A joined-up approach to UK skills policy

British Academy Policy Programme on Economic Strategy: Skills Working Group

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Executive Summary

It is generally accepted that skills are a key driver of economic productivity and economic dynamism. They are a means by which individuals and communities can become resilient to social and economic change and are a key driver of innovation and social mobility. However, over the long-term, UK skills policy has failed to produce a system that fully realises these benefits. The UK has seen a fall in employer-provided training over time and evidence of weak managerial capability. This report makes the case that, to be successful, a coherent set of post-secondary skills policies should coordinate with and be well-aligned to other policy areas; consider the needs of employers and individuals; be adaptable to change; and be flexible to local needs.

To achieve these aims, there is an urgent requirement for better designed skills investment at all stages, through post-secondary to tertiary education and over an individual's lifecycle. Employers should be incentivised to invest in their workers' skills (for example, through strategic tax policy) but also need to be actively supported at a local level to do so. This could include through financial support for skills investment, as well as closer collaboration between firms and education and training providers to ensure employers' needs are taken into account. As challenges in skills gaps and in under-utilisation vary regionally, the appropriate policy response will often be at the regional level.

Alongside investment in people, efforts need to be made to improve managerial ability to identify, develop and utilise employees' skills effectively. Firms need to have better managerial capability to respond to challenges and create a productive workplace where skills can be developed and fully utilised.

Individuals should enter the labour market with a broad set of 'core skills' that make them capable of finding a good job match and retraining and/or moving occupation when employers demand changes. Therefore, skills policy must aim to ensure all individuals possess a secure foundation of basic literacy and numeracy skills, as well as developing advanced analytical/technical skills. The demand for soft or social skills that enhance team-work productivity is also increasing.

The increasing need for core skills requires attention to the curriculum in educational institutions as well as increasing investment. Areas requiring particular attention include the level and structure of funding in further and higher education; more apprenticeships for young people; the 'missing middle' between upper secondary education and university degrees; and measures to ensure adults can access public support for retraining over the lifecycle.

1.0 Introduction

Skills policy is a key component of many areas of government, including business, innovation, work, communities and local government, as well as education. This report focuses on skills needs and thus takes the wider social and personal value of education as given, while there are also health and wellbeing benefits for individuals of having a higher-skilled work role.[1] Skills should therefore be considered in tandem with other areas of economic policy and must address the needs of different actors, specifically learners, workers and businesses. Both public and private investment is lauded as critical to unlocking economic growth, however, such investment delivers greater productivity when directed at both technological systems and at human capital or workplace innovations. New global societal challenges demonstrate this potential. The emergence of Generative AI and the need to transition to a 'Net Zero' economy reinforce the need to be more resilient and adaptive to unexpected and unpredictable changes, requiring the skills to use, understand and control new technology.

In considering how economic strategy can keep pace with change, skill underutilisation is as much of a problem as skills gaps and the extent of this varies regionally, as does the low investment employers make in training. Regional interventions are needed, alongside a stronger national infrastructure that facilitates lifelong learning as well as providing better foundational skills as people transition between education and work. This requires sustained investment in further and higher education, with particular attention to the 'missing middle' in tertiary education and the dearth of opportunities for young people pursuing the vocational track.

This report makes the case for a more joined-up approach to UK skills policy. While skills policy is a devolved responsibility and the issues described affect the UK's four nations in different ways, our intention is to outline an approach with potential applications across the devolved administrations, encouraging lessons to be learned between England, Northern Ireland, Scotland and Wales. Our purpose in this report is not to make direct recommendations, but to present a series of considerations for a more coherent skills strategy. This is based on what has been tried and failed to date, alongside a selection of policy options and trade-offs to tackle widely recognised problems.

[1] Schuller, T. (2017), What are the wider benefits of learning across the life course? Foresight, Government Office for Science.

2.0 Fundamental considerations

To improve productivity in a changing world, skills policy should consider the needs of learners, workers and businesses. It should be designed and implemented in coordination with other key policy areas. We highlight three key components for a coherent strategy:

- **Skills, firms and productivity in a changing world:** Enable workers and businesses to adapt to rapid changes in technology and the economy and be flexible to respond to local needs.
- **Developing a skilled workforce for the future:** Develop a better skills system to facilitate skills development across the life course.
- **Improving education and training pathways:** Instigate a step-change improvement to education and training pathways through post-secondary and tertiary education.

