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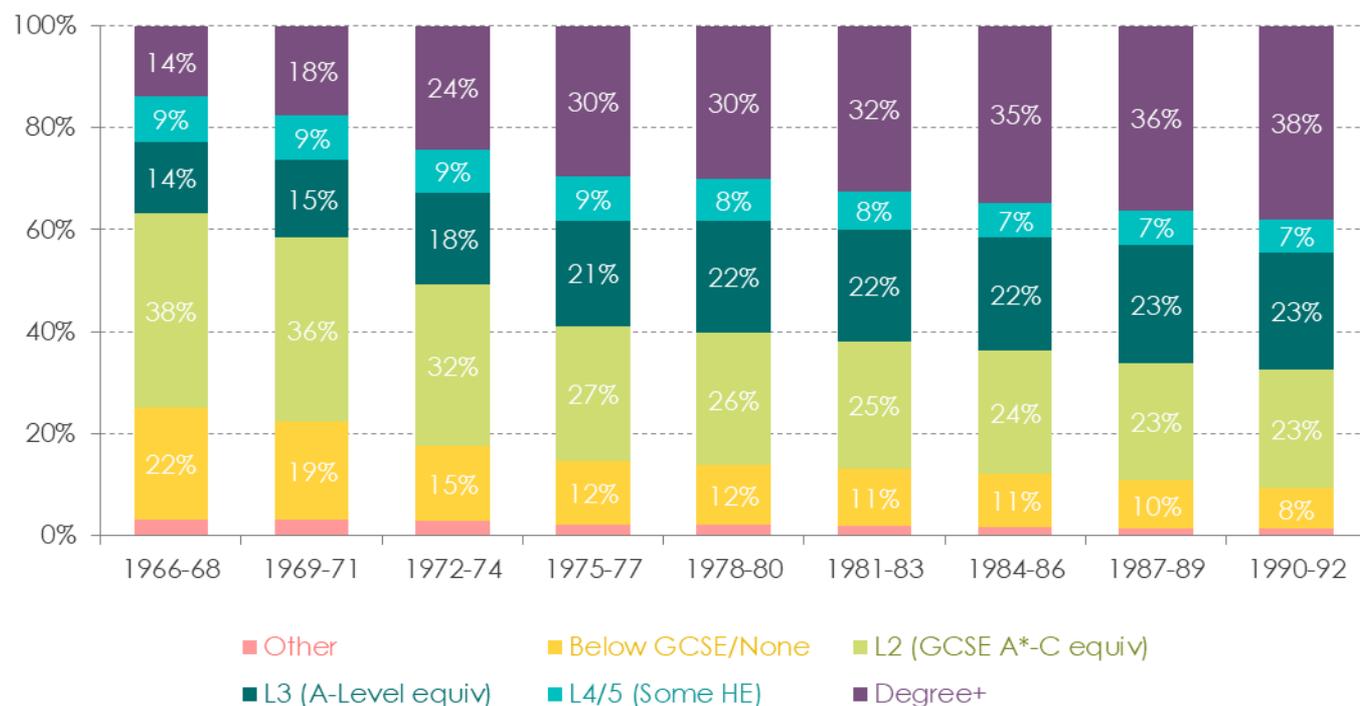
*Learning and Work Institute:  
Employment and Skills Convention 2018*

