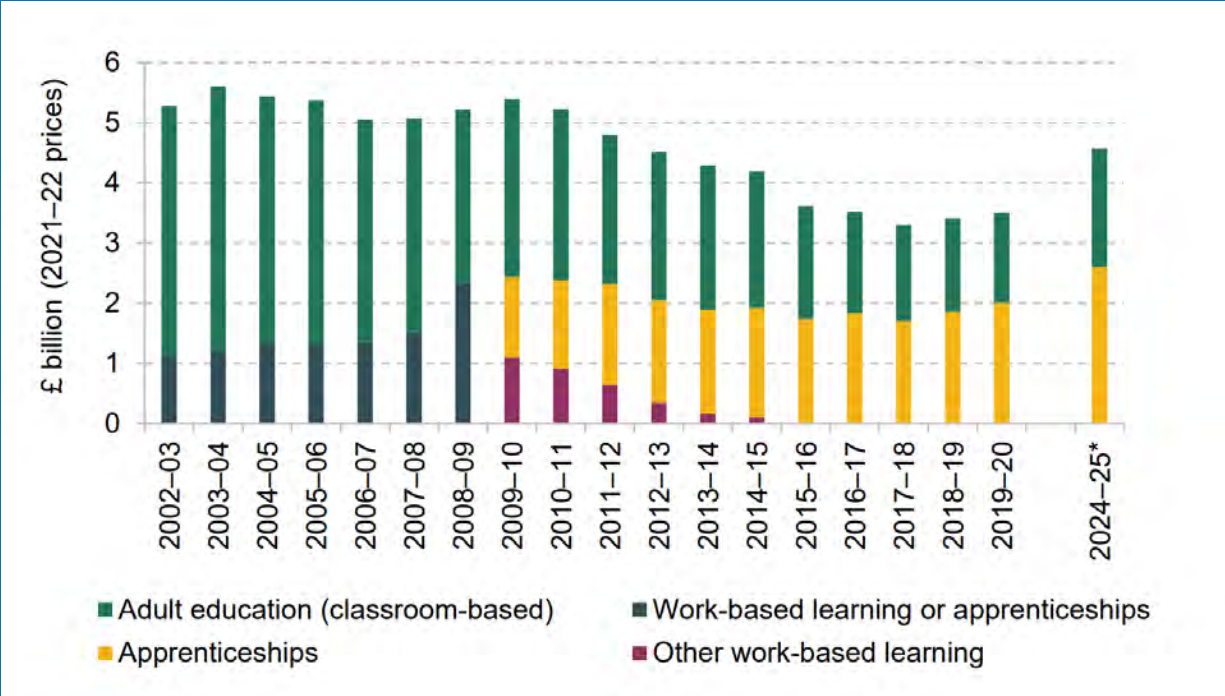
entering and within its workforce, we are therefore storing a problem for the future with a larger generation of relatively unskilled workers being forced to compete with a larger cohort of skilled workers than previously, with less unskilled work for them to fall back on. In this era of hugely constrained public finances, and with unemployment falling, it may be tempting to reduce the amount of public money being spent on employability and training support, but this again would merely store up a future problem as the working population rises again.

## VOCATIONAL SKILLS PROVISION

Vocational skills training for young people is split into a number of different streams of provision within the DfE, but the most important and high-profile tend to be apprenticeships and traineeships.

The budget assigned to skills provision has however been generally on a downward trend since the beginning of the century from a high of around £5.5bn in 2003/04 to its current levels at around £3.5bn, of which around £2 – 2.5bn is now accounted for by apprenticeships. (See figure 7).

**FIGURE 7: Total spending on adult education and apprenticeships (actual, and projected for 2024-25)**



Source: (IFS, 2021)

# APPRENTICESHIPS

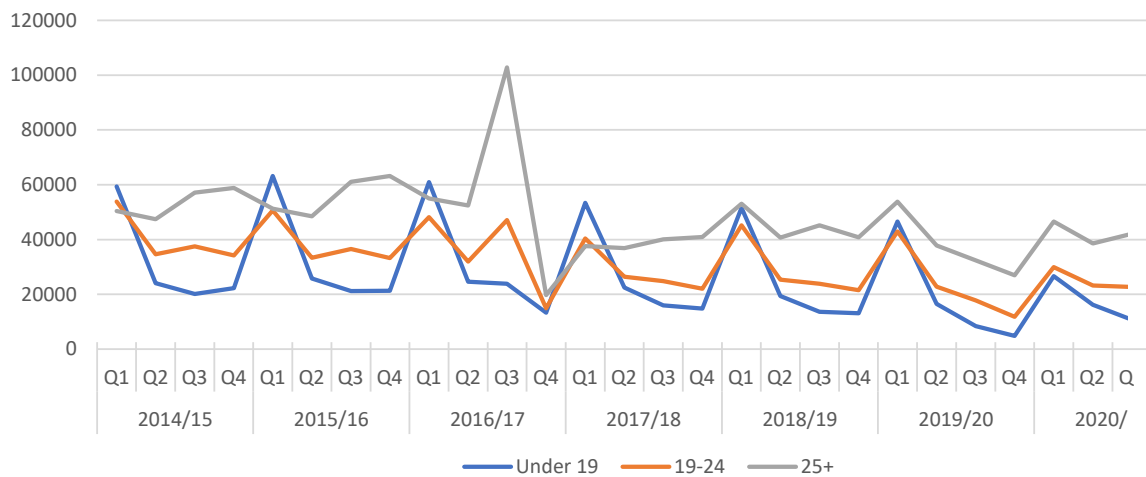
Apprenticeships have been in existence for centuries. Their popularity dipped markedly in the late 1970s and 1980s as the country underwent an economic and industrial overhaul, but from the 1990s they began to emerge again, albeit in a streamlined form compared to previous iterations and with relevance to a much wider range of industries and occupations beyond traditional crafts, construction, engineering and manufacturing processes.

Apprenticeships – their content, delivery and funding – have undergone periodic overhauls since their reintroduction in force in the skills system. This was marked in particular by the introduction of the apprenticeship levy (HMRC 2016) in May 2017 that not only fundamentally changed the way they are funded – effectively doubling the budget to around £2.5bn/year – but also introduced major changes to their design, content, quality, and assessment procedures. Their content is now governed by employer-led panels within the Institute for Apprenticeships and Technical Education (IfATE), targeted very specifically at reflecting the competencies required to undertake specified occupations at various levels. Apprentices must in all cases therefore be employed at the time of starting their studies, and a prescribed amount of the apprentice’s working hours must be taken with “off the job” training in underpinning knowledge and theory away from the immediate pressures of their job.

At the time this was part of an overall government drive to raise levels of apprenticeship starts to 3m over a five-year term to 2020. This objective was however missed by some margin, and in fact start levels collapsed on the introduction of the levy and have yet to recover to anything like their pre-levy levels. It is interesting to note that then-skills minister Nick Boles later admitted that the 3m figure was fairly arbitrary and not formulated with any relationship to labour market need (Thornton and Bishop 2017).

