

National College Chairs  
Strategy Group

# Skills & Growth



**2023** | **Post-16 Education That Works**

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# Introduction



*Lack of recognition, status and historic under-resourcing and investment.*

1.1 We are now entering the run up to a General Election which will almost certainly take place by the autumn of 2024. This provides an opportunity to address some of the most critical issues facing our country, including the growing skills crisis facing many priority sectors within the UK economy, the effectiveness or otherwise of current education and training policies in addressing this crisis, and future strategic options and priorities for investment in skills development and vocational education.

1.2 This paper will provide a brief analysis of the changing context within which further education and vocational training services are operating and the challenges that they are facing, particularly a long-term lack of recognition and status within the education system and policy making process, and historic under-resourcing and investment.

**It will argue that the further education sector has a critical and central role to play as a key driver in tackling the country's current and future skills needs and in achieving the short and long-term increases in productivity and growth that everyone accepts are urgently required, as well as providing our people with the opportunity to compete for the jobs of the future.**



1.3 The paper has been prepared by an independent group of further education college chairs and governors who believe that they can bring a distinctive perspective to the issues involved, in that they are all volunteers who have no professional axe to grind, who devote significant amounts of their personal time to supporting the work of their colleges purely because of their commitment to the values underpinning further education and their belief in its importance to the life chances of learners and to the country's economy. They bring with them substantial experience and expertise in both private and public sectors, including education, financial management, business management, legal, human resources, equal opportunities, safeguarding and other relevant skill areas.

1.4 The intention is that this paper will be widely circulated both within the FE sector itself, but also to policy makers at local, regional and national levels and to relevant representatives of the main political parties to ensure that the issues raised are discussed as widely as possible. The future health of our country's further and vocational education system is simply too important for it to continue to be neglected in the way that it has been in the past.



***We urgently need a post-16 education system that really works.***







# Executive Summary

This paper analyses the growing skills crisis within the country and the challenges faced by further education and vocational training services including a long-term lack of recognition and status within the wider education system and policy making process, which has resulted in persistent under resourcing and investment, including substantial cuts in funding in more recent years. It argues that a major transformation in approach is needed to address these issues.

Evidence is provided of both short and long-term skills and labour shortages and the reasons behind them, the negative impact that this has on the country's labour productivity and economic growth, the substantial decline in funding and participation in further education despite this growing need, and of the long standing low priority accorded to the sector compared to other parts of the education system, which contrasts sharply with experience in other OECD countries.

The paper proposes adoption of the following proposals, both strategic and shorter term, which can begin to address the scale of transformation required:

(i) Development of an integrated national post-16 education and skills strategy which covers all parts of the system, vocational and academic, and includes a long term vision to enable every young person and adult to achieve and maintain the skills they need throughout their working lives, and employers to access the skills they need to maximise productivity and competitiveness. This should be developed through;

- A partnership of key stakeholders across the system including further and higher education institutions and bodies, employers, local authorities, LEPs and trade unions.
- Alongside this, a more thoroughgoing devolved 'bottom-up' approach to the development of integrated local and regional skills strategies based on a stakeholder partnership approach.

(ii) Development of a qualifications system and strategy that brings together technical and academic learning opportunities for young people and adults, removes the status differential between them, and maximises flexibility and progression opportunities for learners.

(iii) A major increase in investment in post-16 education and skills from government and employers covering young people aged 16 – 18 and adults. This should include;

- Explicitly recognising at policy level the lead role of further education as a key driver in tackling the country's current and future vocational skills needs. This will include addressing the acute shortage of skilled people with technical qualifications at levels 4/5 including STEM skills.
- Ensuring at least parity of funding with other parts of the education system.
- Seeking to achieve parity of spending on technical education with comparable countries in the OECD.
- Establishing equality of staff pay between college teaching staff and staff in schools and universities. This should be linked to a concerted training and development programme to increase the numbers of qualified staff within the sector.