David Willetts

July 2018

# The pace of human capital accumulation has slowed...

Highest qualification held at age 25-28, by cohort: UK, 1992-2017

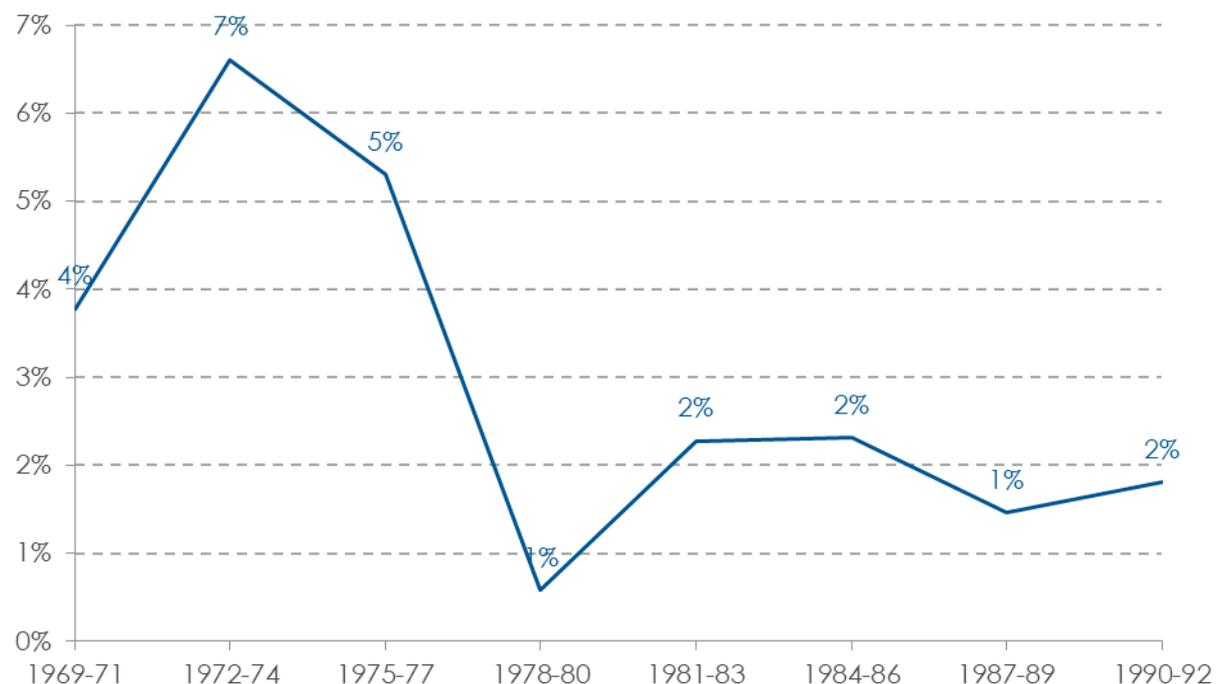


In the six years separating the 1966-68 and 1972-74 birth cohorts the proportion holding qualifications by at A level-equivalent or above increased by 14 percentage points.

Yet in the six years between the 1981-83 and 1987-89, the improvement was just 4 percentage points.