The overall collapse in apprenticeships on the introduction of the levy, and particularly its effect on apprenticeships for young people, is starkly set out in Figure 8 (right) at Q3, 2016/17;

**Figure 8: Apprenticeship starts by age group, quarterly**

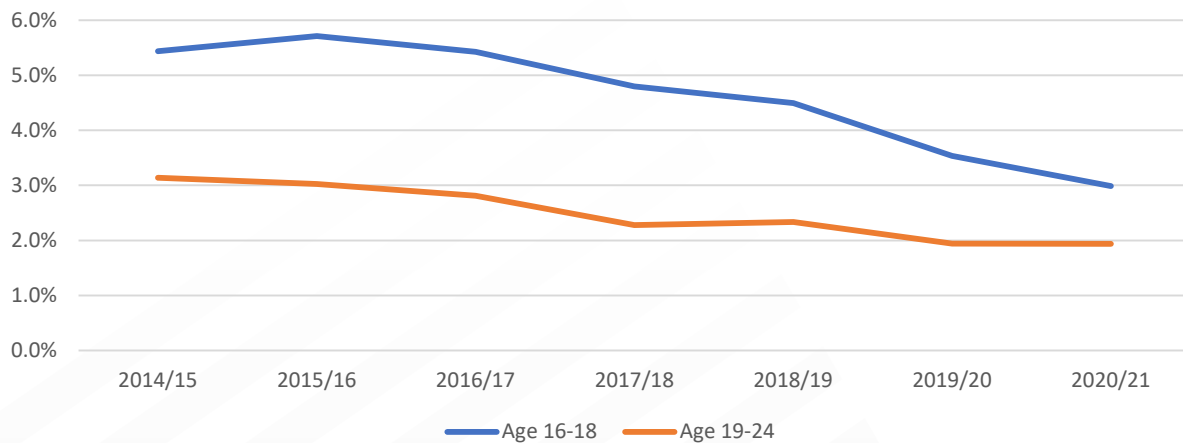


**Source: Department for Education, Apprenticeship and Traineeship Data**

What is particularly evident is the tailing-off of apprenticeship take-up by under-19s – almost certainly the major target group that the person in the street would expect apprenticeships to be aimed at.

Although there is some correlation with declining demographics around this time in terms of age profiles, it in no way accounts for the scale of the downturn in apprenticeship fortunes. (Figure 9):

**Figure 9: Apprenticeship starts as a percentage of population**



**Source: Department for Education, Apprenticeship and Traineeship data compared to ONS population estimates**

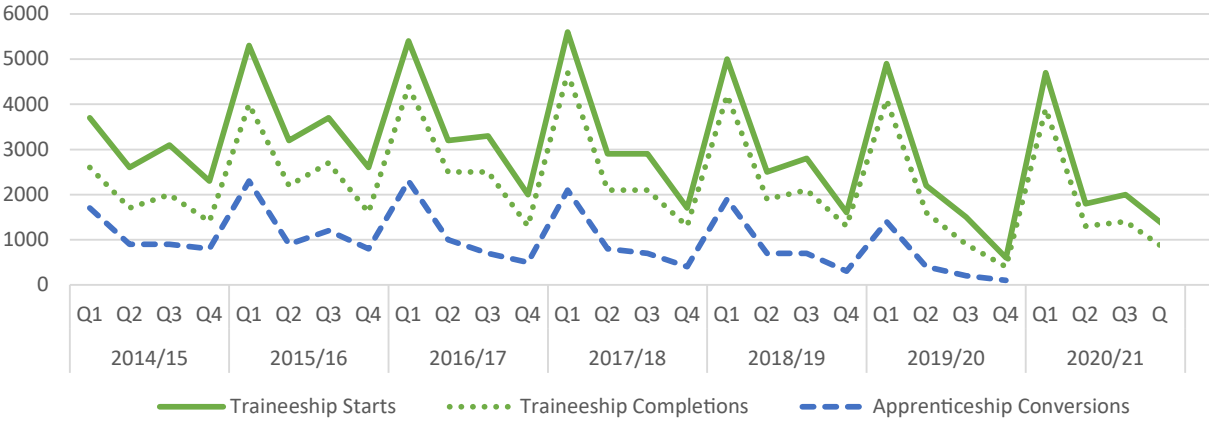
19-24 apprenticeship starts also had a slight reduction in numbers in comparison to their population size, but as with 16–18-year-olds there is a more significant drop off in 2017/18 before a slight rise in 2018/19 prior to a further drop with the onset of the Covid-19 pandemic.

# TRAINEESHIPS

Traineeships are programmes designed to offer work experience placements leading to paid employment. They are offered to 16–24-year-olds, can last anything up to six months, and must include English and maths provision where participants do not already hold a GCSE or Functional Skills Level 2 in these subjects. They are also expected – but not mandated – to offer elements of technical skills training during the placement and are in general terms regulated in the same way as other 16-19 Study Programmes funded by DfE.

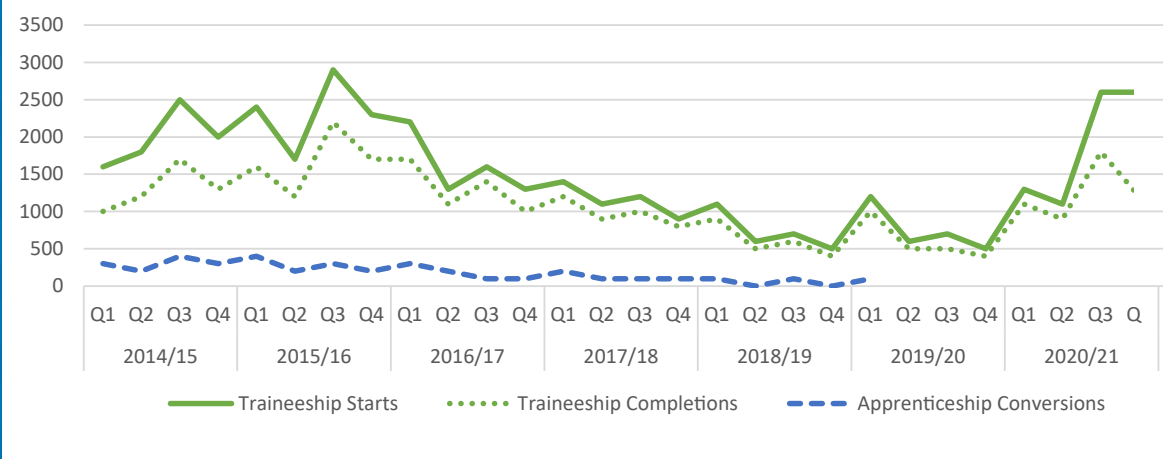
They were first introduced in 2014 and for the first three years of their introduction, numbers saw a steady overall increase. The rate of those under 19 starting a Traineeship has not seen much change within the last seven years other than a lower number of starts during the 2020 pandemic lockdown, but those within aged 19-24 starting a traineeship have been in significant decline since 2016/17 until 2020/21 Q3 and Q4 where there has been a large rise in starts. (Figures 10 and 11). This fall in participation coincided with the increasing policy emphasis moving to apprenticeships in Q4 of 2016/17. Numbers have very recently begun to climb again, albeit from a low base, and likely in response to a government injection of £111m extra funding in 2021 on top of the £126m extra that was allocated to generate further starts in 2020.

**Figure 10: Under 19 traineeship starts, completions and apprenticeship conversions**



Source: Department for Education, Apprenticeship and Traineeship Data

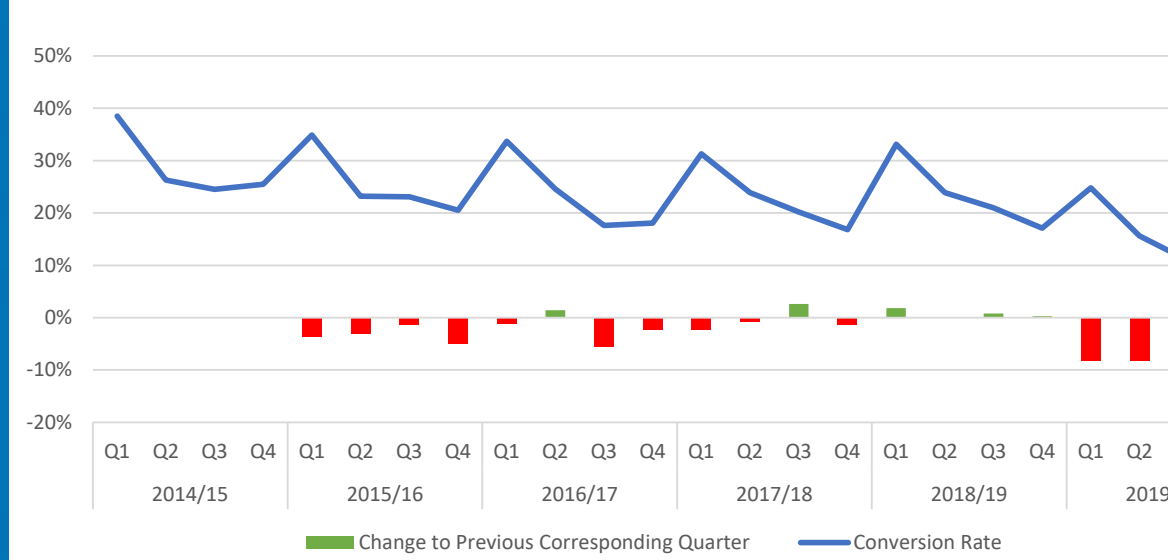
**Figure 11: Aged 19-24 traineeship starts, completions and apprenticeship conversions**



Source: Department for Education, Apprenticeship and Traineeship Data

Given that the prime objective of traineeships is to secure employment, a correlation should be expected between completion of traineeships and uptake of apprenticeships. This however is also sadly lacking (Figure 12 below) with progressions from Traineeships to Apprenticeships having been in overall decline for the past six years across all age groups.