(iv) Establishing a simpler, more dynamic and flexible funding and regulatory structure for further and vocational education with fewer funding and regulatory bodies and providing more comprehensive devolution to local and regional levels to ensure that allocation of funding is more responsive to local needs.

(v) Additional shorter-term proposals which will provide much needed support for the sector and its learners include;

- An immediate review of the current apprenticeship programme with a view to reversing the dramatic decline in the number of young people undertaking apprenticeships and the support provided to new labour market entrants.
- A suspension of the proposed defunding of existing level 3 and below VTQs in the absence of evidence that T levels are providing equivalent accessibility and progression opportunities for learners including those from disadvantaged backgrounds.
- The introduction of a universal entitlement to a first full level 3 qualification building on the current Lifetime Skills Guarantee with access irrespective of prior achievement levels.



# The growing UK skills crisis

1. The UK has long-standing skills and labour shortages which have grown markedly more severe over the past 3 years. The Office for National Statistics (ONS) reported that in November 2022 **13.3%** of businesses surveyed reported experiencing a shortage of workers.



Accommodation and Food  
Services



Human Health and Social Work



Construction

Vacancy levels reached the **highest** level in March – May 2021 since comparable records began in 2001, and whilst they fell in recent quarters they remain much higher than pre-pandemic levels.

**Human Health and Social Work had the highest number of vacancies at 208,000 in November 2022 whilst Accommodation and Food Services had the most vacancies per 100 employees at 6.7 vacancies per 100 jobs.**





Table 1. Vacancies by Industry September - November 2022

Source: ONS

SIC 2007 Sections	No. of vacancies (thousands)	Vacancies per 100 employees
<b>All vacancies</b>	<b>1,187</b>	<b>3.9</b>
Human health & social work activities	208	4.9
Wholesale & retail trade; repair of motor vehicles and motor cycles	148	3.3
Professional scientific & technical activities	146	6.7
Accommodation & food service activities	125	4.6
Retail	91	3.2
Manufacturing	84	3.5
Education	75	2.8
Administrative & support service activities	70	2.5
Information & communication	62	4.6
Transport & storage	50	3.2
Construction	48	3.2
Financial & insurance activities	48	4.7
Public admin & defence; compulsory social security	41	2.9
Wholesale	34	3.0
Arts, entertainment & recreation	27	3.9
Other service activities	24	4.3
Motor Trades	23	4.4
Real estate activities	15	2.8
Water supply, sewerage, waste & remediation activities	7	3.1
Electricity, gas, steam & air conditioning supply	6	4.3
Mining & quarrying	2	3.4

2. **Businesses are also increasingly reporting that they are experiencing difficulty in recruiting employees with the relevant skills.** In August 2022 the Federation of Small Businesses found that **80%** of small firms had experienced difficulties in the previous 12 months recruiting applicants with sustainable skills. The Open University's 2022 Business Barometer estimated that **78%** of UK organisations suffered a decline in output, profitability or growth as a consequence of a lack of available skills.

The Recruitment and Employment Confederation estimated that if labour shortages were not addressed, **the UK economy would be £39 billion worse off each year from 2024.**

2.1. A summary of some of the main short-term causes of the skills crisis was provided in a report 'Skills and Labour Shortages' prepared for the House of Commons Library (January 2023).





# Key Factors Include:

o **The demand for labour recovering faster than labour supply in the post-pandemic period.** The Bank of England's Monetary Policy Report (Aug 2022) stated that labour demand, measured by the number of people in employment and the number of vacancies, was above pre-pandemic levels whilst labour supply was below pre-pandemic levels.

o **The rise in the number of economically inactive people** through long-term illness including long COVID and early retirement of people in their 50s and 60s.

