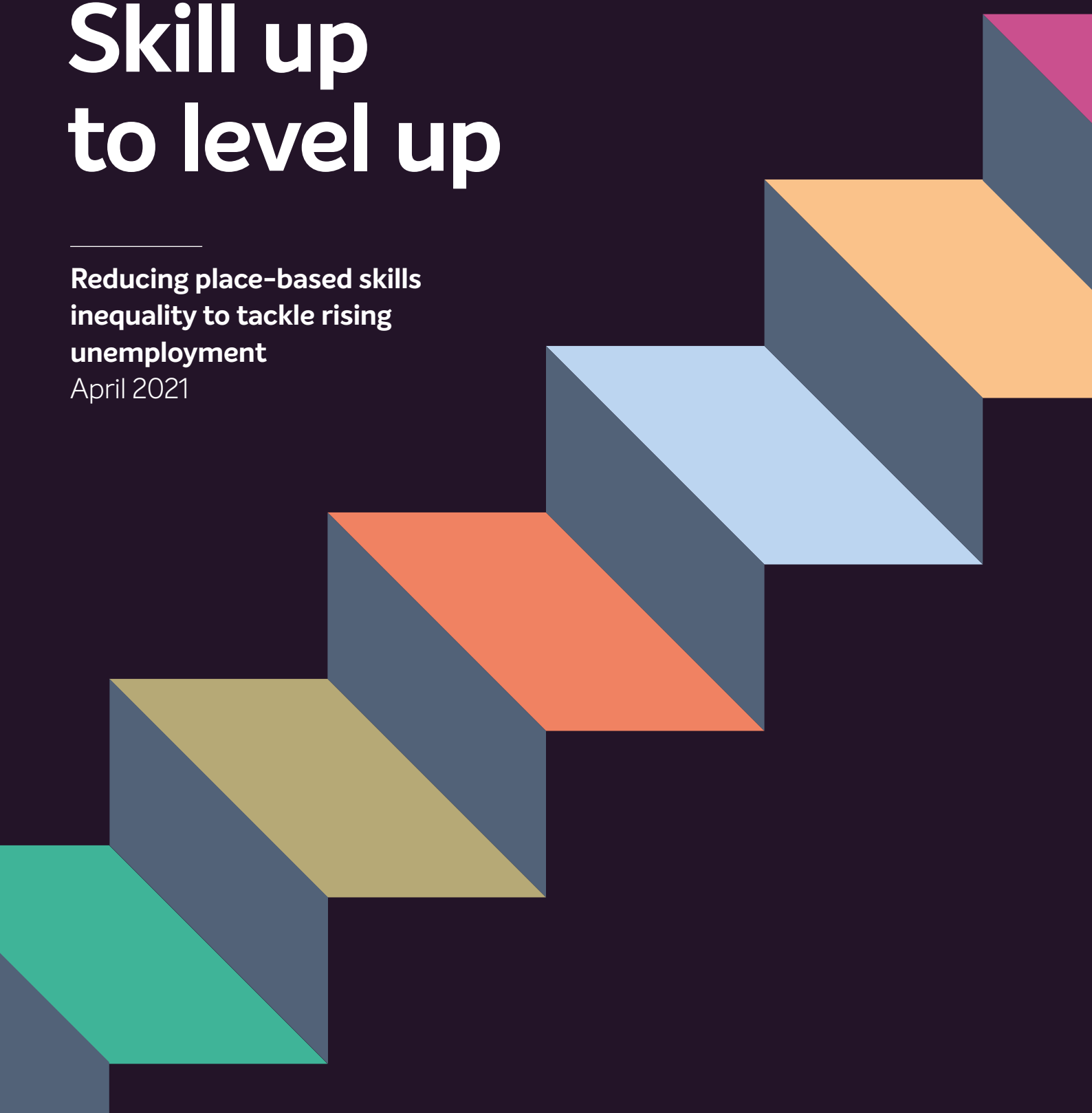




Skill up to level up

**Reducing place-based skills
inequality to tackle rising
unemployment**

April 2021



Executive Summary

About this report

This report is dedicated to understanding the importance of tackling place-based inequality in basic skills for the levelling up agenda and an inclusive recovery from the coronavirus pandemic. It presents a new model of employment by local authority which reveals the importance of basic skills coverage. The report uses this model to estimate the employment cost of place-based inequality in basic skills. It then discusses ways to help people onto and then up the skills ladder, with the ultimate aim of broadening access to good jobs.