**Figure 12: Traineeship - apprenticeship conversion rate**



Source: Department for Education, Apprenticeship and Traineeship Data

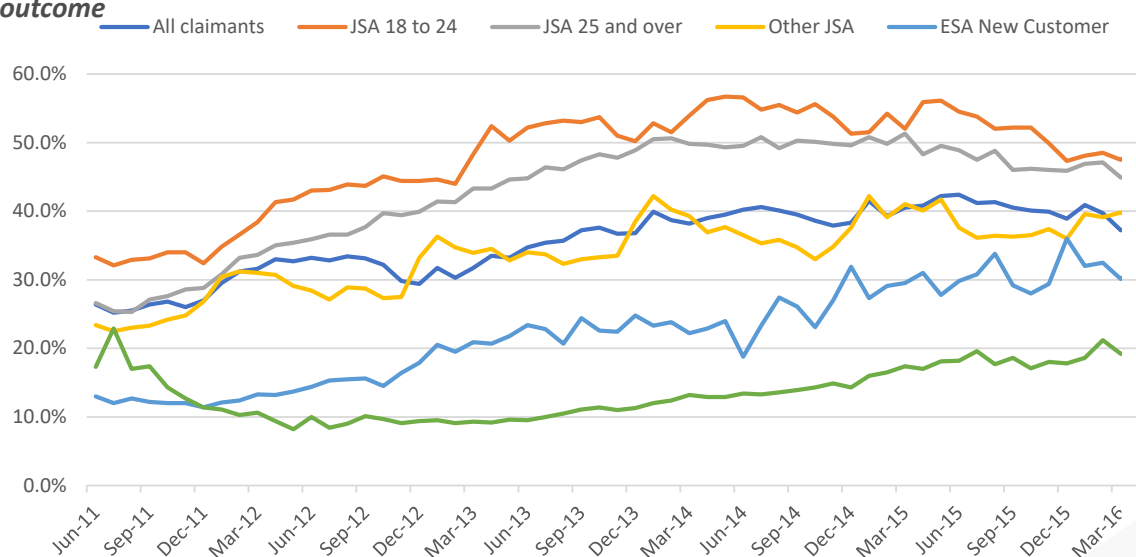
A question this immediately raises therefore is that if DfE cannot formulate a strong link between the two major related strands of provision in its own remit, how effective can it be in linking these or other strands to related provision in another department – i.e., DWP?

## EMPLOYABILITY PROVISION

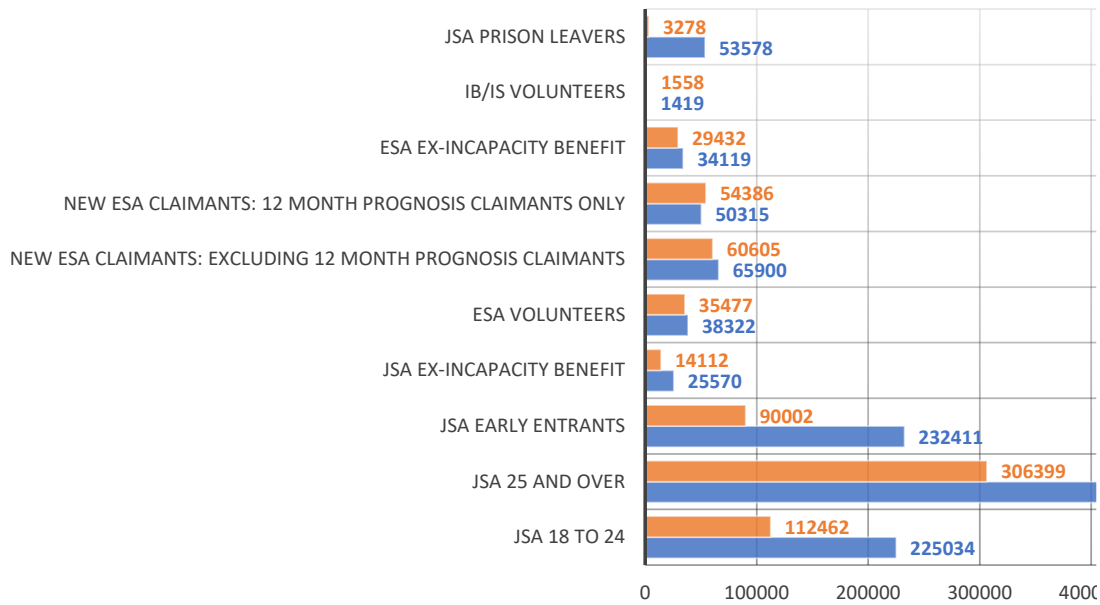
The last ten years or so of employment programmes have been defined by the increased embedding of a welfare-to-work regime set upon two pillars: a contracting-out, payment-by-results (PbR) commissioning model for employability buttressed by a benefits system (based on a new Universal Credit regime) centred upon conditionally and sanctioning principles. Since the 2010 general election the two best-known employability programmes have been the Work Programme (2011-2017) and the Work and Health Programme (2018-present). These programmes were built up of separate parts to target particular groups, but have been joined by a considerable number of other smaller initiatives that have focused on particularly vulnerable groups like the disabled and young people (16–24-year-olds typically). For disabled job seekers, Work Choice was the lead programme, which co-existed with Access to Work (2007-2021) that predated the Coalition government and its post-2011 Work Programme. Youth unemployment was the target of the Youth Contract (2011-2015) which was made up of employment support, guaranteed job interview, apprenticeship pathway, training and government wage subsidy (for NEETs) elements.

The PbR model produced a data reporting regime based around defined job outcomes, referrals and starts over time so that performance and attached payments could be measured based on how long participants stayed in work. Differences measured for particular defined ‘payment groups’ are where the bulk of any analysis takes place.