2.1 Skills, firms and productivity in a changing world

Although there is a small group of firms at the technological frontier, one of the major problems underlying poor economic performance in the UK is the long tail of highly unproductive and/or low investment firms,[2] with less than one in ten firms seeing productivity growth also increasing their turnover and jobs.[3] The reasons for this are not straightforward or fully understood. In the skills arena, challenges contributing to this problem are the existence of skill gaps (too many people with low-level skills) and poor utilisation of existing skills by employers. This includes both technical skills as well as soft or social skills such as communication, teamwork and problem solving.

The extent of this issue varies regionally; specifically, it is worse outside of London. There has been a disproportionate increase in employment in low-paid service sector jobs outside of the UK's big cities.[4] These skills challenges are also manifest in a high proportion of graduates being found in non-graduate jobs, approximately 30% of all UK graduates according to a recent study.[5] There are also big regional differences in graduate wages, with graduates in London earning much more than in most other regions.[6] Productive firms are largely based in London and the South East of England, regions which have a much larger proportion of high skilled workers, including skilled migrant workers.[7]

London has become a success story for innovation and social mobility, with a high share of young people going on to higher education and two in three adults possessing a higher education qualification,[8] as well as a disadvantage gap in exam performance less than half as

2 Hart, M. & Bonner, K. (2024), Productivity Puzzles, Long Tails and Productivity Heroes: developing a new focus for small business policy in the UK, Enterprise Research Centre, Economic and Social Research Council.

3 De Loecker, J., Obermeier, T., Van Reenen, J. (2024), Firms and inequality, IFS Deaton Review, *Oxford Open Economics*, Volume 3, Issue Supplement_1, p. 963; see also Resolution Foundation & Centre for Economic Performance (2023), Ending Stagnation: A New Economic Strategy for Britain.

4 Xu, X. (2023), 'The changing geography of jobs', Institute for Fiscal Studies.

5 Vecchi, M., Robinson, C. (2023), Vertical and Horizontal Mismatch in the UK: Are Graduates' Skills a Good Fit for Their Jobs?, National Institute of Economic and Social Research.

6 Stansbury, A., Turner, D., Balls, E. (2023), 'Tackling the UK's regional economic inequality: Binding constraints and avenues for policy intervention', M-RCBG Associate Working Paper No. 198, Harvard Kennedy School, p.19.

7 Strain, Z. & Sumption, M. (2021), Which Parts of the UK are Attracting the Most Skilled Workers from Overseas? The Migration Observatory at the University of Oxford.

8 Evans, S., Egglestone, C., Treneman, S. (2024), Worlds apart: skills and learning inequalities in the UK, Learning to Work Institute. p.4.

wide as that in the rest of the country. At the same time, London has long been the top city for start-ups and for overall productivity in the UK. Congestion, through higher house prices and travel costs, has slowed this, although the move to 'work from home' could partially attenuate congestion. London has a congestion problem rather than a productivity problem. The example of the capital shows that improving the level of economic dynamism takes time and requires a combination of educational success, role models in innovation and productive workplaces, opportunities for mobility, access to finance for start-ups, and the ability to attract talent from around the UK and further afield.

The UK overall has a strength, relative to international competitors, in talent, diversity of population; knowledge-based institutions; and the role of key cities like London. But the UK has weaknesses in basic skills and productivity, and in some parts of its infrastructure. This mirrors a weakness in domestic skill development pipelines from both the education system, and from employers who leave a lot of human capital potential untapped, particularly in 'left behind' regions of the UK economy. In these regions, it is hard to break out of a cycle of low skills, as the concentration of high-skilled jobs in other parts of the country becomes self-perpetuating, while there is an issue of causality in policy solutions that seek either to boost skills to attract economic benefits or to invest money to generate a boost in skills.[9] Furthermore, underutilisation is as much of an issue as the skills gap - increasingly outside of London, those with graduate degrees are not matched with appropriate occupations.