## Percentage of businesses per industry unable to fill vacancies due to lack of EU applicants:

<b>applicants:</b>	39% in Education
46% in Travel	36% in Arts and
40% in Administration	Recreation

(Source: ONS)

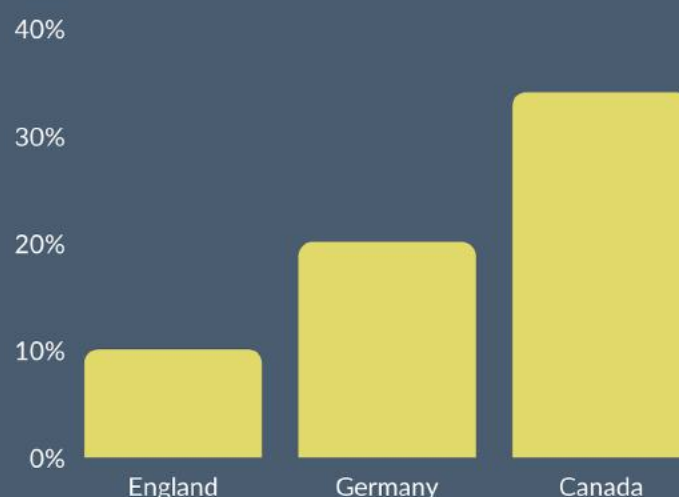
o **The impact of Brexit on labour supply.** The Bank of England report stated that slowing population growth was partly responsible for the decreased labour supply, which was mainly driven by lower net migration from the EU. According to the Migratory Observatory the biggest impact has been in London and rural areas and has been reinforced to some extent by the new points-based immigration system in which workers cannot be recruited from overseas to fill jobs considered to be low-skilled (temporary visa arrangements have been introduced for some occupations, e.g. social care workers).



2.3 However, there are longer term causes of skills shortages in the UK which have been well documented in numerous research studies and business surveys over the years. They include;

- **The demand for more people to be skilled at higher levels in growth sectors of the economy.** These sectors need growing numbers of people trained to technician level 3 and above to remain competitive in the future. In the UK there is a particular shortage of people with level 4/5 technical qualifications compared to other advanced economies (as per Figure 1 below). The take-up of these qualifications is low, with **only 4%** of the adult population achieving level 4/5 by age 25 ( DFE 'Higher Technical Education; the Current System and the Case for Change' July 2019). The government's Institute of Technology programme is a positive response to this but the numbers of learners trained will have a relatively limited impact on the demand for skills at this level unless there is a significant expansion in overall provision.

**Figure 1.** Percentage of people with level 4/5 technical qualifications per country



Source: DFE 'Higher Technical Education; the Current System and the Case for Change' July 2019

- **New skills required due to technological and other changes.** The need to reduce carbon emissions, for instance, is changing the skills required in a range of sectors including construction, engineering, energy and transport industries, whilst specialist and generic digital skills are rapidly growing in importance as well as impacting on how education and training are delivered.



- Skills needs and occupational specifications are changing more quickly than ever before, so that people are having to upgrade existing and develop new skills more regularly, meaning that learning opportunities need to be available throughout working life.
- The distribution of skills and employment opportunities are spread unevenly between the country's regions and there is often a mismatch between demand and supply, particularly in the most disadvantaged areas.

“

*Above all a major contributor to skills shortages and low productivity in the UK economy, is the long term underinvestment in skills development and vocational education.*

”





The Department for Education, in its recent report 'Skills and UK Productivity' (Feb 2023) states that 'Overall the evidence presented in this report together with the findings of recent literature showing the positive effect of educational attainment on labour market outcomes shows that there is a positive effect of skills on labour productivity'.