# The pace of human capital accumulation has slowed...

Percentage point growth in degree holders aged 25-28, by birth cohort



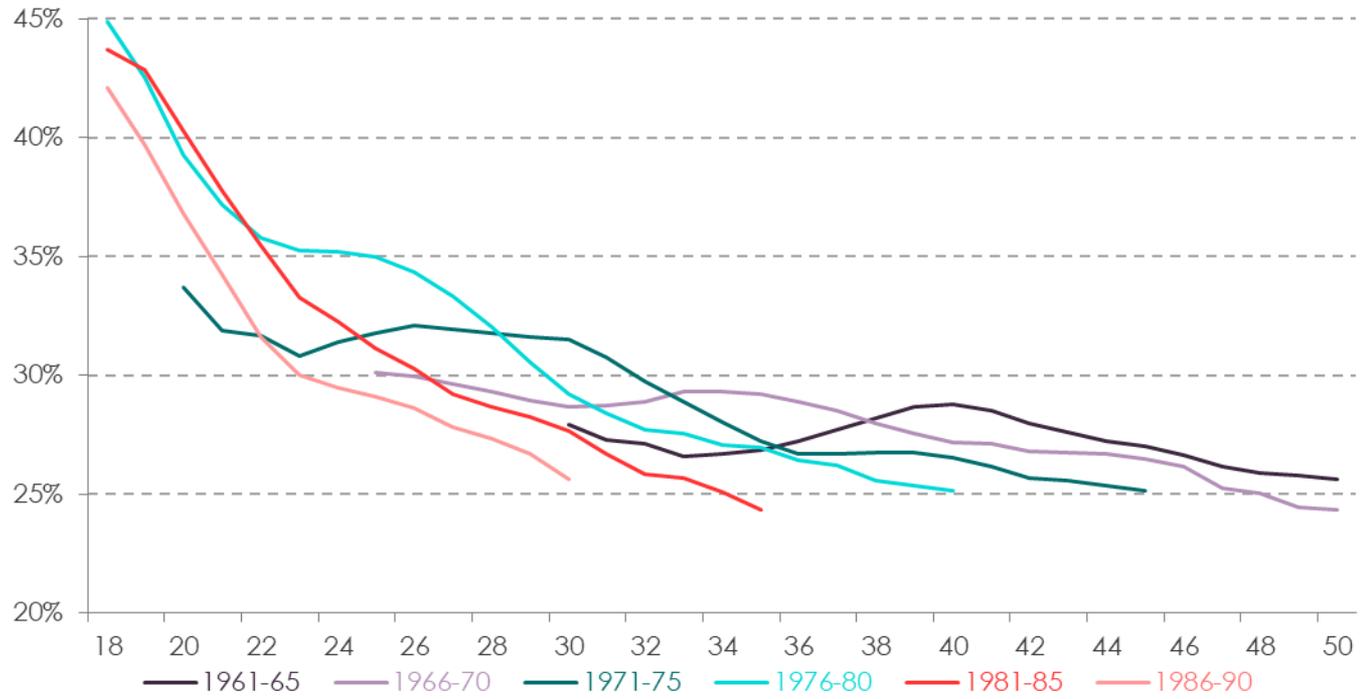
In previous years, the proportion of 25-28 year-olds with a degree grew between each three year-cohort. In the three years separating 1969-71 and 1972-64, the proportion of people who attained degrees grew by seven percentage points. This change has slowed markedly for more recent cohorts.

# ...This includes a slowdown in work-related training



The proportion of 28 year-olds reporting having “recently” received work-related training fell from 32 per cent among those born during the 1970s, to 29 per cent and 27 per cent of those born 1981-85 and 1986-90 at the same age.

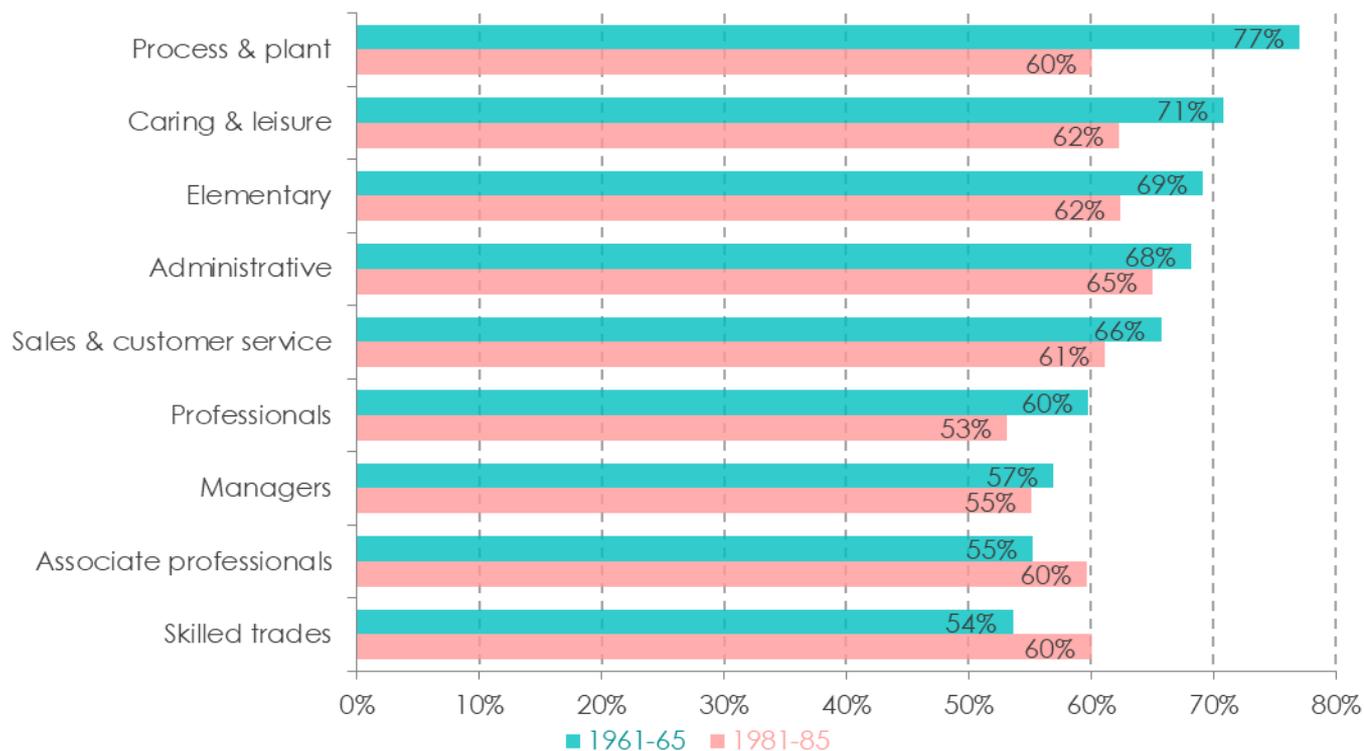
*Younger cohorts are trained less often than previous cohorts at the same age*  
*Percentage point difference in training rate by cohort and age, 3 years rolled*