Creating a better skills match between people and firms is one aspect of enabling the workforce to be more productive, to improve job quality and to enhance social mobility. But improving matching between workers and firms should go hand in hand with the adoption of new technologies and higher value business models, to ensure the matching has long-term benefits. Preferably, these should be the types of innovation that are complementary to increasing labour productivity and augmenting existing skills; for example, firms can be incentivised to encourage workers to adopt new technologies and working practices, innovations which can increase productivity.[10] Investment will be more productive when directed both at technological systems and in human capital or workplace innovations (rather than one or the other).

New challenges and opportunities for skills and technology matching are presented by the emergence of global challenges, including Generative AI and the pressing need to transition to a 'Net Zero' economy. A more general challenge is to be more resilient and adaptive to unexpected and unpredictable changes. For example, given the level of uncertainty regarding future applications of AI, including the potential for the automation or augmentation of key tasks in many workplaces, businesses need to become better at skills planning to adapt to these changes. Enhancing management skills is likely to be critical in this, and in improving business capability to meet new requirements. Managers are essential for ensuring groups of employees with varying skillsets work together effectively, and supporting managerial improvements will require an evidence-base of effective practices and behaviours.[11]

Developments in new technologies also alter the relative value of different types of skills. In this regard, a well-documented trend is the increasing value of jobs where high levels of social interaction are central, resulting in a heightened importance of soft skills, as well as leadership and management skills. This includes, for example, roles in health and social care, a sector

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9 Ibid, p.25.

10 Aghion, P., Blundell R., & Jaravel, X. (2024), 'Innovation and social mobility: two sides of the same coin', Social Mobility Commission.

11 Existing evidence includes: Manktelow, J., Birkinshaw, J (2018) Mindtools for managers: 100 ways to be a better boss, John Wiley & Son; Van Reenen, J. Bloom, N. Sadun, R. (2022), 'Improving productivity through better management practices', LSE Blogs, [accessed January 2025].

predicted to see significantly increasing employment opportunities over the next decade.[12] The need for soft skills does not mean that technical skills are losing their importance but rather reflects a surge in 'hybrid profiles' that require new combinations of skills. Social skills also seem more resilient to technological change.[13]

2.2 Developing a skilled workforce for the future

Individuals need to enter the labour market with a broad set of 'core skills' that make them capable of finding a good job match and retraining and/or moving occupation when employers demand changes (in a fast-moving world). This must include a secure foundation of basic literacy and numeracy skills. There is good evidence that acquiring such skills matters hugely for progression within education and for success in the labour market. While failing to achieve a pass grade in GCSE English, for example, can block an individuals' access to further education and training opportunities, even many of those who pass this threshold still enter the workforce with low basic skills.[14]

As discussed above, the sort of skills in high demand are not only analytical or technical skills but also soft, or social, skills, which include communication, planning and organisation, teamwork, problem solving and resilience.[15] This is reflected in high wage returns to the combination of such skills. It has also led to calls for a broader and more balanced 16-18 curriculum in the UK, which currently has one of the narrowest post-16 curricula in the world (with the exception of Scotland), to enable young people to develop a combination of skills. While we fully acknowledge the importance of a good educational base, we emphasise that this report is directed to post-secondary skills policy.[16]

Further digitalisation and the rise of AI will have major implications for the nature of work and for the organisation of firms. Specific skill needs that are narrowly defined shift over time and sometimes very quickly – for example, demand for cyber security and AI skills has increased in recent years, while telemarketing, previously a high-demand skill, has disappeared as a result of technological development. Furthermore, employers recruit individuals for bundles of skills rather than individual skills and these continue to be developed in the workplace. They are not necessarily fully transferable across contexts and some of these skills (especially soft skills) can be hard to measure and credentialise.[17]

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12 See, for example, Taylor, A., Nelson, J., O'Donnell, S., Davies, E., Hillary, J. (2022), 'The Skills Imperative 2035: what does the literature tell us about essential skills most needed for work?' Working Paper 1, National Foundation for Educational Research; Dickerson, A., Rossi, G., Bocock, L., Hilary, J., Simcock, D. (2023), 'An analysis of the demand for skills in the labour market in 2035', Working Paper 2, The Skills Imperative 2035, National Foundation for Educational Research.