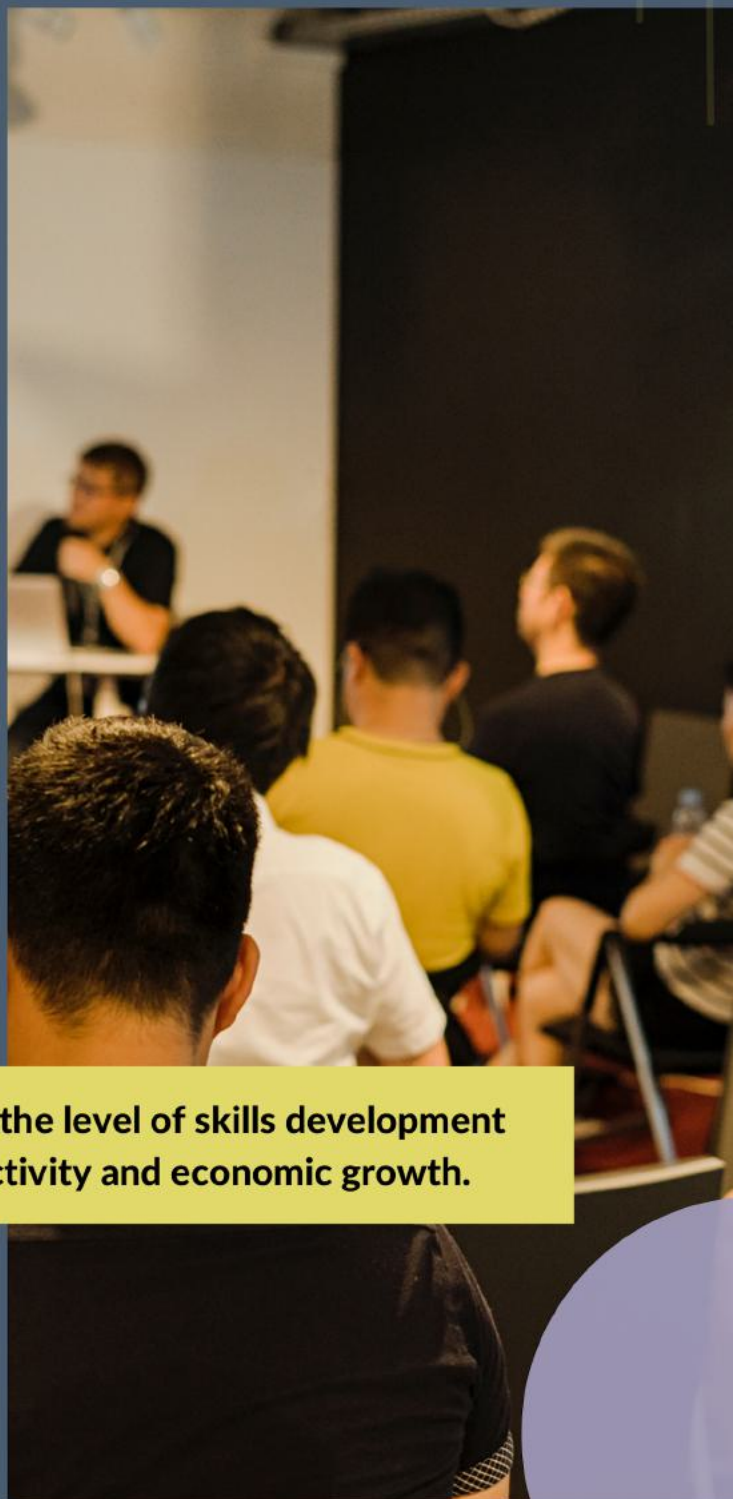
**There is overwhelming evidence that the level of skills development has a major impact on labour productivity and economic growth.**

“

Historical trends show that growth in UK labour productivity has been lower in recent years compared with growth rates observed at the beginning of the 2000s.

Source: Skills and UK Productivity, Feb 2023 (The Department of Education)

This is referred to as the “productivity puzzle.” GVA per hour in the UK grew **2% per annum from 2001 – 2007**, declining to **0.6% pa from 2008 – 2013** to **0.3% pa from 2014 – 2019**.



The National Institute for Social and Economic Research (NISER), in its report 'Why is UK Productivity Low and How can it Improve' (Sept 2022) compares UK productivity rates unfavourably with higher rates in other G7 countries and refers to 'a substantial slowdown, unparalleled in the period of the country's economic history'.

