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PRESS RELEASE FROM RESPUBLICA

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## **Election pledges will not meet the UK's future skill needs**

The next Government must unleash the potential of the UK's workforce to compete in the 21<sup>st</sup> century economy. Yet, according to a new report by the think tank, ResPublica, the pledges being made by our main political parties will not be enough to meet the challenges of the fourth industrial revolution and the future of work.

The Labour Party's pledge to scrap university tuition fees has been dismissed as 'not credible' while the centrepiece of the Conservative's skills plan is a new £3 billion National Skills Fund for adult education and training, which will amount to less than £17 per year for every working age person.

All parties have committed to further fund adult skills and lifelong learning, with the LibDems announcing an eye-catching £10,000 'Skills Wallet' for every adult to spend on skills and training throughout their lives.

However, the report, *Skills for jobs that don't yet exist: A new system for the fourth industrial revolution*, argues that although funding is a major consideration, the solutions will need to take in whole-system changes to rebalance UK skills and prepare for the disruptive effects of automation.

The report sets out a range of measures, to future proof skills and transform our education, training and skills system to address Britain's productivity crisis. It finds that employers are struggling to recruit the right people with the right skills and are increasingly concerned that they will not be able to fill positions in the future.

The UK skills system is not meeting the needs of business despite more than half of all school leavers now attending university. More than ever before. And considerably more than comparator nations in the US and Europe.

At the same time those who do not attend university are served by an underfunded 'second best', post-18 education offer. This suggests that our skills system is not fit for present purpose, or indeed the solution to the challenges of the future.

The report questions the logic and the cost of sending increasing numbers of young people to university; and whether there is a more effective and fairer way to provide better value for money in our current skills system. University students are currently paying up to £30,000 in fees for a three-year course which could provide as little as eight contact hours per week.

This report argues for a radical shake up of the UK's skills system to rebalance higher and further education provision and address the shortfall in technical-level skills. This

will be needed to meet the many manifesto commitments, including the ambitions, shared by all the main parties, to kick start a new green industrial revolution and generate millions of new jobs in new industries.

Recommendations include: rebalancing the number of young people attending university, compared with other learning and skills provision; re-thinking the role of universities and how subscription models could allow adults to dip in and out of Higher Education, to support lifelong learning; restructuring the whole funding system for tertiary education, including the abolition of the current student loan system, and the implementation of a **National Education Contributions (NECs) scheme**, akin to National Insurance Contributions (NICs); and, a new **levy on established tech firms**, which will benefit disproportionately from an educated workforce.

Report author, Mark Morrin, stated:

*“If the next Government is to meet the challenges of automation it will need to deliver on technical skills. The UK needs to figure out how many graduates it really needs, and in what subjects. At the same time, we will need to consider a reduction in the overall proportion of school leavers attending university. This is not just a numbers game. The new economy will present a fundamental challenge to all learning institutions. This includes what people learn, how they learn, where they learn, and when they learn.”*

Phillip Blond, Director of ResPublica commented:

*“We need a more flexible system that can provide wider skills choices, and not just for young people. Through life training will become increasingly necessary. This will require new ways of teaching and studying, incorporating the advantages of technology to create new platforms and applications for remote learning. The workforce of the future will require short, bespoke courses and continuous training, to adapt and remain competitive.*

*If the new Government adopts this approach it could even lower the burden on the state, if the costs are reduced by making courses more affordable and by spreading education over time. Employees will be encouraged to invest in themselves if the burden is shared and employers would be more willing to contribute in return for a system that generates better skills and improves productivity.”*

Jules Green, a UK businessman who has supported this report commented:

*“Education should be a right and not a privilege. But our current student loan system is making it more difficult for young people from poorer backgrounds to attend University, since they end up owing the most in debt. At the same time, we know that student loans – which conveniently puts the costs off the balance sheet, to remove it from the government debt – are unlikely to be repaid and are therefore unsustainable. I see no downside in moving towards a system which is needs driven, lower cost, fairer, more efficient and is more appealing to students.”*

**ENDS**

## Notes to editors:

The Report Recommendations include:

- 1. Rebalance the UK's tertiary education system.** To provide a more cost-effective means of studying and to provide better value for money, for learners, business and Government. This will allow:
  - A supply of vocational, technical and academic skills to meet the future needs of the UK's industrial strategy
  - Continuous, life-long, learning provision for all working age people
  - New ways of teaching and studying, incorporating the advantages of technology to create new platforms and applications for remote learning, and
  - New sector specific institutions for the delivery of specialised and bespoke training that can offer shorter, faster, more direct route for upskilling populations (such as Ecole 42 in Paris, Flat Iron in London, and Pursuit in New York).
- 2. Restructure skills funding with a National Education Contributions (NECs) scheme.** We recommend a system akin to National Insurance Contributions (NICs), that would:
  - Reform the whole funding system for tertiary education including the abolition of the current student loan system
  - Separate the functions of Research & Development from skills acquisition and fund them appropriately
  - Auto-enrol all workers to allow employees, employers and the government to pay into a central pot that could be drawn on by individuals, to fund skills training, at any stage in their lives.
  - Provide a self-financing system that is ring-fenced from the Government's national accounts, by using a Special Purpose Vehicle to collect NECs from employees, employers, and the government.
- 3. Create 'Adult Skills Accounts'.** To distribute the proceeds of national education contributions, this system would learn from previous experiments in the UK and internationally, to provide individual skills accounts that could be drawn on equally by all citizens, at any point during their working life.
- 4. Introduce a 'Tech Levy' and protect 'Data Sovereignty'.** To bolster the NEC model for lifelong learning, this paper proposes a new levy on established tech firms (which will benefit disproportionately from an educated workforce) alongside legislation to introduce and protect 'data sovereignty'.
- 5. Re-imagine universities as a platform for continual learning.** University subscription models should also be considered as a future role for Higher Education Institutions to support lifelong learning. This would provide students with multiple opportunities, not just between the ages of 18 and 22, but whenever necessary. To dip in and out of the curriculum throughout their lives to gain and update their knowledge and skills as needed, potentially paying lower tuition fees up front and then an annual subscription fee during their lifetime, utilising an Adult Skills Account.

## About ResPublica

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