

Policy Brief: Upskilling and reskilling adult workers - the problem of employer demand

1.1 Introduction:

Work is changing and the UK's future prosperity and productivity depend on our ability as a nation to upskill and reskill workers so that they can meet the new challenges. The need is urgent, by 2025 44 per cent of the skills that employees need will have changed¹ and nine out of 10 workers will require some form of reskilling.²

1.2 Defining the problem:

The risks of continuing as we are

Relying on the existing system to address this is unlikely to be successful. The skills system in the UK has long been a problem. Training spend and duration have been falling for 20 years.³ ⁴ Training quality is unreliable. While some provision is excellent, much is low level and of low quality. The UK is less productive than many of its international competitors.⁵ Continuing to neglect adult reskilling and upskilling will exacerbate these low levels of productivity. New work practices and technologies will simply not be adopted, further damaging the productivity of UK companies.⁶

Employers are part of the UK skills problem. Jobs are narrowly designed, training levels and quality are falling and too few supports are available for learning. These are longstanding problems, but they can be resolved.

1.3 The role of employers:

Employers are central to rectifying this problem. Most training is job-related and employer sponsored. But employers are also part of the problem and, for interventions to be effective, we need to address this.

1.3 Recommendations:

- i. **Policy recommendations** – Local Skills Improvement Plans (LSIPs) need to evolve into bodies which extend employers' involvement to stimulate skills-based training within their own organisations.

¹ WEF 2020. "The Future of Jobs Report." Geneva: World Economic Forum

² McKinsey. 2019. "UK Skills Mismatch in 2030." Report for the Industrial Strategy Council.

³ Green, F. and G. Henseke. 2019. "Training Trends in Britain." in *Research Paper*. London: University College London, Institute of Education and Unionlearn, TUC.

⁴ Li, J., A. Valero, and G. Ventura. 2020. "Trends in job-related training and policies for building future skills into the recovery." in *CVER Discussion Paper Series*. London: Centre for Vocational Research.

⁵ ONS. 2018. "International comparisons of UK productivity (ICP), final estimates: 2016.": Office for National Statistics

⁶ BEIS. 2019. "Automation and the Future of Work." London: Business, Energy and Industrial Strategy Committee.

- Encourage employers to focus on increasing skills-based training within their own organisations.
 - Measure employers' increased numbers of apprenticeships and adult training.
- ii. **Job design recommendations** Redesigning jobs can help to make them more productive, improving work intrinsically and facilitating progression. Even small improvements can make meaningful differences to workers.
- Engage the local and national stakeholder groups in actively upskilling jobs. LSIPs may be a suitable vehicle for this engagement.
 - Improving HR practices so that employers can engage in upskilling
 - ACAS can play a role in this and should be adequately funded to maintain and expand this activity.
- iii. **Using independent advice on skills to drive policy** – the Unit for Future Skills (UFS) in the Department for Education is already actively improving the quality of information on skills. It would be helpful to build on this through an independent body outside Government.

Lack of demand, and lack of engagement by employers have exacerbated current problems with upskilling and reskilling. These recommendations will help to overcome these issues.

1.4 Summary of evidence:

Job Design

The first area of concern is that of job design. The UK labour market includes many low skilled and low paid jobs⁷ with jobs designed to require few or no skills. At the same time, young people are staying in education longer and gaining more qualifications. In 1975 62 per cent of young people left the education system at the age of 16, the first moment they could legally do so.⁸ By 2018-2019 1.9 million UK students were in higher education with approximately 50 per cent of the age cohort gaining a first degree.⁹

In response to these dramatic increases in the supply of skills the demand for skills has risen, but not as rapidly. This mismatch is not surprising. Markets can rapidly adapt to changes in the values of currencies, interest rates and many traded goods but are far less well equipped to adjust to changes in the supply and demand of skills. As a

⁷ Henseke, G., A. Felstead, D. Gallie, and F. Green. 2018. "Skills Trends at Work in Britain – First Findings from the Skills and Employment Survey 2017." London: Centre for Learning and Life Chances in Knowledge Economies and Societies, UCL, Institute of Education.

⁸ Keep, E. and H. Rainbird. 2000. "Towards the learning organisation?" in *Personnel Management: a comprehensive guide to theory and practice*, edited by S. Bach and K. Sisson. Oxford: Blackwell.