# Underinvestment in Skills Development and Vocational Education in the UK

1. Despite the evidence of the negative impact of both short and long term skills shortages on the country's economic performance, vocational education in the UK has been characterised by **historic underinvestment** and, in recent years, **substantial cuts**.

**2/3** reduction to adult funding between 2003-2004 and 2019-2020

Further education learners fell from:

**4 Million** (2005-2006)



**3 Million** (2013-2014)



**2.2 Million** (2022-2023)

Source: IFS figures

The government indicated a desire to reverse the decline with its decision to allocate an additional £2.3 billion to colleges and sixth forms in 2024 – 2025 compared with 2019 – 2020, but due to the current rise in student numbers this additional spending will, according to IFS “only return spending per student in 2021 – 2022 back to 2018 – 2019 levels.”



*Leaving in place much of the cuts in spending per student seen over the previous decade.*

(IFS)





2. There is also strong evidence that the further education sector has experienced long-standing disadvantage in the allocation of resources compared to other parts of the education sector due to the relatively low status accorded to it compared to traditional academic educational pathways. The Auger Review of Post-18 Education and Funding, in its Foreword published in early 2019 stated that “In 1989 the former Secretary of State for Education, Kenneth Baker described further education as the Cinderella sector but successive governments have failed to deliver the glass slipper”.



*Despite widespread acknowledgement that this sector is crucial to the country’s economic success, nothing much has happened except for a steep, steady decline in funding.*

The Auger Review of Post-18 Education and Funding Foreword 2019



The review found that the sector had suffered from more policy ‘volatility’ than in other countries, with 28 major pieces of legislation since the 1980s, 48 secretaries of state with responsibility for the sector and a series of funding and regulatory agencies coming and going.





3. **The relatively low status of vocational and technical education is a distinctive feature of the UK educational system compared to other leading European countries.** A report by the Educational Policy Institute “An international comparison of technical education funding systems; what can England learn from successful countries?” (March 2020) concluded that;

▶ **The UK has one of the largest funding gaps between academic and technical education: technical students receive 23% less funding than academic students.** This is in contrast with several other developed countries, where the reverse is common.

▶ **Overall, the average spend of OECD countries is 16% more per technical student than per academic student.** Funding per technical student in Austria is 26% higher than for academic students, and 37% higher in both the Netherlands and Germany.

▶ **Technical education funding per student is lower in the UK than the OECD average:** in 2016, the UK as a whole spent £6,990 per student on average vs an OECD average of £8,080.

▶ **Recent data shows that 16-19 education in England has seen a huge funding squeeze:** between 2010 – 2011 and 2018 – 2019, real terms funding per student in sixth forms and colleges fell by 16%.

▶ **In England, technical courses tend to be of shorter duration than comparable courses in leading developed countries, and are less expensive to run.** There are fewer students enrolling in high-cost courses such as engineering, manufacturing and construction.







## Technical Students receive less financial support in England

- The lack of funding for technical education in England is also reflected in less generous student support: government bursary funding to students decreased by **71%** per student between 2010 – 2011 and 2018 – 2019.
- For apprenticeships, there are also less generous subsidies given to employers to pay for training, compared to leading European nations.

*Table 1. The disparity between the levels of funding allocated in England to state/private schools, universities and colleges.*


Type	Number	Students	Teachers / Academics	Income
State Schools	24,454	9,000,031	465,626	£50 billion
Private Schools	1,388	544,316	57,800	£11 billion
Universities / HEIs	170	2,650,000	237,600	£44 billion
Colleges	228	2,200,000	49,000	£7 billion

Source:

### Notes

1. State school figures from DfE 2022 statistics
2. Private school figures from ISC 2022 census
3. Universities UK figures from Universities in numbers
4. College figures from AoC 2022 Key facts
5. Student numbers include international students
6. Teacher / Academic figures in FTEs