**Figure 13: Percentage of work programme referrals by payment group who achieved a job outcome**

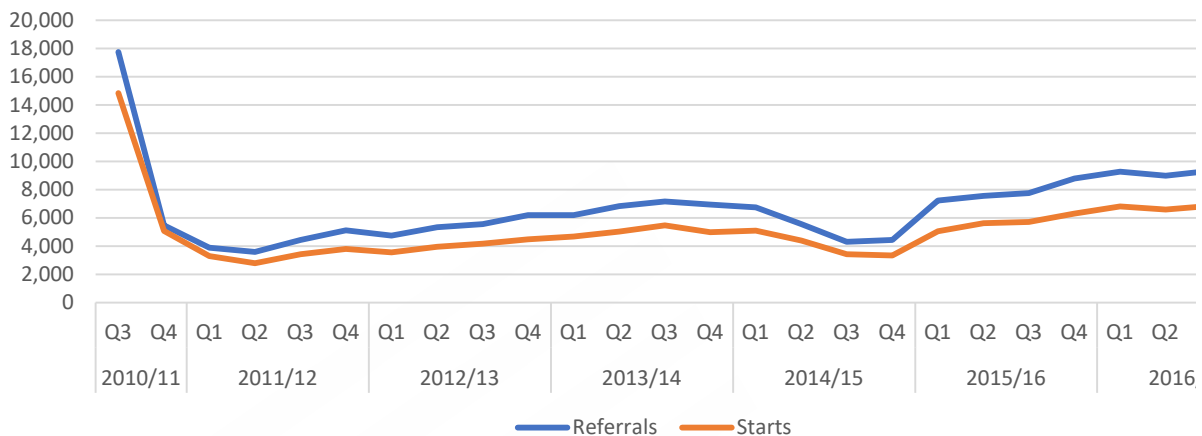


**Figure 14: Work programme referrals by gender**



**Source: Department for Work and Pensions (DWP)**

**Figure 15: Work choice referrals and starts by financial quarter**



**Source: Department for Work and Pensions (DWP)**

The eventual successes of the Work Programme, after some initial teething issues in its first year or so, should have set a clear marker for later programmes to be judged. This is however difficult with regards to the Work Programme’s successor – the Work & Health Programme – for two key reasons: firstly, the Work & Health Programme only had a mere quarter of the government funding allocated to it that the Work Programme had - the Work Choice element on its own had close to the £550m-plus spent on it that the Work and Health Programme was estimated to have subsequently had spent on it over its entire life-span.

Secondly, the Work & Health Programme ran hard into a pandemic after only being online for two years. This included not only the dramatic and well reported labour market effects of the pandemic but also the flurry of new employment schemes by the UK government in response. Under the broader 'Plan for Jobs', which included schemes like Restart, JETS and Kickstart, meaningful analysis of the Work & Health Programme becomes very difficult, at least for the foreseeable future.

It is difficult to make clear connections between these DWP-led programmes with developments and trends in the 'skills world'. The data produced by the DWP and DfE do not align particularly well, and when viewing the DWP data on its own programmes in isolation, it is often difficult to identify skills-related aspects in the DWP's work that will in a quantitative sense link directly to those policies on skills and training ostensibly captured under the DfE's remit. Qualitative assessment from our roundtables painted a similar picture of disconnect regarding actual delivery, with several providers from the employability side noting that more recent employability policies like Restart were still weighed down by the sorts of barriers which define the problem we have identified.

*“There is a barrier everywhere you look... I just want our skills people to do the skills bit and ... the employability bit of (our company) can just do the employability bit. The Skills team need to do the things they need to do to pacify Ofsted and all the other things in order to draw down the funding. This is a barrier. Why can't every Restart person do a skills course? Because it prolongs the course, extends the cost.”*

It is crucially important to recognise that, despite these problems in linking up skills within employability programmes, providers of DWP-commissioned provisions have still initiated skills offers within their employability provision and continue to do so. Common examples given are relevant to current labour market challenges and prepare people for work in hospitality; security; construction; digital; health and social care, logistics and rural communities.

Moreover, despite the barriers noted by providers, the willingness to adapt and innovate is evident through the number of strategies and approaches shared with us during our research. Part of such innovative adaptation depends to an extent on geography, which resources are available in particular places and the nature of local and regional government in the area (district, city, combined etc.).

Combined Authority areas, which have been allocated powers and budgets in the area of skills as part of their devolution deals, have proven to be useful partners for providers needing to combine their employment support and skills offers, particularly in accessing particular skills budgets. It is the development and use of a provider's own networks which represent the most important strategy and work-around to problems linking provisions. In more formal terms, exploring supply chain possibilities and contracting other providers in different regions and contracting areas is key to larger provider's strategies whilst smaller providers, more informally, exploit their networks to source skills providers to meet their participant's needs.

It is important for policy makers to note however that the skills requirements of these provisions are, in many cases, far from easy to implement given both the tightly prescribed conditions that comes with them and the broader level incongruence between DWP and DfE frameworks and the hurdles that exist preventing seamless tailoring of blended delivery offers and plans.

## RECOMMENDATION: POLICY CHANGE AND IMPLEMENTATION

**The DWP's major nationwide procured provisions have not been formulated with seamless linkage to skills offers in mind. This creates barriers for both participants and providers alike, both of whom must be able to maximise their provisions without burdensome restriction**

Attention is now turned to other aspects of DWP labour market policy away from its major employability programmes. From the 2008 financial crisis to the current day, a number of policy interventions have targeted groups identified as particularly disadvantaged. The young unemployed have been one such identified (albeit broad) group, starting at 16 or 18 years of age and typically topping out at 24 years, for a very long time. Even in this narrowly defined (but important) area, some interesting lessons can be drawn as to how skills and employment policy can be brought together – especially given the attention and controversy inspired by the pandemic-induced Kickstart scheme.

Firstly, at the end of the last Labour administration and at the height of the financial crisis, a wage subsidy programme called ‘Future Jobs Fund’ was rolled out to try and get young people into sustained employment. This was ended by the Coalition government in 2012, and elements of it were replaced with the ‘Youth Contract’ which ran until 2015. The Youth Contract has rarely been raised in recent policy debates around wage subsidy programmes where, certainly in light of Kickstart, the Future Job Fund is more often raised in comparison. The principal reason is that the wage subsidy in Youth Contract was not as generous as either of the other programmes.

Additionally, unlike the two programmes that preceded and succeeded it, the Youth Contract used elements of other programmes to further support young jobseekers. This included a subsidy to employers to take on young apprentices and the use of Sector-Based Work Academies (SWAPs) for its participants. SWAPs included guaranteed job interviews, work experience and training elements, and are interesting examples of skills-employment support integration as the programme is fundamentally a DWP programme using DfE Adult Education Budget (AEB) funds. Again, this formal tie-in with skills elements is notable given that both the Future Jobs Fund and Kickstart policies, albeit delivered under ‘crisis conditions’ (the financial crisis, the pandemic), were much more generous in terms of their wage subsidy aspect but did not contain explicit skills and apprenticeships linkages.

The SWAP element is curious given that this initiative has existed across the entire breadth of this 2009-2011 timeline that is book-ended by the Future Jobs Fund and Kickstart schemes (and received further support in the 2020 Plan for Jobs). As noted earlier regarding Kickstart, some providers did attempt to integrate training or apprenticeship elements, but this was not explicitly aided by the Kickstart or any aspect of other government policy. Wage subsidies must be used when and where they can do the most good, but their long-term effects would be aided if better integrated with other policies that could improve the uptake of apprenticeships, in-work training, and filling of vacancies in the sectors that need them the most.

Given the prolonged challenges of various disadvantaged groups such as the disabled and the young and the increasingly stubborn post-pandemic participation crisis concerning over 50s, it is important that such schemes and their ability or potential to link employability and skills goals (intended or not) is understood by policy makers. Regarding an over 50s group that require a very different form of support compared to young workers to re-enter the labour market, this will demand some new thinking. Some funded provisions including from 'Building Better Opportunities' (BBO) funded projects have already begun this work, but once again, government policy needs to adapt to this new challenge by thinking holistically about how supported employment and skills policies (and others such as health) come together.

## RECOMMENDATION: POLICY CHANGE AND IMPLEMENTATION

**Targeted policy interventions directed toward vulnerable and disadvantaged groups need to better patch up those elements of support for job seekers with incentives for prospective employers. In joining together tools like wage subsidies, levies, guaranteed job interviews, training (for both soft and technical/accredited skills), policy makers must also balance and weigh these together, so they complement each other.**

# USING SKILLS AND EMPLOYABILITY CROSSOVERS TO MEET ECONOMIC NEEDS

## EVIDENCE OF JOINT DEPARTMENTAL WORKING

In general, there appears to be little broad correlation in the data between the high-level performance outcomes of various strands of provision run by DfE and DWP. This might well indicate that anecdotal evidence from providers of (for example) Traineeship performance being adversely impacted by Kickstart is being overstated; however, it also demonstrates that the two structures of provision are indeed structurally working in isolation from each other.