Key findings

1 The lower the share of local residents without a formal qualification, the higher the employment rate: A 1 percentage point decrease in the share of residents without a formal qualification is associated with a 0.26 percentage point increase in the employment rate.

2 The relationship between coverage of formal qualifications and employment is strongest in the most deprived parts of the country: A 1 percentage point decrease in the share of residents without a formal qualification is associated with a 0.33 percentage point increase in the employment rate in the most deprived areas.

3 The total employment cost of place-based inequality in basic skills in England is between 348,000 and 573,000 jobs: Reducing the share of people without a formal qualification to the rate in the top 10% of local authorities implies a significant uplift in employment across the country.

4 The employment cost is greatest in towns and cities with a large working age population and low skill levels: In Birmingham, increasing coverage of at least basic skill levels to the rate seen in the top 10% of local authorities is associated with 18,700 to 28,800 more people in work.

5 The cost of low skill levels is concentrated in the most deprived local authorities, equating to 196,100 – 302,300 jobs: In the least deprived areas, the employment cost is 14,900 to 29,200 jobs.

Policy implications

The analysis in this report strongly suggests that engaging people without any formally recognised skills will be vital for tackling unemployment and levelling up the country as we emerge from the pandemic. But this step onto the skills ladder must be the first of many, with the ultimate goal of giving people access to not just any job, but rather to fulfilling, well-paid and agency-enhancing jobs.

This requires high levels of public investment in our skills system, especially in more deprived parts of the country. It also means improving how we reach those who so far have been ignored by the education system. At the same

time, we must improve the way people progress through skill levels to acquire the tools they need to access good, well-paying jobs.

This report makes the following recommendations for policymakers:

- **Break down institutional barriers** by improving ease of access to courses, taking advantage of existing community assets to build community learning centres. More opportunities for blended learning should also be introduced, with certification by Ofqual to enable all actors to identify quality.
- **Break down personal financial barriers** by offering free childcare and transport for learners without any formal qualifications. Central government should provide funding to local government to coordinate this in collaboration with FE colleges and Jobcentre plus.
- **Tackle learners' dispositional fears** (e.g. feeling too old to learn, or a fear of feeling stupid or unsupported in the classroom) by providing one-to-one support from well-trained and well-resourced professionals. Counsellors should work with a range of learning institutions, including FE colleges, Jobcentre Plus and local authorities, in order to align with existing training and employment programmes and local economic strategies. This must be coupled with active outreach programmes, based on accurate data on who is most at need. Run by local and combined authorities these would engage prospective learners and explain the benefits of adult education.
- **Boost demand for learning** among those already in employment by reversing the decision to cut funding to *Unionlearn*, which evaluations have shown to be highly effective.
- **Break down systemic funding barriers** by simplifying the funding system and offering a three-year funding settlement for community learning. This would allow learning providers to work collaboratively with local government towards longer term economic goals for the area.
- **Promote progression** by introducing progression pathways through the skills system, with next steps explicitly designed into each level of qualification. In addition, comprehensive job training support should be offered, linking learners to employers.

Introduction

Despite unprecedented policy measures to contain the economic impact of coronavirus, the UK now faces a potential employment crisis. Notwithstanding the success of the furlough scheme and the vaccine roll out, the pandemic has already seen the number of payrolled employees drop by 693,000.¹ Unemployment has risen above 5% for the first time in five years and the Office for Budget Responsibility expects it to peak at 6.5% by the end of the year, pushing another half a million people out of work.²

The unemployment impact of the pandemic does not fall evenly. People with low skill levels are already being hit particularly hard. Since the start of the outbreak, paid work for people with GCSEs or below has fallen by nearly 7%, while remaining unchanged for those with a degree.³ What's more, new research from the ONS suggests people who lack formal skills are less likely to quickly bounce back into employment. People without any formal qualifications were found to be 4.1 percentage points less likely than average to quickly return to work after losing their job.⁴

At the same time, skill levels vary significantly across the country. In some areas, the proportion of people without any formal qualifications is as low as one in 40. In others it is more than one in five. **New CPP analysis presented in this paper suggests that this disparity comes at the cost of jobs.** It establishes a robust statistical relationship between a lower share of people without a formal qualification and a higher employment rate. At a time of rising unemployment, tackling inequality in skill levels should be a key priority. In this way, addressing place-based disparities in skills contributes to tackling wider socioeconomic inequalities. Thus, it can have a huge impact on the most deprived parts of the country, helping them to become more resilient in the future and creating the conditions for a more inclusive recovery now.