**4.1 The differential status of academic and vocational education is one of the factors that have resulted in a fragmented and disjointed post-16 education system that is often difficult for learners and employers to understand and navigate.** Since the Tomlinson report's proposal for a single overarching qualifications framework for academic and vocational courses for 14 – 19 year olds was turned down in 2004 there has been a series of more piecemeal efforts at qualifications reform, which have included attempts to raise the status of vocational qualifications, but there has been no coherent strategy to address the range of options available to different age groups of learners and the relationship between them. A recent example has been the introduction of level 3 T levels, which include a higher academic content than existing level 3 qualifications such as BTECs, but the government's determination to push ahead with the defunding of a wide range of existing level 3 and below qualifications by 2024 before there is established evidence that T levels are working effectively appears likely to significantly reduce access to learning and progression opportunities for thousands of learners, including many from the most disadvantaged backgrounds.







*We still have academic and technical paths that were designed in silos and do not offer parity of esteem.*

The Department of Education; October 2023, 'A World Class Education System',  
The Advanced British Standard,

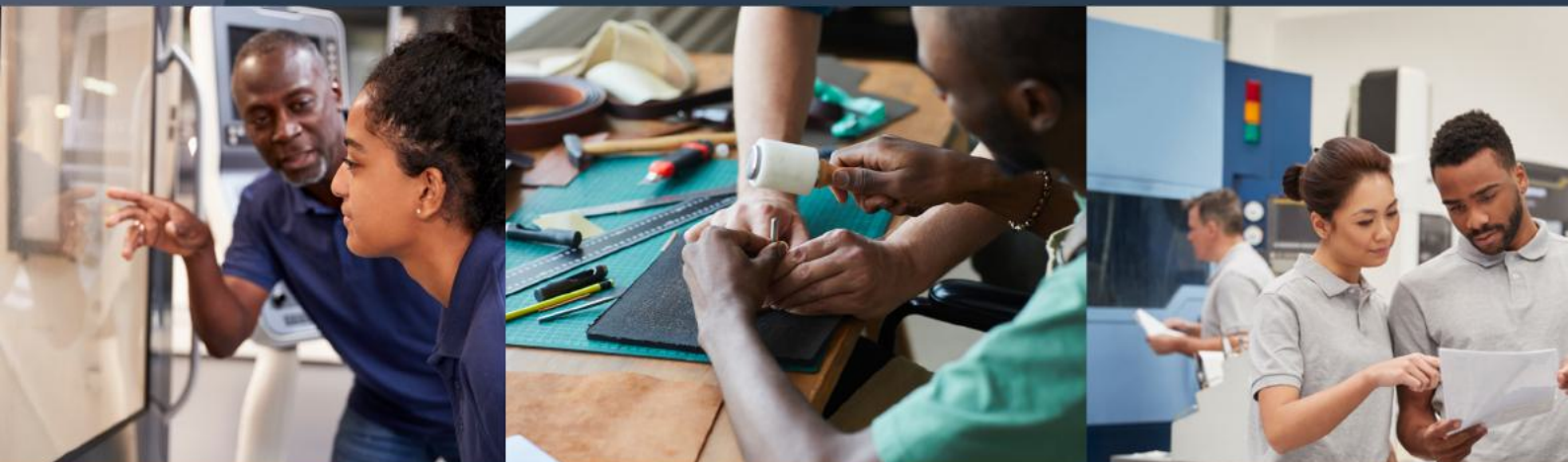
4.2 The government's recent publication of its proposals for an Advanced British Standard (ABS), which it describes as 'a new Baccalaureate – style qualification', which aims to bring together A levels and T levels in a single qualification, could represent an important development in the debate over the differential status of vocational and academic education. The DfE's paper 'A World Class Education System; The Advanced British Standard' (Oct 2023) accepts that 'we still have academic and technical paths that were designed in silos and do not offer parity of esteem' and declares that the aim of the proposed new qualification will be to 'remove the artificial separation between technical and academic qualifications and create a single unified structure for all 16 – 19 year olds'. Clearly how this change will be implemented will be critical, and a key issue will be ensuring that it is inclusive and that effective progression pathways are developed to maximise access to the new qualification, but the proposal does open up the potential for positive debate.