This is not inherently impossible to overcome: there is demonstrable correlation between the DWP and the Department of Health and Social Care (DHSC) in the “work and health” model where shared pilots have been deployed successfully. Providers at our roundtables gave us examples of where employability providers had built strong relationships with local GP surgeries to help give more direct support to those with medical conditions that presented a barrier to working. Despite this, the joint working relationship between the DWP and the DfE has been relatively distant since the early 2000s and the gradual winding-down of New Deal.

This might not be immediately apparent from a first reading of the government’s response to the House of Commons Work and Pensions Committee report on DWP’s preparations for changes in the world of work (House of Commons, 2021) in which DWP claim to work closely alongside other departments (and particularly DfE) to co-ordinate policy and implementation. Experiences from ground-level appear to question these assertions, and the nature of the recommendations also indicates that the Committee itself was not overly convinced; for example, saying that

“...DWP must continue to work closely with DfE to ensure that its skills programmes reflect the changing needs of employers and demands of the labour market”

which presumably it would have had no need to say if the committee was convinced such working was already in place and operating effectively. From the evidence given to us by one DfE official, this would appear to be a justifiable position – she reported having sat “open-mouthed” when DWP officials announced the introduction of Kickstart provision, as DfE officials had previously “had absolutely no idea that this was going to happen” even though it appeared on the face of it to clash with at least one strand of DfE’s provision (Traineeships).

The Select Committee went on to indicate that the now-closed UK Commission for Employment and Skills should be a model of how to go about better co-ordinating skills and employment policies. This may have been prompted in part by the DWP’s written evidence to the committee (DWP 2020) which contained a section on the Flexible Support Fund (FSF), saying that it

*“allows work coaches to provide support to claimants who may need additional training to allow them to move back into employment...”*

This might be said to overstate the effect of the level of expenditure on skills paid for by the FSF, which in 2020/21 had a total budget of £48.8m, of which £24.4m went on training expenditure (DWP, 2022c). However, it is true to say that the proportion of the budget spent on training has risen since 2017/18, when it stood at a little over 39%, with the balance spent on childcare, transport and other costs of jobseeking support (DWP, 2019).

The fact that DWP have been at such pains to illustrate their commitment to joint working between employability and skills tends to indicate that they understand the clear linkages between the two. This is reinforced by the government’s response to the report (House of Commons 2021) which says that

*“As part of the Government’s wider skills offer, we are continuing to develop DWP’s skills offer, working closely with DfE and BEIS to ensure our claimants have the skills sought by employers. We are developing proposals on an enhanced skills offer for DWP customers to encourage more people to improve their digital and other basic skills.”*

This might infer that DWP is considering expanding its own skills offer distinct from that offered by DfE. If so, this must raise questions as to the value for money that the taxpayer is getting from supporting two supply bases (one within DfE, one within DWP) which comprise many of the same companies using two completely different sets of processes and regulations when the outcomes that are being sought are, on any calculation, surely very similar. There is certainly a case to consider whether putting the serial relationships between DWP and DfE provision streams on a more strategic footing would not only save cost – e.g., savings for employability providers on monitoring sustainability, savings for skills providers on learner recruitment – but increase efficiency in achieving the outcomes that everybody is working for. This may be in the form of securing sustained employment or achieving occupationally related training and qualifications leading to higher productivity, better prospects for career progression, and a reduced likelihood of spells of prolonged unemployment.

On the other side of the departmental divide, there is little evidence from DfE of meaningful joint working with DWP, though recent initiatives such as skills bootcamps have been designed with the eligibility of unemployed people and benefits claimants in mind, which presumably would have included input from colleagues in DWP. The DfE however managed to cause divides even within their own supplier base with the introduction in 2020 of T Levels. Here, DfE funded colleges of further education to set up work placement functions which already existed amongst independent apprenticeship and traineeship providers, some of whom were also active in DWP employability programmes.

With DfE now funding work placement capacity within colleges, and DWP apparently developing proposals on an enhanced skills offer of its own, it now seems that not only are the two departments operating in silos, but they are showing signs of duplication of effort. Whilst there is some evidence that the departments talk about their respective remits to each other, it is far more often the case that they design their provision and policies in isolation. This begins to bring into focus the idea of some form of pooling budgets – in much the same sort of way that SWAPs appear to have managed by funding a job-entry programme with skills money.

Even better, would be a return to a departmental format such as that of the DfEE (Department for Education and Employment). This would eliminate duplication of effort across government and ensure a much clearer and more effective alignment between the processes of support for moving people into work, retaining them there, and progressing them.

## RECOMMENDATION: POLICY PRINCIPLES

Consideration should be given to a return to a departmental format such as that of the former DfEE (Department for Education and Employment), ensuring a much clearer and more effective alignment between the processes of support for moving people into and retaining people in work, and progressing them further through the development of their skills base

### CAREERS INFORMATION, ADVICE AND GUIDANCE (CIAG)

Attendees at the roundtables convened for this report often raised the issue of careers information, advice and guidance (CIAG) as being a weak point across the system. Over the last 10 years the careers system has become fragmented because of policy decisions that have tended to dismantle the notion of a need for an all-age centralised national careers function. Whilst there are a multitude of external providers to choose from to provide this service, the lack of any extra money to pay for it - its costs are not included in any funding calculations <sup>1</sup> - means that CIAG can take a back seat in the list of priorities for schools and providers alike.

What emphasis there has been on centralised CIAG has more often than not been aimed at young people. The Careers and Enterprise Company (CEC) for example was established with a remit solely focused on driving up the quality and availability of careers advice, guidance and inspiration for young people by brokering relationships between employers on one hand and schools and colleges on the other. (DfE 2014). Despite CEC being an independent organisation, accountable to a Board and to individual funders, for the first few years of their existence they stuck rigidly to grant funding agreements from the DfE that only referred to working with schools and colleges, but no other types of providers.

<sup>1</sup> For example, CIAG is not included as an eligible cost of funding by IfATE for apprenticeship provision, even though providers are expected by Ofsted to include it as part of exemplar learner experience.

This omitted links with independent providers who were at the same time delivering the vast majority of apprenticeships, traineeships, and almost all DWP-funded employability provision. CEC's approach however began to significantly change with the appointment of a new CEO in October 2020 (FE Week 2020), in line with a grant funding agreement from DfE that, for the first time, expressly included work with independent providers as part of the remit (DfE 2020, DfE 2021)

Unfortunately, this does nothing to address the continuing relative lack of provision for older learners and workers, unemployed or otherwise. Green et al (2016) report that the longer-term impact of careers guidance includes productivity gains for those in employment, reductions in skills gaps and shortages, reduced unemployment levels, social mobility and enhanced income levels. In line with this, the DfE have realised that the provision of a coherent and effective careers service is an important factor in supporting people of all ages to make informed decisions how they can build a prosperous and effective economic future. Nevertheless, even they admit that "there is no single place you can go to get government-backed, comprehensive careers information. This can make the careers landscape confusing, fragmented, and unclear." (DfE, 2021b).

The DfE's careers strategy (2017) advocated "a critical role for employers" in careers guidance but largely failed to set out how this would happen on an all-age basis. Although the National Careers Service nominally offers a service to older workers, its role has been greatly reduced over the years and now effectively operates almost entirely on an online basis. Providers of all types, whether funded by DWP or DfE, increasingly therefore have to deliver CIAG provision through their own staff or through commercial alternatives, whether to help DWP participants identify potential routes back to work or for DfE learners to enhance their prospects through continuing education and training.

One observation put forward at our roundtables was that many types of provision, both in DfE and DWP, are expressed as some kind of "brand" which tends to encourage competition between them rather than complementary action to find the right provision to meet an individual's needs. How to put a proper and effective all-age careers system in place that can do this, and how that should link across CIAG for both employability and learning, should be central to the review by Sir John Holman, the Department for Education's Independent Strategic Adviser on Careers Guidance, who is due to report to Ministers in the summer of 2022. Remedying this structural narrative is not of course solely an action for CIAG professionals to take, as they can only present what is on the table before them. It will require joint working and strategic planning between the two departments to eliminate duplication and crossover.

