

## Skills and Levelling Up Manifesto

### Foreword

The Government has released its *Levelling Up the United Kingdom* White Paper, setting out a series of policy aims to empower and regenerate the ‘left behind’ areas of the UK. The proposed introduction of Education Investment Areas, the UK National Academy, new Institutes of Technology, and the Unit for Future Skills, among other provisions, are a signal that the Government has placed new directions in skills and education policy at the centre of its levelling up plans. But it could go still further in pursuing radical innovation in place-based, lifelong academic and vocational learning provision that makes retraining and upskilling accessible to the worst-off people and areas across the UK.

Skill levels across the UK, as measured by qualification attainment levels, have improved considerably over the past twenty years, with the proportion of adults qualified to Level 4 and above nearly doubling. However, while the UK’s position is relatively strong at the higher level (Levels 6–8), it is relatively weak at both intermediate (Levels 4–5) and low levels (Levels 1–3) compared to international standards. For example, there are still nearly 6.5 million adults (or 15.4 percent of the adult population) who are not qualified above Level 2.

At the same time, there is a stark disparity in skills and qualification levels between different parts of the UK. In some parts of England, especially in the more prosperous South, the proportion of people without any formal qualifications is less than 1 percent (Richmond Park). In others, particularly in the more deprived areas of the Midlands and the North, it lies at more than 20 percent (Dudley North). The problem is endemic and has persisted for many generations.

But the story of this disparity is not just as simple as a large-scale geographic divergence in skill levels between London and the Greater Southeast and the rest of the UK. It exists cheek by jowl across the country, especially in the UK’s major urban areas. For instance, in Sheffield Hallam, one of the most affluent constituencies in the country, 72 percent of the adult population are educated to Level 4 and above, compared to 43 percent nationally. In neighbouring Brightside and Hillsborough, the 12th most deprived constituency in England, only 33 percent are qualified at this level.

Skills and education are drivers of economic prosperity as well as good physical and mental health. It is thus no surprise that those parts of the country with the lowest skill levels are also the least economically productive, with lower wage growth, higher unemployment, and poorer health outcomes. As employers continue to report skill gaps and shortages, we know that future changes to the structure and composition of jobs will accelerate. This will potentially exacerbate



the current mismatch between the supply and demand for the higher and technical skills needed to support the growth industries of the 21st century.

The disparity in skills and education, with low academic and vocational qualification levels concentrated in the most deprived places, comes at the cost of economic growth and life chances. These hold back the ‘left behind’ regions of the UK, and by doing so stymie its ability to seize on national opportunities for industrial innovation and knowledge development. If we want to level up, then we must address these challenges and invest in human capital in the places where we find it.

This manifesto outlines ten key policies that would enable local areas to take significant forward strides in crafting skills and education policies that can meet their current and future needs. Six of these policies are powers that should be devolved to mayoral combined authorities and counties with ‘county deals’ as part of all future devolution arrangements. These should be set out within the framework of five-year funding settlements between Government and the competent local authorities that specifically cover the funds dedicated to skills and education. The remaining four policies are simple but meaningful policy changes at the national level that would go furthest in helping make these devolved powers as effective as possible.

At their heart is the principle that local authorities need the flexibility to set, pool, and ringfence budgets for local learning development projects, as well as the discretion to direct local knowledge and skills innovation. They should have oversight of the Local Skills Improvement Plans (LSIPs) introduced by the Skills and Post-16 Education Bill, with powers to direct and commission skills training, and provide bespoke in-work training for growth sectors in collaboration with colleges, universities, and employers.

These ten policies can help the Government achieve a regional revolution in skills and education. With them, the UK is best positioned to make a real difference to knowledge and productivity in every corner of the country. To level up, we have to devolve down.

## **Six powers to devolve:**

### **1. Power to declare ‘skills emergencies’ in key local industries**

*For too long, projects of local regeneration have started and ended with the changing whims of central Government. The UK needs a system that obligates Westminster to hear and answer the voice of the ‘left behind’ across the country.*

Local authorities must be empowered to declare ‘skills emergencies’ in different local industrial sectors. These can be subdivided into categories to indicate differential degrees of severity and urgency (such as ‘yellow’, ‘orange’, ‘red’).

These emergencies would be identified based on whether the local authority area crosses a threshold poor state of local labour markets, especially a certain level of recruitment deficits in key industry sectors, categorised according to UKSIC industrial sector classifications. This threshold should be evaluated by a basket of criteria including worklessness levels, levels of NVQ4+ attainment, and school performance metrics.