Backing this up, the analysis finds that **reducing the share of the local working age population without a formal qualification has an even bigger impact on employment in more deprived areas.** As such, reducing place-based disparities in skill levels would not only help alleviate the employment crisis, it would also help the government achieve its levelling up agenda. However, with meaningful wage gains only kicking in from Level 3

and above,⁵ it is important that this step up the skills ladder is the first of many.

Reducing the share of the local population without a formal qualification has an even bigger impact on employment in more deprived areas

This paper begins by presenting the findings of CPP's new analysis, estimating the potential employment uplift of reducing skills inequality by local area. It then explores the policy implications, discussing how we can best reach those at the bottom of the skills spectrum and ensure that training moves people into good jobs. It ends with a discussion of the costs and benefits of investing in the skills of deprived communities to level up the country.

While this paper is dedicated to understanding the importance of foundational qualifications for an inclusive recovery from the coronavirus pandemic, it is important that we do not lose sight of the longer term prize of levelling up by progressing people through the skills system and into good jobs. Equipping people with the tools to access not just any job but a fulfilling, well-paid and agency-enhancing jobs should be the ultimate aim of the skills system.

¹ ONS (2021) *Labour market overview, UK: March 2021*. Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/march2021>

² Office for Budget Responsibility (2021) *Economic and fiscal outlook, March 2021*. Available at: <https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/>

³ Cribb, J. (2021) *The future of pandemic support for households*. London: Institute for Fiscal Studies. Available at: <https://ifs.org.uk/uploads/The-future-of-pandemic-support-for-households.pdf>

⁴ Office for National Statistics (2021) *Which groups find it hardest to find a job following a period out of work?* Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/articles/whichgroupsfindithardesttofindajobfollowingaperiodoutofwork/2021-03-30>

⁵ For example, see McIntosh and Morris (2016) who find "At Level 2 and below, no vocational qualifications receive positive and statistically significant returns, with the exception of the BTEC qualifications, with average returns of around 2% in the latter case." McIntosh, S. and Morris, D. (2016) *Labour Market Returns to Vocational Qualifications in the Labour Force Survey*. London: Centre for Vocational Education Research. Available at: <https://cver.lse.ac.uk/textonly/cver/pubs/cverdp002.pdf>

The importance of basic skills for employment

Methodology

The analysis presented here builds on the methodology employed by Bamba, Munford, Brown et al. (2018), who estimated the impact of regional health inequalities on the UK productivity gap.⁶ We adapt their approach to explore the relationship between skill levels and employment. The analysis uses a fixed effects regression model to exploit variation over time within local authorities and identify the effect of changes in skill levels on changes in employment. In addition to location effects, the model controls for year fixed effects, meaning it accounts for nationwide shocks that happen across the country in specific years, for example the 2007-2008 financial crisis and subsequent recession. The model also controls for demographic factors, population size and life expectancy. This approach allows for greater confidence that the results accurately reflect the relationship between skill levels and employment across England.

Headline results

The model suggests **a 1 percentage point decrease in the share of the working age population without a formal qualification is associated with a 0.26 percentage point increase in the employment rate.**⁷

This means that if the share of residents without a formal qualification in a given local authority falls from 20% to 10%, we would expect a rise in the local employment rate of 2.6 percentage points.

Importantly, this relationship is strongest in the most deprived areas of England. The same fall in the share of residents without a formal qualification from 20% to 10% is associated with a 3.3 percentage point rise in the employment rate in the most deprived quintile of local authorities.⁸ In deprived areas which also have sectors with high potential for productivity growth, as identified in previous CPP analysis, we can expect this relationship to be even stronger.⁹

The employment cost of place-based skills inequality

There is significant place-based skills inequality in England. In the top 10% of local authorities, the proportion of residents without a formal qualification is under 3.1%. By contrast, in the bottom 10% of local authorities the proportion is at least 11%. In some parts of the country – including Pendle and Sandwell – it is above 20%.