13 Schultheiss, T., Backes-Gellner, U. (2023), 'Different degrees of skill obsolescence across hard and soft skills and the role of lifelong learning for labor market outcomes', *Industrial Relations* 62(3) pp.257-287.

14 See, for example, Machin, S., McNally, S., Ruiz-Valenzuela, J. (2020), 'Entry Through the Narrow Door: The Costs of Just Failing High Stakes Exams', *Journal of Public Economics* 190; Vignoles, A. (2016), What is the economic value of literacy and numeracy?, Institute for the Study of Labor (IZA), Bonn.

15 See, for example, Aghion, P., Bergeaud, A., Blundell, R., Griffith, R. (2023), 'Social skills and the individual wage growth of less educated workers', *IFS Working Paper WP23/25*, September; Deming, D. J. (2017), 'The Growing Importance of Social Skills in the Labor Market', *Quarterly Journal of Economics* (4) pp.1593-1640; Dickerson et al (2023), An analysis of the demand for skills in the labour market in 2035; there is also evidence linking degree subject to skill acquisition and how this affects labour market trajectories, for example, Deming, D.J. and K. Noray. (2020). 'Earning Dynamics, Changing Job Skills and STEM Careers', *Quarterly Journal of Economics*, 135(4) pp.1965-2005; London Economics (2019). Understanding the career paths of AHSS graduates in the UK and their contribution to the economy, British Academy.

16 This relates to the case for a broad/balanced curriculum at A level. Although the evidence on whether a broader set of subjects at A level is actually better for skills development is relatively weak, the narrowness of the UK's post 16 curriculum is notable in international context.

17 For discussion on how employers value 'non-credentialised' skill, see Brown, P. and Souto-Otero, M. (2020) 'The end of the credential society? An analysis of the relationship between education and the labour market using big data'. *Journal of Education Policy* 35(1), pp.95-118; see Souto-Otero, M. (2021) 'Validation of non-formal and informal learning in formal education: Covert and overt' *European journal of education* 56(3) pp.365-379 for a discussion of validation of learning in higher education.

The need for such skills requires consideration of how they are developed in the curriculum of schools, colleges and universities and how this might be improved (as well as considerations as to how they are measured and credentialised). While the UK often performs above the OECD average in PISA tests, it performs relatively poorly in OECD adult skills surveys. Tackling this requires public support of training across the life cycle, as the need to further develop skills and to re-skill do not end with formal schooling. The reasons for needing public support of training for adults include overcoming credit-constraints (for individuals and firms) and externalities (for example, employers may be reluctant to invest sufficiently in workers if this increases the risk that they will move to another employer).

2.3 Improving education and training pathways

Young people need to enter the labour market with a good foundational level of education and skills to facilitate good job matches and to enable them to be adaptive to changing economic conditions (which is likely to include further training throughout their career). Although the whole educational experience of young people is relevant for this objective, our focus here is on trajectories in post-secondary and tertiary education, especially the scope for apprenticeships and sub-degree qualifications for upskilling young people.

The problem in UK education is not 'too many' people in higher education, but too many who complete only their formal, secondary education with low-level qualifications.[18] This limits their skills, job opportunities and ability to respond to changing economic conditions.[19] This needs to be addressed by more coherent and better-resourced pathways in further education. As work-based training is very important for developing skills valued by employers, the expansion of opportunities for apprenticeships are an obvious route with a good evidence-base.[20]

There is a 'missing middle' between level 3 (A-levels and equivalent qualifications) and level 6 (undergraduate qualifications), with some differences across the UK. Evidence on this gap largely pertains to England, which shows that even though there is a high premium to such level 4 and 5 qualifications that do exist, very few people have them.[21] Barriers to the development of these qualifications need to be addressed – most obviously in how they are funded, as well as through clearer information and guidance for potential learners.

More broadly, addressing these issues requires undoing the significant financial cuts across the education system, with further education being the hardest hit and higher education institutions coming under severe financial pressures more recently. It also requires public support of lifelong learning directed both at firms and individuals. In addition, it requires that the funding of tertiary-level technical and academic education does not continue to create distortions in student choice (intended to be addressed by the Lifelong Learning Entitlement).[22] The funding package for students needs to be comprehensive and fair whether they choose vocational or academic pathways.