# Reductions in training have most affected those in lower-skilled roles

*Training length has fallen most for those in lower-skilled occupations*

*Proportion of trained whose training lasted 1+ weeks at ages 25-34 and percentage point change between cohorts*



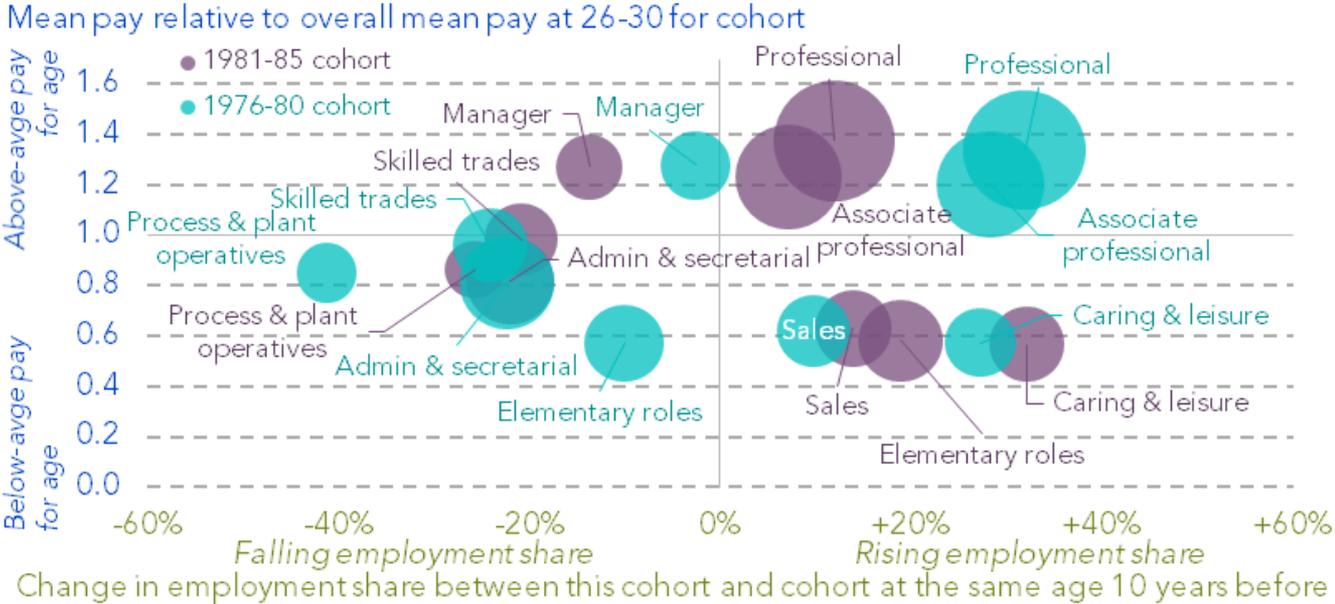
The proportion of employees whose recent training lasted more than a week fell most for those in lower-skilled roles.