## RECOMMENDATION: POLICY CHANGE & IMPLEMENTATION

The need for a proper and effective all-age careers system, and how that should link across CIAG for both employability and learning, should be central to the review by Sir John Holman, the DfE's Independent Strategic Adviser on Careers Guidance.

### EVIDENCE OF JOINT DELIVERY AT PROVIDER LEVEL

Despite this lack of a strategic cross-departmental approach to joining up skills and employability provision, workarounds have been put in place for many years by providers to try and combine the benefits of each type of provision to the benefits of learners and participants. One former head of a major skills and employability provider in South London told researchers:

*“This disjunct between the departments is not new – everyone knows it is there and always has done, yet nothing is done about it. In the 1990s we placed unemployed people who finished our college franchise programmes on to Employment Service programmes in order to get them into paid work, even though the systems were not really set up to do that. Thirty years later and providers are still inventing ways to do the same thing, because the departments have still not caught up that this can happen and don't design programmes with this in mind.”*



In a recent interview, AELP Chair Nicki Hay recounted her past work in trying to make the two streams of provision work together more effectively:

## LINKING UNEMPLOYED PEOPLE TO APPRENTICESHIP OPPORTUNITIES

Back in 2016, Nicki Hay voluntarily began linking up job centre coaches with training providers, unprompted and with no government contract. She'd spotted that many coaches in London's job centres didn't know too much about apprenticeships, and many unemployed people appeared to be missing out on opportunities.

“So, I worked with the National Apprenticeship Service [NAS], and we trained up ‘apprenticeship coaches’ in every job centre across London,” explains Hay, evidently proud. “We educated them about apprenticeships and how to network with providers.”

Spearheading the project alongside her was Carolyn Savage, then at the NAS and now head of apprentice participation at the Education and Skills Funding Agency. They approached job centre leads across London to find an “apprenticeship champion”. Hay estimates that over a year and a half, apprenticeship starts from job centres in London rose by ten per cent. But the pandemic, and trying to do it all voluntarily, led to the initiative “fizzling out”, warns Hay. She is trying to get it back off the ground now.

It seems a no-brainer, I comment. Shouldn't there be a proper national contract or funding to train apprenticeship coaches in job centres?

Hay nods. “The Department for Work and Pensions and Department for Education need to make sure there's a policy to make that happen. It shouldn't be that someone from the National Apprenticeship Service and an ITP come in and run that.”

*Source: (FE Week, 2022)*

This case study is revealing inasmuch it is being driven by skills providers seeking referrals into the apprenticeship system; and as apprenticeships are dependent on the existence of a job within which to host them, it should mean that employability providers would also be keen to encourage this transfer. However, many employability providers told us that the bureaucracy involved in setting up Apprenticeship Service accounts for employers prior to an individual starting in a job often meant a delay in drawing down the funding outcome for securing the employment, so there was some disincentive to doing this on a regular basis.

One solution would be to secure the job outcome, claim the funding, and then process an apprenticeship start later. However, there is no funding incentive for employability providers to do this either as their funding interest would have ceased once the job had been sustained for a certain period. Given that DfE policy also states that apprenticeships should be used where possible for new staff rather than existing employees, this also means that overall policy objectives are not being enhanced in the ways that the departments might like.

Nevertheless, links between skills and employability providers do happen at ground level, but generally in spite of the system rather than because of it. A short survey commissioned for this report indicated that whilst in 2015/16, 26% of respondent organisations had started apprentices who had been referred from DWP-funded employability provision, this figure had risen to 39% in 2020/21. Similarly, whilst only 10% of respondent organisations had started Traineeships with individuals previously on DWP-funded provision, by 2020/21 this had risen to 27%. Overall, 41% of respondents in skills organisations felt that their links to DWP-funded provision had been significant or very significant in progressing learners to paid outcomes.

For DWP-funded providers, the emphasis on linked programmes is somewhat different, with a clear preference for using the DfE's Adult Education Budget (AEB) to complement or supplement their provision as opposed to apprenticeships. This is interesting in that AEB is for the most part used to upskill those already in employment rather than those seeking work (although there is a not-insignificant element of the budget attached to this latter aim). To achieve this, it generally concentrates on shorter, sharper skills programmes which give the required injection of skills acquisition and can raise their income thresholds, without (from the provider's viewpoint) unnecessarily prolonging the period of training duration which incurs further costs and delays funding drawdown. It is for this reason, as noted above, that the prospect of apprenticeships does not tend to figure highly in the delivery of DWP provision.

Despite the relative cross-departmental alignment of AEB however, when asked whether DfE-funded provision had had a significant impact on the ability of DWP provision to progress participants to a positive employment outcome, only 26% felt it had been significant or very significant. This appears to reflect a feeling that in the current labour market, there is less perceived need by individuals to demand training in order to find work, although providers themselves do see the long-term value in offering it to them as part of their provision. This could be achieved with the increased use of models of “pooled budgets” between departments, where co-design of funding processes and funded outcomes would aim to meet overlapping policy objectives. This work could be supplemented by input from the sector route panels convened by IfATE, which bring together employers to agree what occupations and skills needs should be given emphasis in the development of training provision.

## **RECOMMENDATION: POLICY CHANGE & IMPLEMENTATION:**

More “pooled” budgets (using the initial model of SWAPs within AEB as an example) should be co-designed and co-commissioned by all government departments with responsibilities for skills and employment provision to facilitate funding processes and funded outcomes aligned to the needs of both

## **SKILLS AND EMPLOYABILITY, AND LEVELLING-UP**

The government’s Levelling Up white paper (DLUHC 2022) is clear that only by enhancing and combining six types of capital – physical, human, intangible, financial, social and institutional – will the UK economy become both larger and more equal. This of course speaks directly to the core of this report – how to drive employability and skills in a conjoined and aligned fashion to produce results greater than the sum of the individual parts. More specifically, the white paper commits that by 2030, 200,000 more people will successfully complete high-quality skills training annually including 80,000

more in the lowest-skilled areas. This will both reinforce and be reinforced by an objective to raise pay, employment and productivity in every area of the UK. The white paper promises to put local employers at the heart of skills provision, ensuring that individuals have lifetime access to training and new opportunities to access high quality work and progress in the workplace.

Of potentially most significance however is the £2.6bn UK Shared Prosperity Fund (UKSPF) that will replace EU funding during 2024, which it is claimed will focus investment on improving communities and place, people and skills, and supporting local business, not least by introducing skills provision to match local labour market need and support those furthest from the labour market.

The continuation of a large-scale place-based funding stream that can encourage and enhance overlaps between employability and skills provision is most welcome. Place-based initiatives of this nature give a solid focus to local labour market objectives and can allow for solutions to be formulated quickly and with specific circumstances in mind, as the case studies below show:

## **SOUTH YORKSHIRE SKILLS BANK**

The Skills Bank is currently funded by South Yorkshire Local Enterprise Partnership, and gives employers access to training and funding to support skills training that will help them grow and develop their business. It is part of the South Yorkshire Growth Hub, which helps business with investment in Skills and Training, finance options, support with innovation or support to help get off the ground. It is a single access point for information, support, guidance and funding for skills. Specialist Skills Advisors connect businesses to high-quality training providers. The training can be in the form of an existing qualification or industry recognised training programme. Alternatively, training can be designed to meet specific requirements.

Penny Hydraulics approached Skills Bank when the company's management structure was changed resulting in a need to upskill members of a new leadership team. "Our team completed a range of courses on engineering, specifically to bolster skills in the nuclear sector – which is an area we have grown into in the years since the training. Having training meant that we could grow as a business into the sector and begin to establish ourselves as a company with the knowledge to meet client needs."