They would work in a similar way to ‘special measures’ criteria for school assessment. They are not to be seen as desirable categories for local authorities to fall into; instead, they are a signal to Government that help is urgently needed. The purpose of declaring a ‘skills emergency’ is to trigger a process within HM Treasury, BEIS, and DLUHC that unlocks priority investment and empowerment for the local area, as well as the development of localised ‘skill lift’ industrial strategies.

To avoid unnecessary ‘over-declarations’ of these emergencies, local authorities would be expected to work in conjunction with the National Institute for Future Skills (see below) to have a process of full accountability, and to focus strategic efforts on future growth rather than past/declining industries.

### **2. Power to simplify and streamline education and skills funding**

*Funding for local skills and education has been woefully piecemeal, with local authorities and learning providers forced to compete for a bewildering array of little pots of money. It is time to cut the red tape to get funding to those who need it, where they need it.*

Thanks to a generation of marginal changes in skills and education policy, funding for local learning and knowledge development is spread across too many sources. These include the Adult Education Budget, National Skills Fund, Skills Development Fund, UK Shared Prosperity Fund, the Multiply numeracy programme, 16-19 Tuition Fund for Covid-19 recovery, and many rounds of

bids for capital funding. Local authorities and other bodies often struggle to access all the money to which they are entitled because of inconsistent and overly complex application requirements.

These sources are often owned by different organisations that are not used to coordinating at either the national or the local level. They are often earmarked for specific purposes, which means they cannot be directed to where local areas need investment the most. Worst of all, the sums involved are usually far too small to make a meaningful difference in boosting local skills and education.

Local authorities need the ability to combine these different sources into single unified Local Skills Development Funds that have the scope to support large-scale joined-up learning investments. These LSDFs should be the budget directly tied to the LSIPs, and should be operated by local authorities using their own autonomous government infrastructure.

These LSDFs would give local authorities the latitude to target funding at key local industry sectors. It would move local funding away from the wasteful system of competitive bids by different organisations. Instead, it would move local development policy towards forming coherent local skills and industrial strategies that rely on getting everyone with a stake in the local community around the table.

### **3. Power to levy Local Education Contributions earmarked for key industries**

*Employers are among the main beneficiaries of a better-qualified, higher-skilled workforce. The UK needs a new social contract for local skills that mandates businesses to share the responsibility of helping their employees invest in their futures.*

A key responsibility that needs to be delegated to local authorities is the power to introduce Local Education Contributions, funded by employer and employee contributions. These would work on a similar principle to National Insurance Contributions, with the key difference that the levels and precise definition of the LEC revenue base would be left to be determined by local authorities.

LECs would be designed to allow employees working in the local economy to build up a bank of personal savings, tied to a personal Skills Account. At any stage of their lives, they will be entitled to draw down the funds they have accumulated in this Skills Account to finance further learning and training.

It would be left up to local authorities to decide whether the courses for which employees are able to use their LEC savings are left completely open, or targeted at selected key specialisms that are associated with priority skills or future growth industries identified by their LSIP strategies.

The budget for these LECs would be ring-fenced as part of the LSDFs, with the local authority having the decision-making power about how much money is spent in total on supporting this scheme, as well as the responsibility for operating how and where the funds are directed.

#### **4. Power to target full grant funding at key Level 4–6 courses and teaching**

*Lack of funds should never prevent learners from developing their interests and abilities. The UK needs a system of local scholarships for local skills that opens up new working opportunities for people where they are.*

Parts of the UK have relatively lower proportions of residents with higher skills (Level 4+), as well as specific skills gaps in key sectors. Compared to its international competitors, the UK has a ‘missing middle’ of Level 4–5 education provision, with England lagging far behind Scotland and Northern Ireland within the UK.<sup>1</sup> At the same time, the Further Education colleges responsible for providing the bulk of Level 4–5 teaching report consistent problems with tutor retention, as poor pay and conditions mean they lose many talented staff members to industry positions.

Where local areas, working with education provider partners as part of the development of LSIPs, can identify skills gaps in certain industries, devolved funding should be made available to provide targeted grants to fully subsidise fees and maintenance for selected courses. These grants should supplement the financial provisions of the Lifelong Loan Entitlement (or similar national funding scheme), in whichever form it emerges from the ongoing consultations.

