Thirtieth Report of Session 2021-22

Department for Education

Developing workforce skills for a strong economy

Introduction from the Committee

In early 2022, the UK workforce comprised around 32.6 million people. Technical workforce skills—practical or vocational skills that allow people to complete specific job-related tasks—are particularly important in the workplace because they help workers operate more efficiently and effectively. The system for developing workforce skills involves a range of organisations, including government, employers, colleges, commercial training providers and local bodies, as well as individuals. Within government, DfE leads on skills policy in England, supported by other departments including the Department for Business, Energy & Industrial Strategy (BEIS), the Department for Digital, Culture, Media & Sport (DCMS), the Department for Levelling Up, Housing & Communities (DLUHC) and the Department for Work & Pensions (DWP).

Government skills policy has evolved over recent years, particularly in response to events such as the UK's exit from the European Union and the COVID-19 pandemic. DfE published the *Skills for Jobs* White Paper in January 2021, explaining how government would carry out reforms to support people to develop the skills that the economy needs. The subsequent Skills and Post-16 Education Act 2022 made provisions to facilitate stronger engagement by employers and training providers in local skills systems and introduced measures to support lifelong learning.

Government does not have an estimate for its total spending on activities designed to develop workforce skills. DfE's data indicate that spending on adult education, apprenticeships and other skills programmes totalled £3.9 billion in 2021–22. This amount does not include any element of the £6.2 billion spent on learning for 16-19-year-olds, which covers both academic learning and skills training, because DfE does not disaggregate the figures.

Based on a report by the National Audit Office, the Committee took evidence on 17 October 2022 from the Department for Education and the Department for Business, Energy and Industrial Strategy. The Committee published its report on 14 December 2022. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Developing workforce skills for a strong economy – Session 2022-23 (HC 570)
- PAC report: Developing workforce skills for a strong economy -Session 2022-23 (HC 685)

Government response to the Committee

1: PAC conclusion: We are extremely concerned at the dramatic fall in participation in further education and skills training amongst disadvantaged groups.

1: PAC recommendation: Within six months, DfE should develop an evidence-based plan setting out how it will support disadvantaged groups specifically to participate in FE and skills training.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The government is committed to using skills to provide a ladder of opportunity that enables young people and adults get good jobs and progress their careers.

1.3 The government is delivering on its plan to support disadvantaged groups and has set out several commitments to support learners.

1.4 The Levelling Up White Paper, published on 2 February 2022, set out the commitment to end geographical inequality. This is supported by the government's investment of £3.8 billion in skills across this Parliament; a Lifetime Skills Guarantee in England enabling 11 million adults to gain an A Level/equivalent qualification for free; Multiply - a new UK-wide adult numeracy programme; the Level 2 Entitlement – enabling adults without GCSE 4+/equivalent to take GCSE or Functional Skills Qualifications. These reforms ensure skills programmes are accessible for those wanting to progress through further education (FE).

1.5 The Department for Education (the department), has outlined plans to support the transition of young people with Special Educational Needs and Disabilities (SEND) into FE, skills, and training through the March 2022 SEND and Alternative Provision Green Paper. The government will publish its response to the green paper early in 2023 in the form of a SEND and Alternative Provision Improvement Plan.

1.6 The department has launched a new careers programme for primary schools. It will support over 600,00 pupils in over 2,200 primary schools, located across all of the government's Education Investment Areas (EIAs), delivering targeted, age-appropriate careers support.

2: PAC conclusion: DfE has not made clear what level of performance would constitute success for its skills programmes.

2: PAC recommendation: DfE should set out, as part of its Treasury Minute response, what level of improvement in the FE Skills Index it is aiming to achieve and by when, so Parliament has metrics with which to monitor its performance.

2.1 The government disagrees with the Committee's recommendation.

2.2 The department advises against using the FE Skills Index as a sole indicator to measure performance. The department publishes the FE Skills Index annually – estimating how the economic value added by the 19+ FE and Skills system changes over time.

2.3 This is influenced by a range of factors including the number of achievements at different levels and in different subjects, and their associated earnings returns. It is not intended to be a timely measure for evaluating specific policy changes. The department believes that stipulating an arbitrary target level of improvement for this index would not be a valuable measure of performance and could create issues about achievability.

2.4 Instead, the department continues to develop a comprehensive framework of performance metrics, including system-level measures, such as participation in FE and skills training by adults aged 19 and over, and measures for individual programmes, such as the number of apprenticeship starts. The most recent set of metrics for 2022-23 defines what performance level would constitute success for individual programmes. The department also uses FE Outcome Based Success Measures (OBSM) to measure performance, using Longitudinal Educational Outcomes (LEO) data to show the percentage of FE learners progressing to other learning or employment in the academic year after achieving their learning aim.

2.5 Progress against this framework is tracked and published as part of the department's

Outcome Delivery Plan. Together, an increase in these metrics will help to show the impact of skills programmes.

3: PAC conclusion: The multiplicity of government skills programmes make it hard for employers and individuals to navigate to the training that best meets their needs.

3: PAC recommendation: DfE, working with other departments as necessary, should take action to review the number of skills programmes and eliminate overlap between them.