More recently, the new leadership team undertook leadership and management training, commenting "We really benefitted from having the training tailor-made for our business."

(<https://skillsbankscr.co.uk/>)

## 50+ EMPLOYMENT SUPPORT, GREATER MANCHESTER

**As part of its devolution deal, Greater Manchester is working with DWP and the Centre for Ageing Better to pilot localised support to bring inactive people between 50 and State Pension age back into work.**

Its co-creation and prototyping phase were carried out from July 2020 to January 2022. It identified a series of feasible approaches including employment support; personal budgets; meaningful, paid work placements; self-guided support to identify transferable skills and explore career options with optional coaching (Reach); and a person-centred approach to commissioning employment support. Two of these approaches, Reach and person-centred procurement, will be piloted in a second phase of work.

The objectives of the UKSPF are shared across the provider bases of both DfE and DWP, and as can be seen from the evidence presented so far, there is a positivity and willingness from providers to work together to ensure the best possible results materialise and that these worthwhile ambitions are achieved. However, the differing processes for funding allocations across potentially three government departments means that the need for co-ordination in how the money reaches the front-line of delivery is paramount.

The place-based nature of UKSPF funding presents issues that will need to be addressed for skills and employability to come together in the most effective way possible. Concern was expressed by providers at all the roundtables conducted for this report that even before UKSPF is considered, the contracting areas of the DfE and the DWP do not match – depending on the stream of provision and which department funds it, contracts and funding may be allocated nationally, regionally, by local authority area, Jobcentre Plus (JCP) district, Local Enterprise Partnership (LEP) boundaries, to name but a few. The fact that UKSPF is being channelled through the Department of Levelling Up, Housing and Communities (DLUHC) potentially makes this landscape even more complicated.

## **RECOMMENDATION: POLICY CHANGE & IMPLEMENTATION**

**Better alignment of funding boundaries and contracting areas is needed by all government departments with responsibilities for skills and employment provision. This should aim to increase overlaps between localised and national funding streams, allowing providers to more efficiently plan consistent delivery across the country.**

Whilst the overall aim of devolution of decision-making to local level is supported by both the employability and skills sectors, it could lead to further fragmentation as areas consider how best to use the funding allocated to them, and how best to allocate it amongst providers in the appropriate geographic and sectoral areas in which labour market employment and skills shortages exist. This may mean that for national providers in particular, the means to fund very similar if not identical strands of provision could vary markedly from place to place, adding significant cost and administrative process burdens that could divert money from delivery to end-users.

## RECOMMENDATION: POLICY PRINCIPLES

**This should operate under a national framework of employability and skills provision that works to ensure that the development of particular skills do not structurally become concentrated in specific geographic areas when they may be needed more generally by employers across the country.**

Generally, there appears to be a lack of real understanding at national government level at how differently relationships and networks between providers, employers, schools, colleges, local government officials and JCP offices can play out in different areas. As a result, there is a general (though not universally held) preference amongst the supply base for a more “mixed economy” of local delivery and national contracting provision than some proponents of devolution may prefer. This sees occupationally-based provision such as apprenticeships being regulated at national level and procured commensurately, whilst more employer-specific provision may benefit from a more local outlook albeit within an overall national contracting framework.

## RECOMMENDATION: POLICY PRINCIPLES

**Policy makers must better understand and accommodate individual area dynamics of the relationships and networks of employers, providers, schools and colleges, local government official and Jobcentre Plus offices that operate at a local level, and that are critical to addressing our most pressing labour market problems**

The “Work Local” agenda promoted by the Greater London Assembly – but existing in different guises by many other regional and local bodies - is an example of how this could blend everything together.

## “**WORK LOCAL**”, GREATER LONDON ASSEMBLY (GLA)

Work Local is described by the GLA as its “positive vision for an integrated and devolved employment and skills service – bringing together information, advice and guidance alongside the delivery of employment, skills, apprenticeships and wider support for individuals and employers”. The vision is for combined authorities and groups of councils, working in partnership with local and national partners, to have the powers and funding to plan, commission and have oversight of a joined-up service bringing together advice and guidance, employment, skills, apprenticeships and business support for individuals and employers. Its guiding principles are stated as:

- ➔ “a ‘one stop’ service, rooted in place, flexible to local needs
- ➔ clear and responsive local leadership
- ➔ driven by local opportunities and needs
- ➔ a common national framework for devolution
- ➔ improved offer for individuals and employers
- ➔ governed by Labour Market Agreements (LLMAs)”

*(<https://www.local.gov.uk/topics/employment-and-skills/work-local-2019>)*

Another potential downside of localism is that it could entrench rather than solve skills and employment deficits. If local areas are called on to concentrate their efforts on supplying a workforce for current needs in their own particular way, over the longer-term this may both deter new employers with new technologies or industries from entering the area (because a suitably trained workforce does not exist), and it discourages social mobility – for example, by limiting the aspirations of a young person in niche areas of work that may require them to travel or relocate in order to find work.

Under the Skills and Post-16 Education Act, local areas are now set to produce Local Skills Improvement Plans (LSIPs) which “set out a clear articulation of employers’ skills needs and the priority changes required in a local area to help ensure post-16 technical education and skills provision is more responsive and flexible in meeting local labour market skills needs.” (DfE 2022a) Whilst LSIPs are not intended to cover the entirety of local provision, they should demonstrate a good understanding of the local labour market and drivers of future demand through considering both local and national priorities. At the time of writing, eight Trailblazer areas are in operation (DfE 2022b) with more under development. For these to be fully effective and to fulfil the objectives set out for them, it is key that they take into account all training and employability provision in their area – too often with similar initiatives in the past they have defaulted to college-led initiatives that tend to relegate the importance of provision being offered by independent providers of all types.

## RECOMMENDATION: POLICY DESIGN

**For LSIPs to be fully affective and to fulfil the objectives set out for them, it is key that they take into account all training and employability provision in their area, irrespective of the type of institution delivering it.**

What is more concerning in many ways are the high-level announcements on the funding being made available, and the timescales for their introduction. The Northern Powerhouse Partnership for example undertook analysis on the UKSPF funding announcements for northern city regions, and found that all of them will see cuts of more than a third compared to previous levels of EU funding, due in part to the fact that UKSPF allocations will not include the match-funding levels received under the previous funding mechanism:

**Figure 19: Comparison of EU and UKSPF funding allocations in Northern region**

Area	Previous 3 year EU funding	Announced SPF 3 year funding	Change (£)	Change (%)
Liverpool City Region	£80.2m	£52.8m	-£27.5m	-34%
Tees Valley	£73.3m	£46.4m	-£26.9m	-37%
Greater Manchester	£150.3m	£98.2m	-£52.1m	-35%
Cheshire & Warrington	£51.4m	£33.2m	-£18.3m	-35%
Cumbria	£33.1m	£21.2m	-£11.8m	-36%
Lancashire	£96.3m	£62.2m	-£34.1m	-35%
North East	£195.2m	£123.9m	-£71.3m	-37%

*(Source: @NP\_Partnership, Apr 14, 2022)*

It is to be hoped that as further details of the UKSPF are formulated, that the recommendations of this report are considered to ensure that the funding that is available can be optimised to its best effect in finding and securing work and career progression for individuals all over the country.

## **POLICY** RECOMMENDATION: POLICY CHANGE & IMPLEMENTATION

Local infrastructures should be fostered, exploiting local networks and Local and Combined Authorities' increasing responsibilities, to make government-sponsored Youth Hubs a success and to maximise monies from the UK Shared Prosperity and Community Renewal Funds. Both the UKSPF and CRF however need to have their financial commitments to employability and skills greatly enhanced beyond current proposals

## THE ROLE OF REPRESENTATIVE BODIES

The skills and employability sectors have distinct characteristics in terms of the way they are procured, regulated and governed, and the two representative bodies (AELP and ERSA) possess particular expertise that their members value in their sectors of primary interest. Whilst both are subscription organisations, and could therefore be said in some ways to be in competition with each other, the relationship between them has been cordial and constructive. Producing this report has highlighted that both AELP and ERSA should further consider how jointly they could promote and enhance join-ups between their respective sectors.