The aim is to encourage learners at all ages to develop skills in high-productivity and in-demand skill sets and subject areas. Eligible areas can be any skills or subjects at any Level 4–6 qualification, with local authorities given the responsibility of deciding which areas of academic or vocational learning are to be designated as priority areas.

Funding could be awarded as means-tested bursaries or scholarships, either autonomously as part of the LSDFs or in conjunction with subject- and skill-specific relevant national bodies (e.g., Royal Society of Chemistry). The system of teacher training grants should be urgently expanded to also cover FE college lecturers in order to make high-quality Level 4–5 learning provision an attractive option in the labour market.

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<sup>1</sup> S. Field, *The Missing Middle: Higher Technical Education in England* (Gatsby Foundation, 2018).



## **5. Power to set up Higher Skills Accelerators**

*Too much local talent is going to waste because centres of higher learning are unevenly distributed around the country. It is time to bring top quality learning into the community to help those who do not have the time or means to go looking for it far from where they live and work.*

Many areas of the UK have no university campus near them, making it hard for busy working adults to access higher skills training. Higher Skills Accelerators can build on the successful model of University Centres, in which local FE colleges work with partner universities to create clusters (on a 'hub and spoke' model) for adult access to higher skills. Targeting investment towards hard-to-reach areas ensures there is a network of Higher Skills Accelerators across the country, giving all adults the chance to get into higher-skill, higher-paid jobs.

Ensuring a top-quality network of Higher Skills Accelerators should form a key part of LSIPs in each local area, where possible building on the work of the new Institutes of Technology. Course design must be modernised to ensure providers offer more shorter, flexible, and part-time courses, allowing working adults with family responsibilities to combine study with work.

As part of their LSIP, every local area should introduce a community-based Learning High Street that is connected to local FE and HE providers. This should offer a blend of online and traditional learning, drop-in facilities, access to technology, and in-person support. This would provide ease of access to courses and break down institutional barriers, especially for those who left full-time education without qualifications and who encounter the greatest and multiple barriers to participation in learning.

Based on the highly successful model already in operation in Scotland, Articulation Agreements would enable students to spend the first 1–2 years of higher education in an FE college, either by earning Higher National Certificates and Higher National Diplomas or by completing a 2-year foundation degree. They could then finish their training on a '2+2' basis with a 2-year 'top-up' bachelor's degree at a university.

Customised training models can provide bespoke solutions to occupational and sectoral needs, as shorter, faster, more direct industry-specific routes for upskilling than most established FE/HE courses currently achieve. This approach has been used especially for digital skills with bootcamp institutions, but similar approaches are required in other sectors (e.g., The Fashion Retail Academy's 'Shop Floor to Top Floor' fast track to buying and merchandising).



## **6. Power to set up Career Development Institute hubs**

*Too many people today are forced to decide their careers and learning life paths without really knowing the options available to them. The UK needs to do better to help learners choose careers that work for them, informed by experience and professional expertise.*

There is an urgent need to improve the quality and accessibility of careers information and guidance. The careers landscape is complex and difficult to navigate, especially for those who have been out of the education system for an extended period. This is exacerbated where the role of careers advice is often played by non-specialists, (e.g.) school teachers or FE/HE lecturers, who do not have a complete grasp of all the options available to learners.

Career Development Institute (CDI) hubs will provide a single integrated source of careers advice for learners at all stages of their working life. By rooting them firmly within local communities, they would be best-positioned to provide advice that is tailored to the reality of local needs, helping learners to find new employment and training opportunities in the local economy.

CDI hubs should be co-located alongside existing services, such as in colleges and learning centres, in the heart of the local community. It would be the responsibility of local authorities to work with education provider partners as part of their LSIPs to determine how CDI hubs are integrated with the system of Higher Skills Accelerators.

CDI hubs are designed to provide high-level, data-driven specialist advice about the demand for jobs in the local economy, including current and predicted skill shortages, potential growth industries, and the realistic job and income prospects that come with each course learners can take. It should help learners come to an informed assessment of the available options for reskilling/upskilling, including calculating the expected benefits of investment in training (via personal loans) in terms of future earnings.