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18 See, for example, evidence discussed by Farquharson, C., McNally, S., Tahir, I. (2022) Education Inequalities: IFS Deaton Review of Inequalities, Institute for Fiscal Studies.

19 Costa, R., Liu, Z., McNally, S., Murphy, L., Pissarides, C., Rohenkohl, B., Valero, A., & Ventura, G. (2023), Learning to grow: How to situate a skills strategy in an economic strategy, Resolution Foundation.

20 See, for example, Cavaglia, C., McNally, S., Ventura, G. (2020), 'Do Apprenticeships Pay? Evidence for England' *Oxford Bulletin of Economics and Statistics* 82(5) pp.1094-1134, for evidence relating to England.

21 Espinoza, H., Speckesser, S., Tahir, I., Britton, J., McNally, S., Vignoles, A. (2020), 'Post-18 education – who is taking the different routes and how much do they earn?', CVER Briefing Notes 013, Centre for Vocational Education Research.

22 The current system of student financing distorts incentives for students and institutions because the terms on which students can borrow to study for Level 4 and 5 courses are not the same as Level 6 courses. This is explained in the Department for Education (2019) Independent panel report: post-18 review of education and funding (Augar Review). Implementing the Lifelong Learning Entitlement would address this.

3.0 Policy Choices

The following section aims to illuminate policy choices and trade-offs that may need to be considered as part of a coherent skills strategy, including options for new thinking. Many of these options will require supporting policies from, and strong coordination with, other areas of government to ensure success.

3.1 Regional interventions and targeted tax subsidies

- Further development of Local Skills Improvement Plans
- Pilot targeted support for training and schemes like 'human capital tax credits'

While some policies need to be at the level of the UK (or UK nation), others would be more appropriate at the regional level because the nature of problems identified varies regionally. Firms also have different capabilities for facilitating effective on-site training for employees (for example, firm size and management/leadership/communication skills are relevant factors). Ideally, support for training would be orientated to successful local firms with growth opportunities. Forms of support should be piloted and evaluated before broader adoption.

The further development of Local Skills Improvement Plans (LSIPs) might be an appropriate forum for such approaches, ensuring that lessons are learnt from previous attempts at such approaches and consideration is given to what has worked well (or not) in the past or in different regions. Alongside this, policies like 'human capital tax credits' could facilitate greater uptake of training in areas of high demand (for example to develop skills to facilitate the adoption of green technology or soft skills).[23] As there are risks associated with these policies (such as excessive deadweight costs), we recommend they be piloted before extensive implementation.

A particular challenge for the UK is that there are areas that have very few high-productivity workplaces that can provide good matches for workers with high-tech skills and social skills. This reflects the strongly skewed distribution of innovative firms in the UK.[24] It makes the matching of workers with innovative workplaces all the more difficult and highlights the strong need to develop policies according to sector and geography that improve the level and spread of technological adoption and innovation. As previously stated, skills policy should be considered in tandem with other areas of economic policy.

3.2 Enabling lifelong learning

- Increase funding and transparency of public support for lifelong learning, including short-term training
- Target incentives for training to particular groups, such as mothers returning to the workplace

Facilitating individuals' investment in their own skills is important through, for example, implementing the Lifelong Learning Entitlement (LLE) for tertiary-level education. But there are many forms of training that fall outside the scope of this, including lower-level education

23 See Costa, R., Datta N., Machin, S., McNally, S. (2018), 'Investing in People: The Case for Human Capital Tax Credits', CVER Briefing Note 7, Centre for Vocational Education Research, London School of Economics, for explanation of human capital tax credits; and Evans, S. (2022), Raising the bar: Increasing employer investment in skills, Learning to Work Institute for a similar proposal; see Li, J., A. Valero, Ventura, G. (2020), 'Trends in job-related training and policies for building future skills into the recovery', CVER Discussion Paper 33, Centre for Vocational Education Research, London School of Economics, for discussion about the decline of employer investment in skills.

24 De Loecker, J, et al. (2024), Firms and inequality.

(e.g. at levels 2 and 3) and short-term training. Adults who need additional training at such levels or for whom short-term, targeted training is more appropriate will need other forms of support, including grants. There is also the potential for remote learning, at all levels, to be scaled, matching the trends towards remote working seen in many workplaces. Such a move would allow for training to be made more geographically and economically accessible as users can more easily combine it with paid employment.