71 per cent of care and leisure workers born in the 1960s received longer training during their 20s and 30s; just over 60 per cent of those born in the 1980s did.



# Growing proportions of young people are moving into lower-skilled, lower paid roles

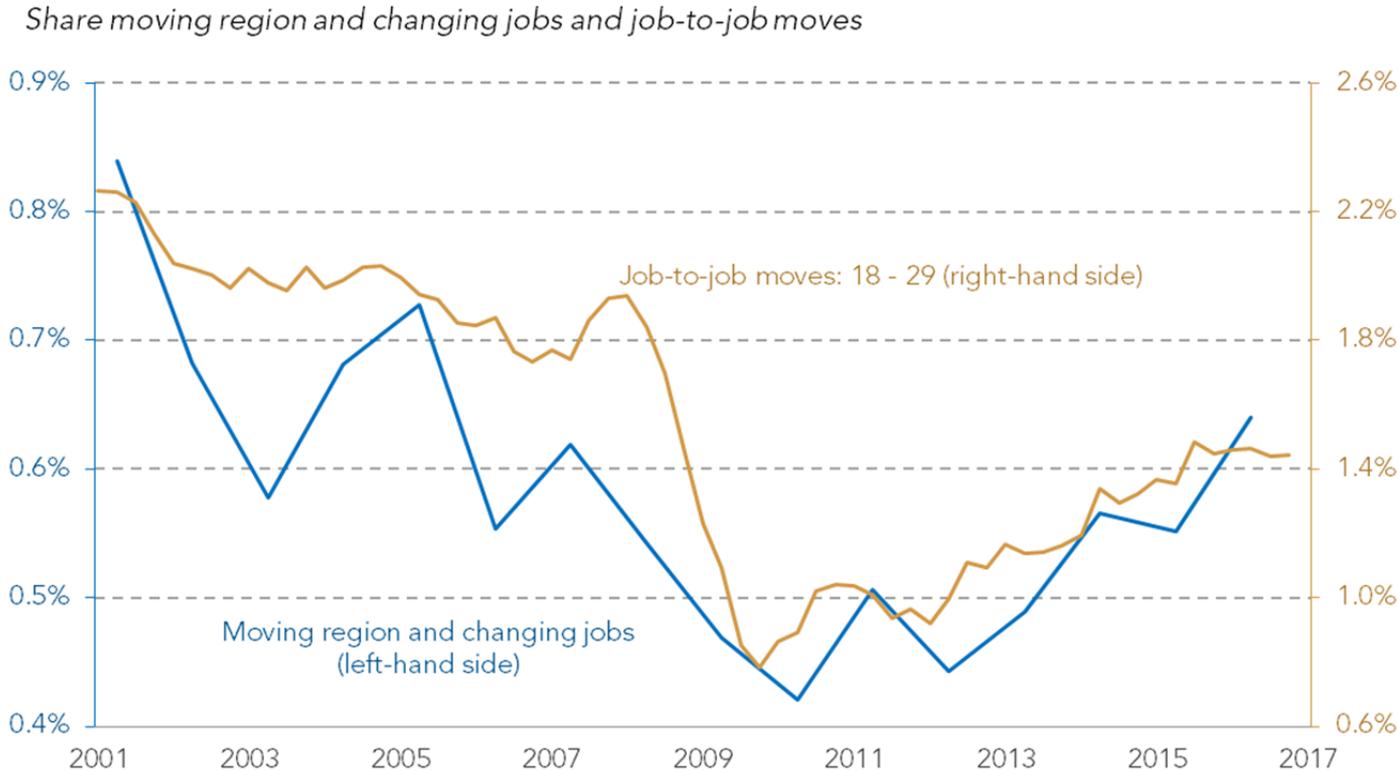
Change in employment composition of 26-30 year olds, by occupation and cohort:  
UK, 1992-2015



The share of 26-30 year olds in professional jobs has grown at a slower rate for younger (millennial) cohorts, while the share working in lower skilled/lower-paying occupations (such as caring & leisure and sales) has grown faster.