### RECOMMENDATION FOR REPRESENTATIVE BODIES:

As representative bodies of the employability and skills sectors respectively, ERSA and AELP should consider additional ways in which joint working could further common objectives, and particularly to facilitate easier and more effective alignment between skills and employability provision.

# CONCLUSIONS AND RECOMMENDATIONS

**Extensive research data shows a beneficial effect to the economy of having skilled people in work. Research also demonstrates the contribution of dedicated employment support to better empower those people into work who otherwise might miss out. With this there are clear and significant overlaps in policy and delivery objectives of the two streams of provision.**

We had initially expected to find correlations in delivery data between DfE and DWP that would allow us to make some policy projections about what linkages work best. What we found was that the country is in a position where employability provision is funded by the DWP using generally consistent and stable procurement processes explicitly encompassing subcontracting, but split into a relatively large numbers of different strands. On the other hand, skills provision is funded by the DfE using a variety of different procurement processes which tend to discourage subcontracting, across a more limited number of strands. As a result, the two departments remain relatively isolated in their delivery mechanisms, lowering economies of scale. Whilst delivery can and does work together effectively at a provider level, it is in spite of the system rather than because of it - furthermore, the benefits of this nevertheless seem to be being seen by DfE providers rather more than DWP providers, which in turns means that individuals using DWP provision are not generally benefiting from the opportunities presented by such alignment as much as those using DfE provision.

Policy goals should therefore be directed towards the removal of barriers – barriers for both participants seeking to access some complementary form of employment support and skills offers, and providers who need to be able to tailor these offers to individuals and individual needs. Much more is needed from both the DWP and the DfE in considering how linkage between their supply bases can best be brokered and used to the benefit of end-users, rather than leaving it to the suppliers to figure out for themselves. It is also to be hoped that as further details of the UKSPF are formulated, that the recommendations of this report are considered in order that the respective provider infrastructures of the DWP and the DfE can optimise the funding to its best effect in finding and securing work and career progression for individuals all over the country.

To help this process and to stimulate further debate and discussion on how this best can be achieved, we therefore make the following thirteen recommendations, grouped by recommendation on policy design, more detailed considerations on policy change and implementation, and for the respective industry representative bodies. We believe these would align the skills and employability infrastructures more closely, which in turn would “hide the join” between support for those looking for work, support for those seeking to employ them, and the support offered to increase personal skills sets:

## **RECOMMENDATIONS: NEW PRINCIPLES FOR POLICY DESIGN**

**1** Policy must be motivated by the intention to remove barriers - barriers for both participants seeking to access some complementary form of employment support and skills offers, and providers who need to be able to tailor these offers to individuals and individual needs

**2** In considering policy for the interlinked areas of employability and skills, a common language and universally agreed-upon definitions are required in order for both the DfE’s and DWP’s policy agendas to be successfully implemented and universally agreed-upon definitions are required in order for both the DfE’s and DWP’s policy agendas to be successfully implemented

**3** Consideration should be given to a return to a departmental format such as that of the former DfEE (Department for Education and Employment)

**4** Policy makers must better understand and accommodate individual area dynamics found in the relationships and networks of employers, providers, schools and colleges, local government official and Jobcentre Plus offices that operate at a local level, and that are critical to addressing our most pressing labour market problems

**5** All employability and skills provision should operate within the context of a national framework that works to facilitate geographical transfer of skills, ensuring that the supply of more specialised skills, or those related to new technologies, are not structurally restricted to particular areas

**6** For Local Skills Improvement Plans (LSIPs) to be fully affective and to fulfil the objectives set out for them, it is key that they take into account all training and employability provision in their area, irrespective of the type of institution delivering it.

## RECOMMENDATIONS FOR POLICY CHANGE & POLICY IMPLEMENTATION

**7** The need for a proper and effective all-age careers system, and how that should link across IAG for both employability and learning, should be central to the review by Sir John Holman, the Department for Education's Independent Strategic Adviser on Careers Guidance

**8** More "pooled" budgets (using the initial model of the AEB as an example) should be co-designed and co-commissioned by all government departments with responsibilities for skills and employment provision to facilitate funding processes and funded outcomes aligned to the needs of both

**9** Better alignment and simplification of funding boundaries is needed across all government departments with responsibilities for skills and employment provision. This should aim to increase overlaps between localised and national funding streams, allowing providers to more efficiently plan consistent delivery across the country

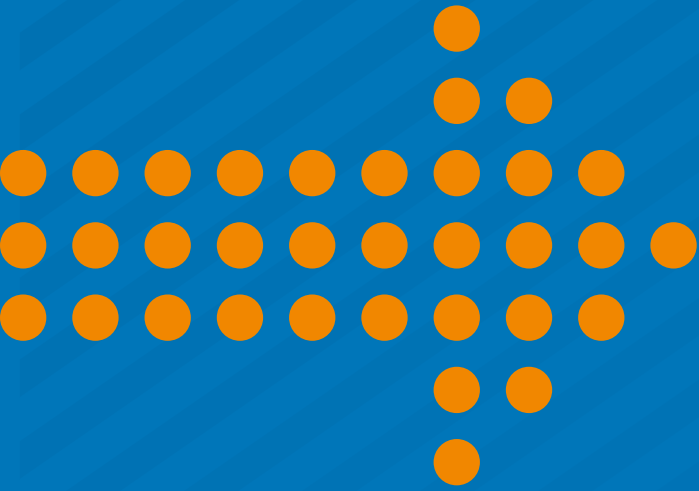
**10** Local infrastructures should be fostered, exploiting those local networks noted above (recommendation no.4) and Local and Combined Authorities' increasing responsibilities, to make government-sponsored Youth Hubs a success and to maximise those monies from the UK Shared Prosperity and Community Renewal Funds. Both the UKSPF and CRF however need to have their financial commitments to employability and skills greatly enhanced beyond current proposal

**11** The DWP's major nationwide procured provisions have not been formulated with seamless linkages to skills offers in mind. This creates barriers for both participants and providers alike, both of whom must be able to maximise their provisions without burdensome restriction

**12** Targeted policy interventions directed toward vulnerable and disadvantaged groups need to better match up those elements of support for job seekers with incentives for prospective employers. In joining together tools like wage subsidies, levies, guaranteed job interviews, training (for both soft and technical/ accredited skills), policy makers must also balance and weigh these together, so they complement each other

## RECOMMENDATIONS FOR SECTOR REPRESENTATIVE BODIES

**13** As representative bodies of the employability and skills sectors respectively, ERSA and AELP should consider additional ways in which joint working could further common objectives, and particularly to facilitate easier and more effective alignment between skills and employability provision



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# GLOSSARY

- AEB** - Adult Education Budget
- BBO** - Building Better Opportunities
- CEC** - Careers and Enterprise Company
- CIAG** - Careers information, advice and guidance
- CRF** - Community Renewal Funds
- DfE** - Department for Education
- DfEE** - Department for Education & Employment
- DLUHC** - the Department of Levelling Up, Housing & Communities
- DWP** - Department for Work and Pensions
- GLA** - Greater London Assembly
- IES** - Institute for Employment Studies
- IfATE** - Institute for Apprenticeships and Technical Education
- IFS** - Institute for Fiscal Studies
- JCP** - Jobcentre Plus
- JETS** - Job Entry Targeted Support
- LEP** - Local Enterprise Partnership
- LLMAs** - Labour Market Agreements
- NAS** - National Apprenticeship Service
- NEET** - Not in Employment Education or Training
- ONS** - Office of National Statistics
- PbR** - payment-by-results
- SWAPs** - Sector-Based Work Academies
- UC** - Universal Credit
- UKSPF** - United Kingdom Shared Prosperity Fund



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