## **Four national support policies:**

### **1. Found a National Institute for Future Skills (NIFS)**

*Giving local areas new powers and funds risks passing the buck if Government just steps back and lets local authorities fend for themselves. The UK needs a way to help local areas take control of their future, informed by ‘best practice’ lessons of what has worked and what has failed from around the country.*

The relationship between different stakeholders involved in LSIPs has yet to be fully clarified. Above all, collaboration and coordination between local authorities, employer representative bodies, and further and higher education providers is not always well-developed in all local areas. Mayoral/combined and county authorities do not necessarily have the devolved powers they need, Local Enterprise Partnerships and chambers of commerce are not all effective representatives of their local economies, and colleges and universities are not equally closely embedded in their local communities.

The NIFS would be a significant upgrade of the Unit for Future Skills envisaged by the White Paper. It would act as a central resource with the roving function of providing specialist hands-on services that local areas can draw on for targeted help. Based outside London, it would operate as a strategic advice and consultancy body, or a ‘think and do tank’, working with local authorities through their LSIPs to identify their areas’ key educational and economic needs.

It would connect local leaders and laggards among community stakeholders, and ensure that a broad spectrum of relevant local bodies is represented in LSIPs—including SMEs, trade unions, and education providers from Level 1 to Level 8. The NIFS would work with local authorities to help businesses get closer to their innovation frontiers by investing in skills and workforce development and help education providers target their course provision to the specific training needs of their local communities.

A key responsibility of the NIFS would be to develop local implementation plans for a national approach to fostering green skills and transitioning to a net-zero economy. Low-productivity deindustrialised areas have historically been highly dependent on carbon-intensive industries and need extra help transitioning to low-carbon technologies. The NIFS would support local authorities in developing their local industrial strategies focused on the growth sectors of the 21st century economy.





## **2. Introduce lifelong training pathways for key public service jobs**

*Not every job needs the same skills, and not every job is best served by the same model of training and education. The Government needs to push forward its revolution in modular and lifelong learning by creating a system of lifetime education for public service vocations.*

Too many jobs in the UK today are slotted into the same model of post-16 education, where multi-year ‘blocs’ of classroom teaching are treated as the uniform best model of skills and knowledge acquisition. This is an especially poor fit for public service jobs, where developing high-quality expertise is vitally dependent on on-the-job experience in addition to (and often instead of) classroom learning.

DfE and BEIS should abolish the requirements for those who want to work in public-sector jobs such as nursing and policing to have degree-level qualifications. Many of these jobs already sit at the intersection of integrated academic and vocational education, which means that those who hold them are effectively enrolled in continuous ‘in-work’ training from the moment they start.

Government should build on this by creating specialist lifelong training pathways for jobs in health and social care, the emergency and security services, public information provision, and local living and transport amenities. These should be developed in coordination with local authorities as part of LSIPs, through specific training partnerships between education providers, employers, and public-sector bodies.

A system of lifelong training plans, calibrated to the precise demographic characteristics and sectoral specialisms of their local areas, would help public-sector workers stay continually abreast of the most important theoretical and practical developments in their sectors. This would ensure that they are able to deliver consistent high-quality service provision that responds to community needs.

## **3. Introduce a Skills Tax Credit and a Flexible Skills Levy**

*The Government needs to lend a helping hand to power up the people at the heart of UK business. To strengthen the backbone of the UK economy, it has to give employers the support they need to make sure in-work training is targeted where it can bring the most benefit.*

Employers in the UK are investing less in skills training and stand out internationally for their preference to recruit rather than train, even when faced with skill shortages.<sup>2</sup>

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<sup>2</sup> H. Lyons, A. Taylor, A. Green, *Rising to the UK's Skills Challenges* (Industrial Strategy Council, 2020).

A Skills Tax Credit would act as an incentive that could be targeted at specific geographic areas (higher skills ‘cold spots’) and exportable sectors with the potential for growth. Employers would be offered subsidies for investing in all training and development activities, leading to a higher-skilled local workforce. This approach would reinforce the inherent link between employer needs and skills training, which is far more likely to generate tangible growth in terms of high-skilled jobs.

The Skills Tax Credit should be modelled on the existing system for Research and Development. HMRC estimates that every £1 of R&D tax relief generates an additional £1.53 to £2.35 of R&D. If a similar approach were applied to higher skills training, the volume of relevant training in targeted sectors or areas could increase by c. 200%.

Broadening the Apprenticeship Levy into a Flexible Skills Levy could help to support higher levels of investment across a range of vocational training activities. The implementation of tax relief for smaller businesses could also encourage more firms to invest in essential skills. This could be targeted to support employers who commit to offering a minimum quota of ‘business skills’ coaching as part of their employees’ onboarding and later skills development programmes.