# And they aren't quickly moving out of them...both regional and job-to-job mobility has fallen for younger generations as a whole



Millennials are so far 20-25 per cent less likely to move jobs voluntarily than members of generation X at the same age. This is partly due to the financial crisis – but also likely to be in response to the additional labour market risk that they shoulder.



# New challenges require new solutions

## Old

*Who to help:* People out of work/on state support

*Who to engage:* Job-seekers

*How:* Higher expectations, conditionality

## New

*Who to help:* On low-pay

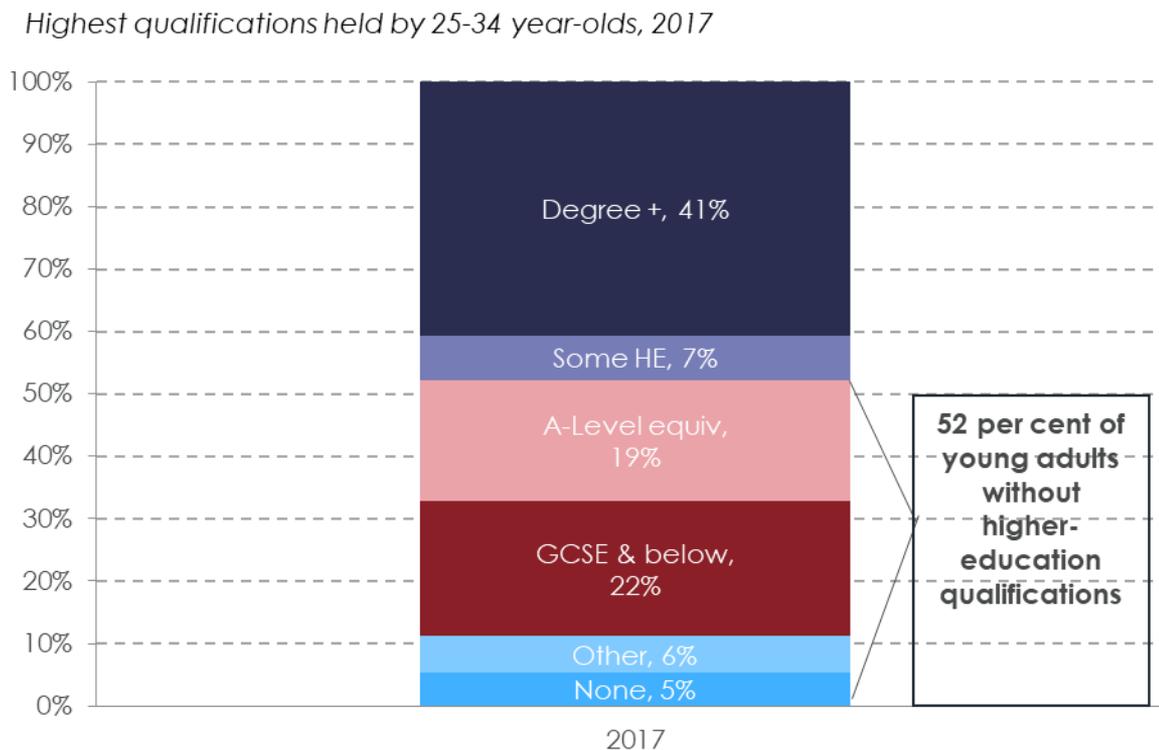
*Who to engage:* Firms and sectors

*How:* Security and progression

## Same

Target specific groups. Need to act now before its too late

# Who to help? First, focus on the 50 per cent without higher-level qualifications



Reductions in training and concentration in lower-paid roles have disproportionately affected the 52 per cent of young people who have not entered any form of HE.