4.3 **The fragmentation and incoherence of the post-16 education system is also reflected in the range of funding sources on which it depends and the ever-increasing number of regulatory bodies and requirements.** Although policy makers and political parties generally express a commitment to listening to learners, providers and employers and some devolution has been implemented, policy making is primarily conducted in a top-down fashion with limited genuine consultation. This centralised approach can result in poor outcomes. An important current example is the apprenticeship programme through which a positive decision to introduce an employer levy has been negated by the government's decision not to impose any meaningful constraints on how the levy is used by employers, with the result that there has been a major shift towards the provision of higher level apprenticeships for existing employees and older learners, and fewer qualifications for young people and new labour market entrants. The overall impact has been to reinforce the low level of investment employers in England make in training compared to comparable countries in the OECD.

**Only 60,000 young people are now starting apprenticeships each year and 160,000 engineering and manufacturing apprenticeships have been lost.**

4.4 There are important signs from both the current government and the opposition that they support greater devolution of funding to make vocational education more responsive to the needs of learners and employers at local and regional levels. Local Skills and Improvement Plans (LSIPs) for instance, could provide part of the basis for a more 'bottom up' partnership approach but there will need to be greater clarity on their powers and the relationship between them and funding allocated to devolved authorities as well as how this relates to other funding mechanisms for the sector.





# What Is To Be Done?

## Towards A New Agenda for Post-16 Education

1. The above analysis demonstrates that despite extensive evidence of labour and skills shortages both long-term and more recently since the COVID pandemic, our country's further and vocational education system has experienced historical underinvestment which has had a serious impact both on opportunities available to potential learners to obtain the skills that they need to compete for the jobs of the future, and on employers in key sectors of the economy whose productivity and competitiveness has suffered from an inadequate supply of skills. There has been a constant reference to the need for increased productivity and growth but a lack of the concerted action needed to create the skills development infrastructure required to support this ambition.

This has been reinforced by the relatively low status accorded to vocational education within the UK education system relative to traditional academic routes. We believe that although there are short to medium-term measures that can be taken to improve the situation...



*nothing short of a major change is required to shift the vocational education and skills paradigm and provide the country with a fighting chance of successfully addressing educational and economic challenges of the future.*





We believe that the adoption of the following proposals, both strategic and shorter term, could provide the basis of a package which can make a contribution to the scale of change required:

2. Development of an integrated national post-16 education and skills strategy which covers all parts of the system, vocational and academic, and includes a long-term vision designed to enable every young person and adult to achieve and maintain the skills they need throughout their working lives, and employers to access the skills and support that they need to improve productivity, innovate and maximise competitiveness. The strategy should be developed through;

- A partnership of key stakeholders across the system including further and higher education institutions, employers and lead industry bodies, local authorities, LEPs and trade unions.
- Alongside this, a more thoroughgoing devolved 'bottom-up' approach to the development of integrated local and regional skills strategies should be introduced, also based on a stakeholder partnership approach.


3. Development of a qualifications system and strategy that brings together technical and academic learning opportunities for young people and adults. The government's recent announcement on the new Advanced British Standard (ABS) proposing a new Baccalaureate style qualification to replace A levels and T levels provides an opportunity to further this debate which needs to encompass all aspects of the post 16 curriculum and to maximise inclusion and accessibility through the development of progression pathways that can support all learners in fulfilling their potential.





