

The Big Picture Skills, Jobs and the Economy: An Integrated Approach

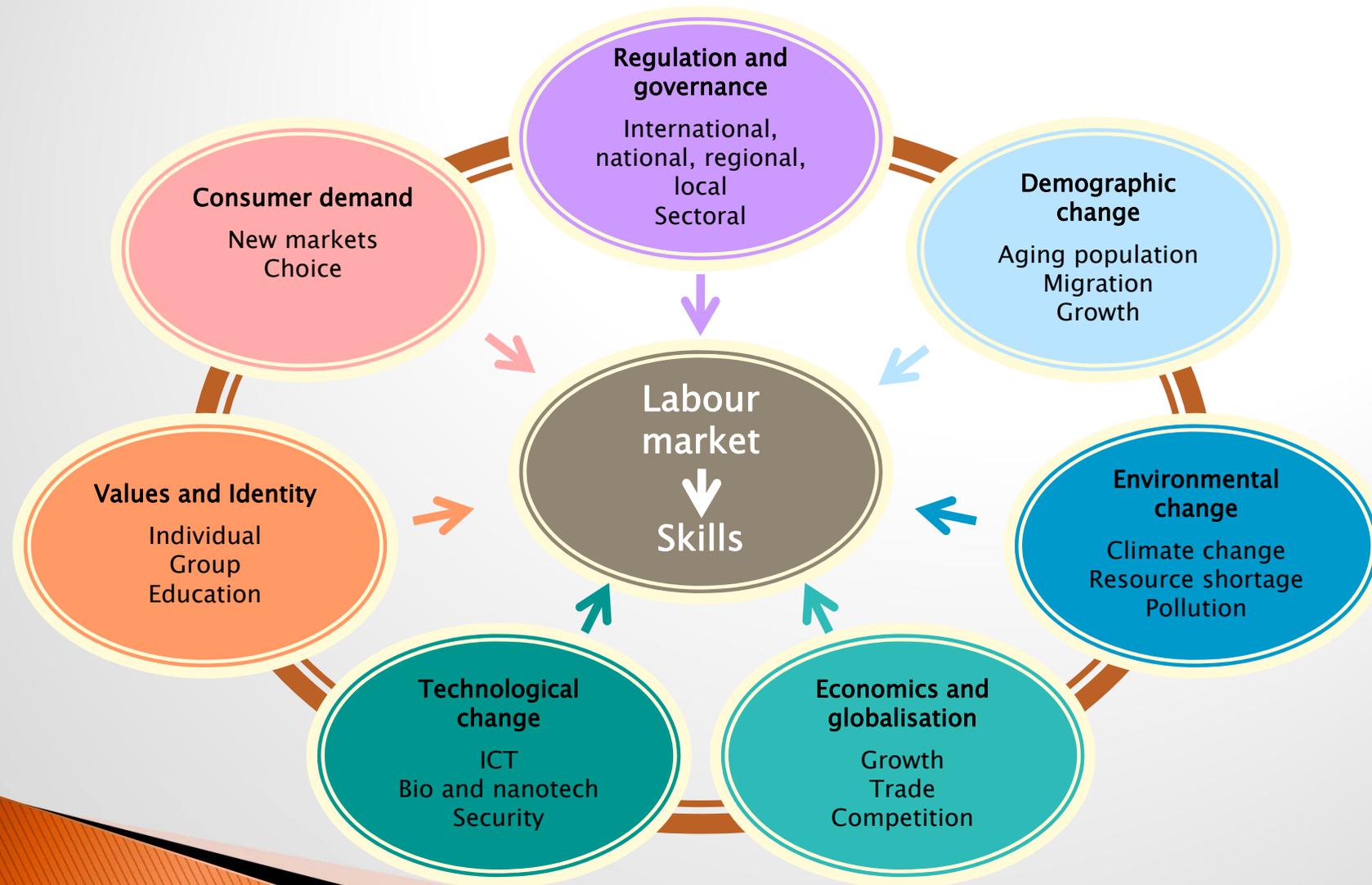
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The Starting Point