Clearly public funding cannot fully cover any and every form of training. But it needs to be more generous than currently (in a context where the adult education budget has been cut in half over a decade).[25] As well as ensuring appropriate funding, there need to be better guidance systems. This should go hand in hand with measures to make quality in the adult education and training sector more transparent.[26] For instance, initiatives should be carefully piloted and evaluated before wider implementation.

In directing incentives towards individuals, one effective initiative is likely to be a focus on mothers returning to work. Evaluations in the UK and elsewhere have shown high returns to training directed at this group.[27] There is also a strong intuition for why this group needs support for training (after a period in which their skills may have depreciated at the same time as employers' demands for skills may have changed). Some will change jobs, but even those women who stay in the same job as before are worse off in subsequent wage progression. This therefore has the potential to both improve productivity and increase good job matches, as well as helping offset the child penalty in the earnings of mothers.

3.3 The Missing Middle

- Address the lack of qualifications at levels 4 and 5
- Target the development of level 4 and 5 qualifications in currently low-skilled sectors

The implementation of the Lifelong Learning Entitlement is important for addressing the lack of qualifications at sub-degree level (levels 4 or 5) as this corrects the distortion within the existing grants and loans model whereby level 6 qualifications are treated more favourably. While level 4 or 5 apprenticeships have seen some growth in recent years, in general higher technical education remains uncommon in the UK, particularly in England.[28]

Other considerations are whether such courses could be developed (and promoted) in sectors where there is a need to upskill employees and as part of a 'good jobs' agenda to create more of a career trajectory within these sectors (e.g. social care). This would need to be considered alongside other reforms in these sectors rather than be considered in isolation.[29] They could also be promoted in sectors where they are already used successfully, as there is a need to improve public awareness of this type of tertiary education.

3.4 Vocational pathways and apprenticeships

- Develop better connected and clearer vocational pathways
- Ring-fence part of the Apprenticeship Levy for young people

The academic pathway for school-leavers is well-understood, with a clear route from A-levels/BTECs to university. The same cannot be said for equivalent vocational pathways, which

25 See, for example, the discussion in Tahir, I. (2023), 'Investment in training and skills', Institute for Fiscal Studies.
26 See Skills Development Scotland, Meta Skills Progression Framework, [accessed January 2025] for a review of how information, advice and guidance can better support individuals in Scotland.
27 Blundell, R., M. Costa-Dias, D. Goll, and C. Meghir (2021), 'Wages, experience, and training of women over the life cycle', *Journal of Labour Economics*, 39(1) pp.275–315.
28 Field, S and Tahir, I. (2022), 'The missing middle of higher technical learners', FE News, [accessed January 2025].
29 See Doshi, V, Spencer, H, Rodrik, D. (2023), Creating a Good Jobs Economy in the UK, Resolution Foundation for discussion of the various policies involved in creating a 'good jobs' economy.

are difficult to understand, generally involve education in less well-funded institutions (FE Colleges) and are poorly connected across levels of qualification in many cases, as described in the Augar Review.[30]

Apprenticeships function as a good school-to-work transition in the UK, as in other countries. But in recent years, the number of apprenticeship starts for young people has fallen sharply, particularly at level 2 and level 3.[31] While the increase in higher and degree apprenticeships is welcome, the vast majority of higher apprenticeships and about half of degree apprenticeships are accounted for by people over the age of 25.[32] It is likely that this is due in part to employers using the Apprenticeship Levy to fund continuous professional development of their existing employees.

Meanwhile, apprenticeship completion rates are also low, sitting at 54% across all levels. This is significantly below the government's target rate of 67%; improving completion rates should be a greater focus as an effort to increase skills.[33] Making apprenticeships a bigger part of the landscape for young people (after appropriate preparation in school or college) would do much to make the vocational pathways more attractive and provide a better launching pad for the careers of young people not intent on pursuing higher education. It would thus help to address inequity as well as inefficiency in the education system. A possible way forward would be to ring-fence part of the Apprenticeship Levy towards young people to incentivise firms to provide these opportunities.[34]

3.5 Funding problems in Further and Higher Education Institutions

- Reform funding structures in FE colleges
- Resolve financial issues in FE and HE institutions

Roughly half of young people go to FE colleges after Year 11 (age 16) in England and these institutions have been undermined by funding cuts for young and adult learners over a long period. The structure of funding is also a problem, because money does not follow students over the age of 19 (the budget is capped, based on historic enrolment and agreed for a very limited time horizon). It is difficult for institutions to be innovative in these circumstances.