*A reversal of the dramatic decline in participation of adults in learning from 29% in 2004 to 15% now.*

4. A major increase in investment in post-16 education and skills from government and employers to meet the challenges identified; this should include substantially increased investment in young people aged 16 – 18 to meet the needs of a growing population and this should include a focus on:



Evidence points to a substantial demand for higher technical skills which are not being met by the current educational and skills system and particularly refers to the **'acute' shortage of STEM skills**

Source: 'Higher Technical Education; the current system and the case for change' July 2019

⦿ Explicitly recognising at policy level the lead role of further education as the key driver in tackling the country's current and future vocational skills needs. Colleges are currently delivering the majority of these qualifications but the overall level of provision is substantially less than the current and future demand from employers.

⦿ Ensuring that further and vocational education should achieve at least a parity of funding with other parts of the education system. In the short term this means substantially reducing the current gaps in funding between academic and technical education.



◎ Seeking to achieve parity of spending on technical education with the OECD average and/or with spending in comparable OECD economies. Funding settlements for colleges should also be longer term (at least 3 years) to facilitate effective strategic planning and reduce funding volatility.

◎ **Establishing equality of staff pay between college teaching staff and staff in schools and universities.** This is causing major recruitment and retention problems. This should be linked to a concerted training and staff development programme to enhance the numbers of qualified staff within the sector. The recent government announcement of additional funding in the form of tax free bonuses for new FE teachers and measures to improve recruitment and retention of teachers in teaching shortage subjects may be an important first step in addressing this.

**The average pay of college teaching staff is an average £8000 below that of school staff and there is often a large gap between the pay of college staff and staff in the industries they are training people for.**

5. **Establishing a simpler, more dynamic and flexible funding and regulatory structure for further and vocational education with fewer funding and regulatory bodies.** The sector currently suffers from a plethora of funding bodies including ESFA, Adult Education Budget, the Apprenticeships Agency, Office for Students and many others which help to fragment and undermine the development of a coherent and strategic approach. More comprehensive devolution of funding to local and regional levels would also help to ensure that the allocation of funding is more responsive to local needs.





# NOW

6. In addition to the above strategic proposals, we believe that the following shorter term proposals would provide much needed support for the sector and its learners:

- **An immediate review of the current apprenticeship programme** with a view to sharply reversing the dramatic decline in the number of young people undertaking apprenticeships and the support provided to new labour market entrants.
- **A suspension of the proposed defunding of existing level 3 and below VTQs** in the absence of evidence that T levels are providing equivalent accessibility and progression opportunities for learners, including those from disadvantaged backgrounds.
- **The introduction of a universal entitlement to a first full level 3 qualification building on the current Lifetime Skills Guarantee;** access should be irrespective of prior achievement levels.



# Conclusion



*The main losers are a generation of young people who will lack skills needed for future opportunities and employers deprived of skills required to remain competitive.*



1. We believe that the case for a fundamental reappraisal and step change in the country's approach to further and vocational education is overwhelming and long overdue. We are now experiencing the consequences of a combination of underinvestment and undervaluing of the sector, shorter term cuts in funding and rapidly increasing skills and labour shortages. The main losers are a generation of young people and adults who will lack the skills they need for future job opportunities, and employers in key sectors of our economy who will be deprived of the skills required to remain competitive. Numerous government reports and legislative interventions in recent years have sought to address specific issues but there has been no serious attempt to address the true scale of the problem.







*“We are keen to initiate the widest possible discussion on the arguments and proposals in this report leading up to the General Election.”*

2. Prevailing economic orthodoxy often argues that public investment should only be funded through the proceeds of economic growth. We believe that the evidence of the link between low investment in skills development and low productivity and growth in the UK is so strong that the need for a substantial investment in skills development as a **prerequisite for sustainable growth** is clear.

We would like to hear your views if you are a Member of Parliament, a member of a front bench educational team for one of the main political parties, are involved in educational policy issues in national or local government, or you are an NGO, chair or governor of a college. Please send any comments or requests for further information to [enquiries@nationalcollegechairs.com](mailto:enquiries@nationalcollegechairs.com)