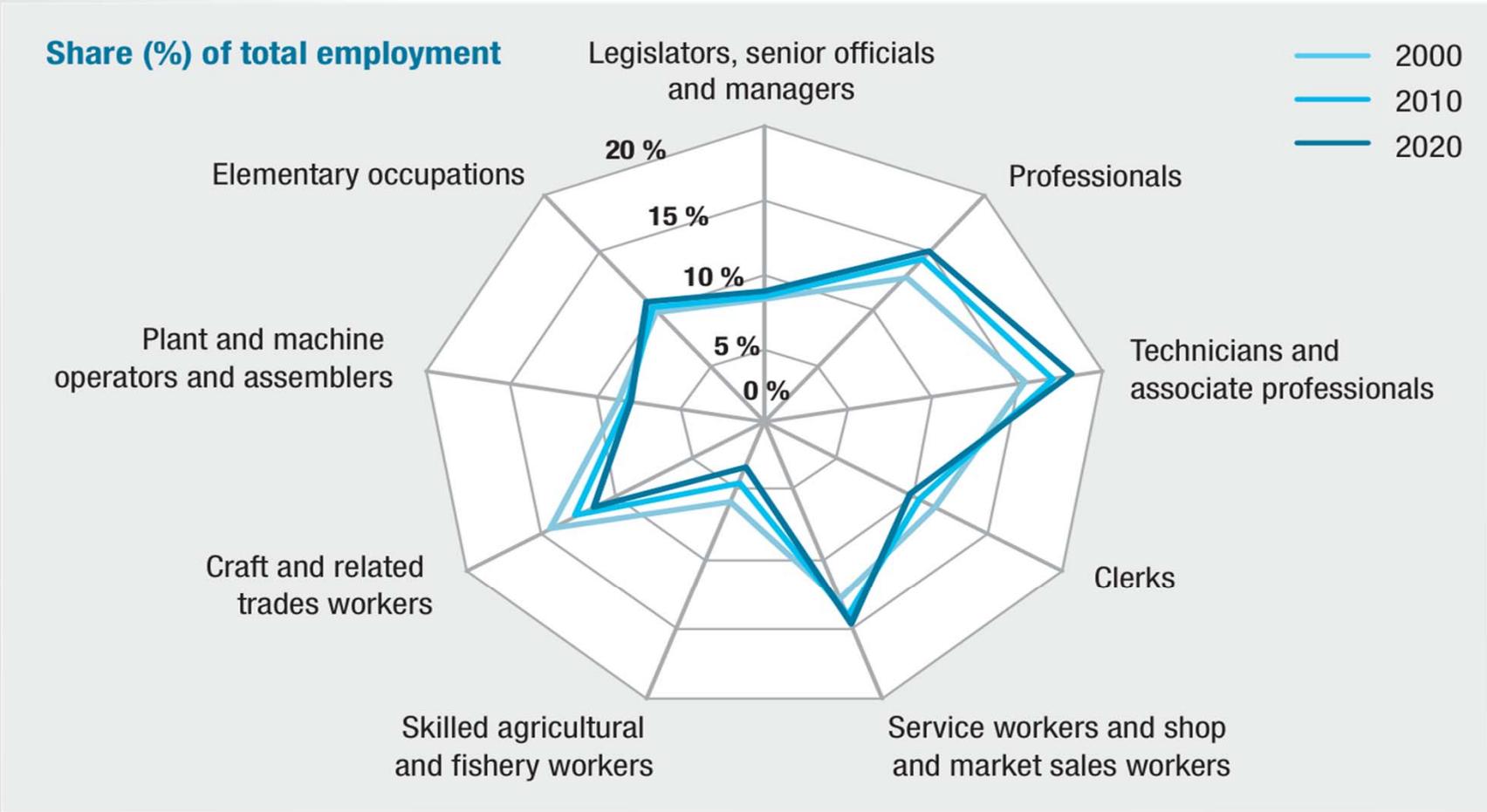
- A major prize to win!
- Beyond policy silos
- Employers at the heart of the system
- Where to “intervene”: priorities and market failures