⁹ UniversitiesUK. 2021. "Higher Education in Numbers."

result, when the supply of skills rises, skills are under-utilised.^{10 11} Depending upon the definition used, around 30 per cent of UK workers report that their skills are under-used at work. Skill under-utilisation is a bigger problem for employers than skill shortages.¹²¹³

The retreat from training

The impact of this approach to job design is reflected in the training statistics. Much vocational learning and training takes place at work with most participation job-related. In the UK firms' training is in retreat with both expenditure and duration falling.¹⁴ Employer-funded training hours fell by 60 per cent between 1997 and 2017. The training that is provided is often unrelated to skills with an estimated one third consisting of either basic induction, Health and Safety or First Aid.¹⁵ These are necessary and valuable but contribute little to reskilling or upskilling.

Shaping Demand

The key issue here is how to move employers from the role of 'customers' in the skills system to that of co-producers. As observed above, many excellent employers do take the lead in this area, but there is a clear need for a sustained conversation with employers about their contribution to what should be a joint enterprise.

Redesigning jobs to be more skilful may be challenging, but it is possible, and even small adaptations to jobs can serve to improve the experience of work and better prepare workers for progression opportunities.¹⁶ On a larger scale, collaboration between firms can help to both make jobs more skilful and enable firms to become more competitive.¹⁷ Government can do a lot to encourage the upskilling of jobs, shaping practice in the public sector, encouraging initiatives such as the NHS Skills Escalator and ensuring that official contracts privilege good employment practice. It also needs to actively support employers to work collaboratively and upskill workers. The UK has few tertiary organisations which can advise and support businesses and this capacity needs to be boosted.

Some employers need more basic support before they can tackle upskilling. One JP Morgan Foundation project was set up to provide free HR advice to SMEs to enable

¹⁰ Green, F., A. Felstead, D. Gallie, and G. Henseke. 2016a. "Skills and work organisation in Britain: a quarter century of change." *Journal for Labour Market Research* 49(2):121-132

¹¹ Grugulis, I. 2007. *Skills, training and human resource development: a critical text*. Basingstoke: Palgrave Macmillan

¹² Warhurst, C. and D. Luchinskaya. 2017. "Labour market change Skills utilisation: Definition, theories, approaches and measures Background paper for European Company Survey 2019." Pp. 47: Eurofound.

¹³ Felstead, A., D. Gallie, and F. Green (2017) "Measuring Skills Stock, Job Skills and Skills Mismatch." in Oxford Handbook of Skills and Training, edited by C. Warhurst, K. Mayhew, D. Finegold, and J. Buchanan. Oxford: Oxford University Press.

¹⁴ Green, F., A. Felstead, D. Gallie, H. Inanc, and N. Jewson. 2016b. "The Declining Volume of Workers' Training in Britain." *British Journal of Industrial Relations* 54(2):422 - 448

¹⁵ ESS. 2018. "Employer Skills Survey 2017 Research Report."

¹⁶ Lane, C. 1989. *Management and Labour in Europe*. Aldershot: Edward Elgar.

¹⁷ Edwards, P., M. Gilman, M. Ram, and J. Arrowsmith. 2002. "Public policy, the performance of firms and the 'missing middle': the case of the employment regulations and a role for local business networks." *Policy Studies* 23(1):5 - 20.

young people to access apprenticeships. The employment practices of the SMEs were so poor that all of the project's resources were dedicated to getting employers legally compliant.¹⁸

So, it is possible to shape demand but it requires clear intervention, not least because, as Keep observes, employers do not collaborate readily on this issue.¹⁹ Collaboration with other employers, contact with external experts and links to markets all help here.

About the Authors:

This brief was authored for ReWAGE by Irena Grugulis – co-chair of ReWAGE. Irena is the Professor of Work and Skills and the University of Leeds and Associate Fellow of SKOPE (Oxford). Comments and suggestions were provided by Professor Chris Warhurst (co-chair of ReWAGE and Director of the Institute for Employment Research at the University of Warwick); and Professor Ewart Keep (emeritus chair in education, training and skills at the Department of Education, University of Oxford).

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About ReWAGE

ReWAGE is an independent expert advisory group modelled on SAGE, which supports government's strategic response to the recovery and renewal of work and employment in the UK as it tackles the impact of current challenges to the UK's productivity and prosperity.

Website: <https://warwick.ac.uk/fac/soc/ier/rewage/>

¹⁸ Keep, E. 2019. "From Learning to Earning: Structural and Policy Issues." in *Young People, Skills and Prospects in Employment: Policy, Practice and Inclusiveness. Developing Understanding of What Works and Why*. Leeds Civic Hall.

¹⁹ Keep, E. 2020. "Employers, the ghost at the feast." *Journal of Education and Work* 33(7 - 8):500 - 506.