The match funding element of European Structural Funds has proven an effective means of leveraging private investment in skills training in deprived areas. This approach should be encouraged in future succession funds and all UK grant aid proposals.

#### **4. Introduce an English Language Training Entitlement for all adult learners**

*Levelling up the country will never be complete if it does not include everyone from across the UK’s many diverse communities. To make sure everyone can benefit from local training and education, it is time to bring down language barriers to knowledge and career success.*

Low levels of spoken and written English are a significant hurdle to accessing Higher Technical Skills for many adults of working age. This particularly affects areas with a high proportion of BME residents as well as specific industry sectors that employ high numbers of recent immigrants. Levelling up these areas and sectors needs the Government to invest in levelling up the people in them as well.

An entitlement to free English courses for all adults (21+) in the workforce would greatly enhance career options and prospects, as well as improving community cohesion and wellbeing. This initiative would complement current basic skills provision, and the ESOL for Integration Fund, but would be targeted specifically at fostering the English skills needed to improve productivity in the workplace, while also developing the competence needed to enable individuals to move on to higher skills training.

The entitlement should be for up to 500 hours of free training. On the Common European Framework of Reference for Languages, 500 hours is the approximate amount of learning time needed to either gain B1-level (lower intermediate) English skills if starting from zero, or to improve from B1 to C2 (upper advanced) level. This will help adult learners get their English skills to the point where they can study higher skills courses with confidence.

The delivery of these courses must be as flexible as possible, to enable working adults and those with caring responsibilities to access them. There should thus be close consultation with the relevant local authorities and language training providers to ensure that planning and design is tailored to local needs and priorities.

## **Summary:**

### **1. Declare ‘skills emergencies’ in key local industries**

‘Emergencies’ would be based on a basket of labour market criteria: worklessness, NVQ4+ attainment, school performance, recruitment problems in key sectors. They would unlock priority investment and trigger BEIS/DLUHC to help draw up tailored ‘skill lift’ strategies.

### **2. Simplify and streamline education and skills funding**

Skills and education funding is spread across too many separate sources. Let local authorities combine these into single Local Skills Development Funds to support large-scale joined-up learning investments.

### **3. Local Education Contributions earmarked for key industries**

Funded by employer and employee contributions, LECs would let employees build up a bank of personal savings tied to a Skills Account. They could draw these down to fund extra education and skills training in selected courses for key sectors at any stage of their lives.

### **4. Full grant funding for key Level 4–6 courses and teaching**

Parts of the UK have specific higher skills gaps in key sectors. Let local authorities fully subsidise fees and maintenance for selected courses, and boost pay to attract and retain the best lecturers so providers can compete in the labour market instead of losing staff to industry.

### **5. Higher Skills Accelerators**

Let local authorities foster new partnerships in Further and Higher Education in LSIPs. These include ‘hub and spoke’ University Centre clusters, community-based Learning High Streets, Scottish-style Articulation Agreements, or sector-specific custom training.

### **6. Career Development Institute hubs**

Local areas need high-quality accessible careers advice and guidance tailored to local needs. CDI hubs can provide learners with data-driven information about jobs demand, skills shortages, growth industries, and income prospects in the heart of their communities.

**7. National Institute for Future Skills**

Upgrade DfE's Unit for Future Skills into a roving strategic consultancy that helps local authorities identify key educational and economic needs. A hands-on service to guide business and education provider innovation in workforce development and training provision.

**8. Lifelong training pathways for key public service jobs**

DfE and BEIS need to abolish degree requirements for jobs like nursing and policing. Instead, they should create specialist lifelong training plans for these and other key public services, launching a supply-side revolution in flexible learning for the public sector.

**9. Skills Tax Credit and Flexible Skills Levy**

Tax incentives and subsidies would help businesses, especially SMEs, commit to investing more in essential vocational skills training and development. Based on the existing system for Research and Development, this should target higher skills 'cold spots' and export sectors with growth potential. It should reward employers who offer minimum quotas of 'business skills' coaching to their employees.

**10. English Language Training Entitlement for all adult learners**

Level up language skills to ensure that areas and industries with high proportions of BME and recent immigrant workers can benefit from higher skills qualifications. These language courses should be made as flexible as possible to encourage in-work uptake, and tailored to local and sectoral needs.