3.1 The government agrees with the Committee's recommendation.

Recommendation implemented

3.2 In July 2022 the government consulted on proposals for how it will deliver a simpler, streamlined further education funding system. On 30 January 2023 it announced a new flexibility for funding innovative provision in devolved areas for 2023-24, and a new simpler set of funding rates for the Education and Skills Funding Agency skills fund from 2024-25.

3.3 To simplify its skills offer the government will integrate the Traineeship programme into existing provision from 1 August 2023. This means Traineeships will no longer be funded through a standalone national programme.

3.4 Additionally, the department is simplifying the post-16-year-old qualifications landscape at Level 3 and below, ensuring that all publicly-funded qualifications are high quality and lead to good progression outcomes.

3.5 The department is also simplifying the careers guidance system by improving alignment between the National Careers Service and The Careers & Enterprise Company.

3.6 The department is delivering joined-up campaigns under a single, cross-government brand (Skills for Life) to promote the different education, training and skills routes available to young people, adults and employers.

3.7 The department also works closely with other government departments through the Labour Market Steering Group and with Sector Delivery Leads to identify how skills programmes can address workforce issues most efficiently. For example, Employment and Skills Pathfinders are a joint DWP/DfE initiative exploring how closer alignment at local level can support delivery of effective employment and skills interventions, improving claimants' employment and progression outcomes.

4: PAC conclusion: Employers are spending less than they used to on workforce training which risks leaving the economy without the skills it needs.

4: PAC recommendation: DfE, working with other government departments as necessary, should review how it incentivises employers to invest in skills development, including through the apprenticeship levy, and, in the light of its findings, take action to improve the effectiveness of the incentives. DfE should write to us within six months with an update on what it has done.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: June 2023

4.2 Employer investment in training has been declining for over a decade. The government is clear that employers play a key part in the skills system, and it is important for the country's productivity and skills gaps that this decline is reversed. The department is already working to consider the evidence base around declining employer investment in training and potential options to support increased investment.

4.3 In particular, the government recognises the levels of participation of small and medium enterprises (SMEs) in the skills system needs to increase in order to realise the potential of government skills reforms.

4.4 The department is committed to ensuring that Apprenticeships and Skills Bootcamps play a key part of the skills landscape, providing employers with the skilled workforce they need for the future.

4.5 The department is making apprenticeships more flexible with new flexi-job apprenticeships, front-loaded training and accelerated apprenticeships so they are accessible to employers in all sectors and more individuals can access them. The department will work to continue developing the programme and its effectiveness for employers.

5: PAC conclusion: We are concerned that continuing financial pressures and workforce challenges are hampering colleges' abilities to play a full part in the skills system.

5: PAC recommendation: Within six months, DfE should provide us with an update on how it is helping colleges deal with the challenges relating to workforce shortages and funding arrangements.

5.1 The government agrees with the Committee's recommendation

Recommendation implemented

5.2 The government has made available an extra £1.6 billion for 16-19-year-olds education in 2024-25 financial year, compared with 2021-22. The department is using part of this increase to uplift 16-19-year-olds funding rates for 2023-24 academic year. As well as a base rate increase of 2.2%, the department is increasing the cost weighting for engineering, construction and digital subjects to help providers with the additional costs of recruiting and retaining teachers in these subject areas – where providers are facing some of the greatest workforce challenges.

5.3 To help colleges manage their cashflow, the department is addressing the historical issue of uneven monthly payments from central government, which leave colleges out of pocket by March every year. The department will invest £300 million before the end of the 2022-23 financial year in bringing forward payments. This will smooth out the funding for a new even profile for colleges from 2023 to 2024 for both the 16-19-year-old and adult education budgets.

5.4 The department is also investing in a package of direct support for the FE sector in 2022-23 to assist with the recruitment, retention and development of teachers. This includes bursaries worth up to £26,000, a recruitment campaign, initial teacher education reforms, and the Taking Teaching Further (TTF) programme to support industry professionals to become FE teachers.

6: PAC conclusion: DfE has high expectations for its new Unit for Future Skills, but the Unit does not yet have all the skilled staff it needs to meet these expectations.

6: PAC recommendation: DfE should write to us, alongside its Treasury Minute response, with an update on:

- ***the staffing position of the Unit for Future Skills, and how any shortfall in resourcing is affecting the delivery of its programme of work; and***
- ***how it plans to assess and monitor the impact of the Unit's work.***

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 The Unit for Future Skills (UFS) has grown rapidly over its first year from zero to 20 staff (January 2023). Planned headcount is 30 - four new starters are joining by February 2023 and remaining vacancies are expected to be filled by April 2023.

6.3 The UFS has risen to the challenge of delivering at pace, creating analytical products while recruiting and developing its strategy and approach. As the team grows and matures, more can be achieved. The department is confident that current resourcing will ensure the unit can deliver on the workplan for 2023.

6.4 Success for the UFS will be when skills system decision makers have access to robust and easy-to-use jobs and skills information, supporting them to invest in the right training and skills development, wherever they are based in the country. In the shorter term, we will forge a pathway of improvements including more robust and timely data; better access to well-structured information; and producing useful insights. The UFS will also drive coordination and linking of relevant analysis, both across and outside of government, to maximise its utility.

6.5 UFS success will be assessed by the UFS Board and Chair, Sir Ian Diamond. They hold the unit to account for delivering outputs against the workplan and examine evidence on the reach, impact and feedback of data products and activity.

6.6 The department wrote to the Committee on 13 February 2023 with further details, as requested.