Of them, 37 per cent have an A level; 63 per cent are only qualified to GCSE or below.



# Who to help? Within that 50 per cent, add a sector-based approach that targets those in low-pay industries

## People on low-pay:

1.5 million people failing to escape low pay over the decade to 2016

## Firms and sectors:

1 million workers without a degree working in low-paid positions in wholesale, retail, hospitality, administration and social care

## People who face barriers:

Progressing in their current job

Moving jobs

Relocating for a new job

Improving their skills

# How can we help people succeed?

## Policy recommendation

**Introduce a £1 billion 'Better Jobs Deal' – an active labour market programme offering practical support and funding for younger workers most affected by the financial crisis to take up opportunities to move jobs, change region for work, or train to progress.**

- The programme should provide financial incentives and support to help with the upfront costs of taking up a new job, relocating for better work, and training for those who lack the skills to progress.
- The programme should be voluntary and it should be targeted at those most in need of support: those aged under 35 without degrees who are in low-skilled occupations and have remained so for a significant period. It should not just be aimed at benefit recipients. We estimate that up to 1.2 million workers in the UK could be eligible for the programme, with costs of around £1 billion, based on the unit costs of similar schemes.<sup>1</sup>
- Entry criteria should be based on evidence of a job interview, job offer, or a willingness to complete training.<sup>2</sup>

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1 This is estimated based on an assumption that up to half of those eligible take up the scheme, and that it has costs towards the higher end of those recorded for comparable schemes in the UK and abroad. Our costings are for the UK as a whole and we recommend all parts of the country implement such a programme, but we recognise that Scotland and Northern Ireland have devolved powers in this policy area. For further details, see: [The kids aren't alright](#) (Intergenerational Commission report 17)

2 For further details on the group potentially eligible and other specifications, see: [The kids aren't alright](#) (Intergenerational Commission report 17)

**One option:**  
providing  
**individuals with**  
**resources** to  
change course: this  
includes funding to  
**invest in their own**  
**skills** or move  
regions

# How can we help people succeed?



## Policy recommendation

**Boost pay progression via new sector deals in lower-paying sectors as part of the industrial strategy, and provide new guidance on pay review processes within businesses to improve transparency.**

- There should be sector deals for social care, retail and hospitality. These should involve government, firms and worker representatives working together to design and publicise clear progression paths. There should also be a recognition that greater professionalisation and investment in staff is a way to boost productivity in these sectors.
- All firms should have formal pay review processes in place that are understood by employees. To promote this, the government should provide publicly available guidance outlining the standards a good pay review process needs to adhere to. At each review, staff should be provided with information on their current rate of pay, any pay increase they will receive (in cash and percentage terms) and how inflation has affected their pay in real terms since their last review.

Another option:  
use the **Industrial Strategy** to develop sector deals **with low-pay sectors:**  
Government to help firms produce progression pathways and investing in staff...



# Can we go further? How can we promote take up at Levels 4 and 5?

- **Problems with supply:**
  - Levels 4/5: funding and regulation split between Office for Students and Education and Skills Funding Agency, depending on whether course is 'prescribed' or not
  - Expensive for colleges to develop new provision; funding mechanism dampen demand
- **Problems with demand**
  - Loans aren't available for modular study at Levels 4-5
  - Students on Levels 4/5 (either HE or FE) cannot access maintenance support



## Can we go further? How can we promote take up at Levels 4 and 5?

- **Improve funding for Levels 4 & 5:** everyone should have access to tuition fee and maintenance support, whether studying part-time, full-time or on a modular basis
- Restore **teaching funding to colleges for Levels 4 and 5**



## Can we go (even) further? How can we improve options for the (non-HE) 50 per cent?

- Augur Review of Post-18 education asks how to build a system that blends choice, accessibility, skills needs and value for money. We could:
  - **Incentivise firms** to invest in **training**
  - Develop (and fund) routes for retraining adults that are **neither apprenticeships nor an HE course**
  - Remove adult learner loans (and fully **fund**) the **one-third of young adults without a Level 3 qualification**

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