The economy and labour market are shifting beneath our feet: The Drivers of Change



Jobs in the future

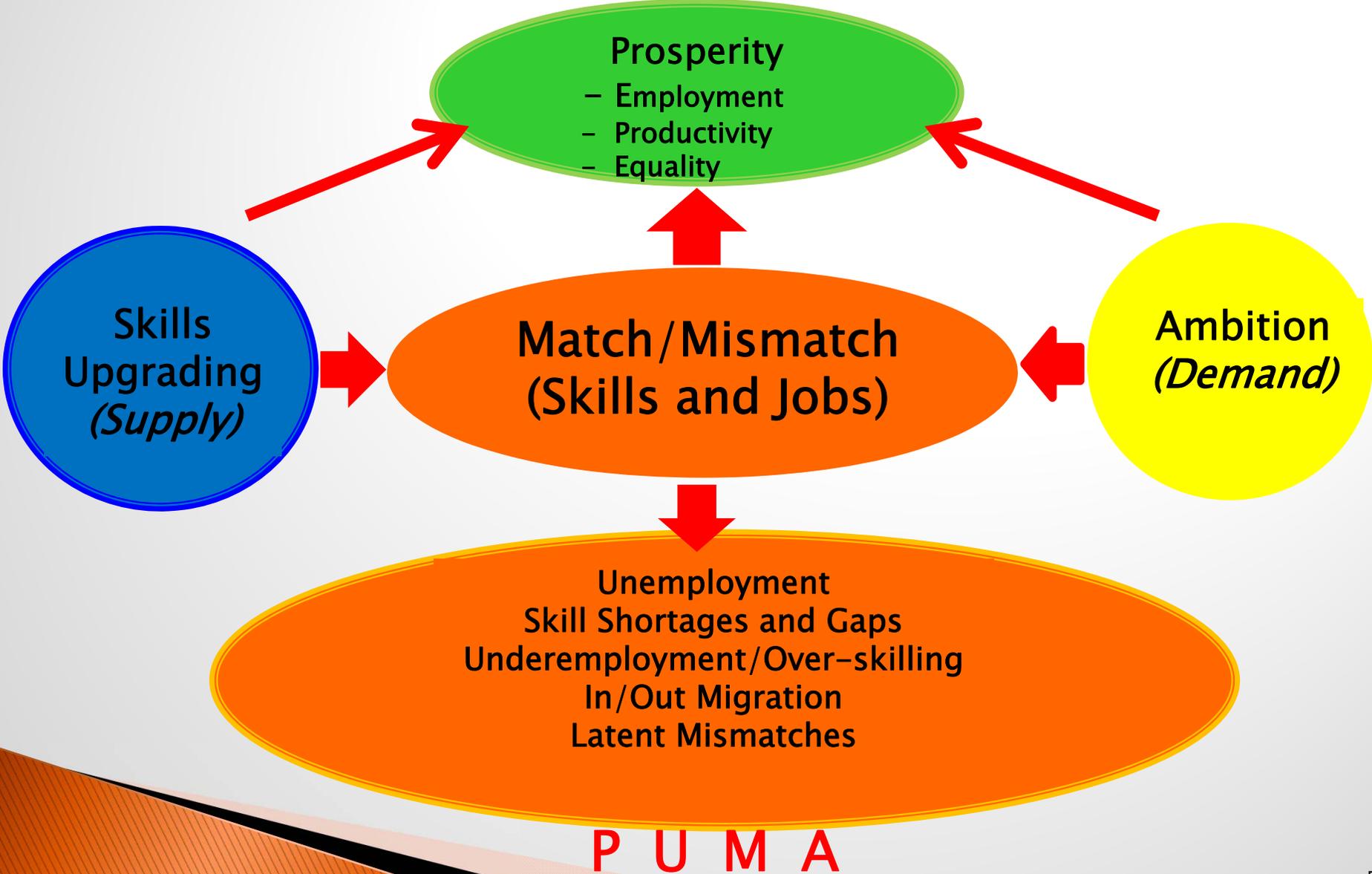
The changing occupational structure of employment, EU-27+



NB: Numbers in employment (NA-based estimates).
 Source: Cederop (IEB estimates based on E3ME and EDMOD).