University finances were in relatively good shape following the major reforms of 2006 and 2012, with higher education funding beginning to recover after many years of decline with higher fees providing 64% of the sector's funding for teaching. But recent developments have called into question the sustainability of the current regime. By 2024, the tuition fee cap for home students of £9250 were worth just £6500 in 2012 terms (the cap has only risen once since 2012) yet accounted for 93% of teaching funding.[35] This erosion in value has combined with high inflation in the UK and a severe decline in international students linked to tougher visa restrictions, further straining HE income. A result of this has been the introduction of programme closures and staff redundancies in many institutions across the UK, risking cold spots in provision emerging.[36] These issues need to be tackled if investment in skills is to be sufficient (including just to stand still) and equitable.

30 Department for Education, (2019), Independent panel report: post-18 review of education and funding (Augar Review).
31 Field and Tahir, I. (2022), 'What happened to youth apprenticeships?' FE News, [accessed January 2025].
32 Cavaglia, C., McNally, S., Ventura, G. (2022), 'The Recent Evolution of Apprenticeships: Participation and Pathways', CVER Discussion Paper 39, Centre for Vocational Education Research, London School of Economics.
33 Department for Education, Apprenticeships: Academic Year 2023/24, Release date 28 November 2024 [accessed January 2025].
34 See Layard, R., McNally, S., Ventura, G. (2023), Applying the Robbins Principle to Further Education and Apprenticeships, Resolution Foundation for further discussion on this, including applying the Robbins principle to apprenticeships. See also Frayman, D. (2024), 'The Apprenticeship Guarantee', CEP Occasional Paper. No. 64, Centre for Economic Performance, London School of Economics, that provides a cost-benefit analysis of these proposals.
35 Higher Education Statistics Agency, Consolidated statement of comprehensive income and expenditure by HE provider and academic year 2015/16 to 2023/24, DT031 Table 1, Release date: December 2024 [accessed January 2025].
36 British Academy (2024), Mapping SHAPE Provision in UK higher education [accessed January 2025].

4.0 Limitations

There is, of course, further thinking required to develop these policy ideas as well as obvious trade-offs when public expenditure on education and skills needs to be assessed vis-à-vis other areas (complicated by the existence of spillovers between areas).

Among the high-level questions that also need to be addressed are what different types of intervention mean for devolution (within England): what additional powers should be devolved to Mayoral Combined Authorities and to institutions (colleges, universities), as a result? An example of positive, collaborative work in this area can be found in Yorkshire, where the Yorkshire Universities mission group recently coordinated a discussion between universities, councils, Mayoral Combined Authorities and employers in the region, with the aim of encouraging skilled graduates to stay in the area to work, boosting local productivity.[37]

Further, at a regional level, more thinking is needed on how Local Skills Improvement Plans (LSIPs) might evolve in view of the need for locally oriented skills development. For example, should universities and higher-level skills be a key part? This approach requires a healthy education and training sector in each region and suggests there is a need not to let further or higher education institutions fail without regard to local provision. How can employers be enthused to support such approaches? As well as policies at regional level, what sectoral arrangements can be made to support skills and training in specific sectors of the economy, and how can this help contribute to wider social dialogue and a broader stakeholder group in skills policy?

There are some early commitments by the new UK Government – such as the design of a new Growth and Skills Levy and the development of Skills England, where some of the above ideas might be taken into account (such as issues raised under apprenticeships or dealing with 'the missing middle'). Of course, these new policies do not apply to Scotland, Wales and Northern Ireland. It would be good to see efforts to better learn from experience across the UK in how different administrations deal with similar issues.

Within England, separate funding and regulation bodies for Apprenticeships, FE and HE arguably leads to fragmentation in the system and vested interests. How can the new overarching Skills England ensure it is not just an umbrella body but is able to genuinely join-up systems (including funding and accreditation systems)?

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