What is to be done?

Create a Virtuous Circle



Skills Matter, Learning Pays

10 KILLER FACTS

1. **A fifth of UK economic growth** is due to improvements in workforce skills (Bell et al 2005)
2. An increase of 5% points in the proportion of workers trained could add 4% points to productivity. **Increasing the numbers trained in the LCR by c.20,000 would add over £500 million to GDP annually, in perpetuity** (Dearden et al 2005).
3. **The Top 10% of performing companies** have a workforce on average with an extra qualification level than the 10% of worst performing companies (Haskel and Hawkes 2003)
4. **'Low training' companies** are between 2 and 2.5 times more likely to go out of business as 'High training' companies (Collier et al 2007)
5. The average **annual cost to employers** (with > 50 employees) of low basic skills is **£208,000 per year** (Ananiadou 2002)
6. Achieving the **'Leitch' 2020 Ambition** would, on conservative estimates, add between **£5 and 6 billion net to GDP over 30 years** (Leitch 2006)
7. **Eradicating poor basic skills** would add £800 million per year to poorly skilled people's earnings in the LCR (Bynner et al 2001)
8. The **earnings premia** associated with achieving higher qualifications are: **Level 2 (15%); Level 3 (13%); Level 4 (28%); Level 5 (23%)**. These are 'additive' (Dickerson 2006)
9. The **Net Present Value** of a Modern Apprenticeship (Level 2) over the holder's lifetime is £73,000 and that **for an Advanced Apprenticeship (Level 3) £105,000** (McIntosh 2007)
10. **Improving workforce skills** to the level of Finland could increase LCR growth by **1% per year: annually £750 million**

Upgrading People's Skills

- The case for skills and jobs
- Information, advice, counselling
- Quality provision: vocational education and training; schools; and universities
- Incentives to upskill: financial; behavioural
- Raising aspiration; challenging behaviour

Matching skills and jobs

- **Alignment between the skills available and the skills required:** shortages, gaps, unemployment and underemployment; migration
- **Priorities and economically valuable skills:**
 - Transferable and employability, as well as technical and professional skills
- **Labour Market Intelligence: Insight and Foresight**
- **Responsive provision:** a greater focus on transparency eg outcomes
- **Active labour market policy**

Ambition and the demand for jobs and skills

- In the end skills and jobs are a **'derived' demand**: we largely get the skills and jobs our economy deserves
- The **level , growth** and **balance of the economy** combine to drive overall jobs and skill demand. But there's more to it...
- **Business Strategy matters**: product market strategies drive the level and type of employers' skill needs and their utilisation in the workplace – we need more **'economic pull' from business**
- **Employer ambition** is ultimately driven by the direction and quality of **management and leadership**
- We need more **high value added businesses**; **move up the value chain**; **higher quality** products and services; intense **product, process and practice innovation**
- In short, we need more **high-skilled jobs** for **high-skilled people** to do.

Ambition: It's the Economy, Stupid!

- **The quantity and quality of jobs**
- **Economic policy**
 - Economic Development Policy
 - Economic Structure: Rebalancing Economies
- **Business strategy**
 - Management and Leadership
 - High Performance Workplaces and Skill Utilisation
- **Labour market management**
 - Employment intensive growth
- **Employer Engagement**
 - Networks: sectors; clusters; supply chains; locality
 - Support and challenge

An Integrated Approach

- Establish, agree and commit to challenge, vision, objectives, policy instruments and progress reporting
- Connect the worlds of education, training, work and business: breakdown 'policy silos'
- Create a 'Virtuous Circle': integrate education and training policy with employment and economic development policy
- Supply and demand ... times 3!
- Fiscal Austerity: Go beyond public funding to change behaviour
- A local partnership.