What might the employment cost be of this skills inequality? Building on our results, it is possible to model a scenario where there is a levelling up in formal qualification coverage between local areas. We do this by modelling the effect on employment in each area of reducing the share of the working age population without a formal qualification to 3.1%, enough to put them in the top 10% of local authorities. This gives an estimated employment cost of poor basic skills for each place. Summing these gives a total employment cost of place-based basic skills inequality in England of between 348,000 and 573,000 jobs.¹⁰

A total employment cost of the place-based basic skills inequality in England of between 348,000 and 573,000 jobs

Taking one local example, 20.1% of the working age population in Pendle lack a formal qualification. Reducing this to 3.1% (a reduction of 17 percentage points) would put Pendle in the top 10% of local authorities. Given Pendle is in the most deprived quintile of local authorities, each 1 percentage point decrease in the share of residents without a formal qualification is associated with a 0.26 to 0.40 percentage point increase in the employment level. Thus the 17 percentage point fall in the share of people without a formal qualification implies an uplift in the employment rate of 4.4 to 6.8 percentage points, which equates to 2,400 to 3,700 more people employed.¹¹

This cost of lower employment varies significantly from place to place. Table 1 shows the places where we estimate the highest employment uplift from increased basic skills. These are local authorities that have large populations and a high share of people without any formal qualifications, which supports the city-regional approach

⁶ Bamba, Munford, Brown et al. (2018) *Health for Wealth: Building a Healthier Northern Powerhouse for UK Productivity*. Manchester: Northern Health Science Alliance. Available at: <https://www.thenhsa.co.uk/app/uploads/2018/11/NHSA-REPORT-FINAL.pdf>. For more information on the methodology please see the online technical appendix.

⁷ The 95% confidence interval is 0.23 to 0.30.

⁸ The central estimate for the coefficient of no qualification for the most deprived quintile of local authorities is 0.33. The 95% confidence interval is 0.26 to 0.40. For estimates for all deprivation quintiles see the technical appendix.

⁹ Norman, A. (2020) *A gear change for growth: Devolving industrial policy to help local economies thrive*. London: Centre for Progressive Policy. Available at: <https://www.progressive-policy.net/publications/a-gear-change-for-growth>

¹⁰ This range represents summing the local figures using the lower and upper 95% confidence interval estimates for the effect of reducing the share of people without a formal qualification. The central estimate is 459,000.

¹¹ This is calculated using the 95% confidence interval for the coefficient of no qualification for the model using the most deprived quintile of local authorities. The central estimate for Pendle is 3,100. Please refer to the online technical appendix for more details.

adopted in the Chancellor’s Plan for Growth.¹² For example, in Birmingham – one of the ten most deprived local authorities in England – more than 94,000 people lack a formal qualification, almost 13% of the local working age population. If, instead, the share in Birmingham without a formal qualification were 3.1%, we estimate employment would be between 18,700 and 28,800 higher – an increase in the employment rate of 2.5 to 3.9 percentage points.

Table 1: The ten highest modelled estimates of the employment uplift associated with reducing the share of residents without a formal qualification to the rate in the top 10% of local authorities.¹³

Local authority	Employment rate uplift (PP)	Employment uplift
Birmingham	2.5 - 3.9	18,700 - 28,800
Bradford	2.8-4.3	9,300 - 14,300
Sandwell	4.5 - 6.9	9,200 - 14,300
Leicester	3.6 - 5.5	8,500 - 13,100
Manchester	2.0 - 3.0	7,700 - 11,800
Liverpool	2.2 - 3.4	7,300 - 11,200
Wolverhampton	3.7 -5.7	6,000 - 9,300
Dudley	3.0 - 4.8	5,800 - 9,300
Leeds	0.9 - 1.4	4,800 -7,400
County Durham	1.5 - 2.2	4,700 - 7,300

The cost of low skill levels is concentrated in the most deprived local authorities. As shown in Table 2, improving skill levels in the most deprived quintile of local authorities is associated with an average increase in the employment rate of 1.9 – 3.0 percentage points, equating to a total boost to employment of 196,100 – 302,300. In the least deprived quintile, the average uplift would be less than 1 percentage point, equating to a total boost to employment of 14,900 to 29,200.

Table 2: Modelled estimates by local authority deprivation quintile of the employment uplift associated with reducing the basic skills gap with the top 10% of local authorities.¹⁵

Deprivation quintile	Average employment rate uplift (PP)	Total employment uplift
1	1.9-3.0	196,100 - 302,300
2	1.1 - 1.8	84,100 -134,800
3	0.6 - 1.2	37,600 -71,100
4	0.3 -0.8	15,700 -35,600
5	0.4 - 0.8	14,900 - 29,200

Engaging people without any qualifications in formal learning should be viewed as an important step along the path to increasing the overall level of skills in deprived places. However, it is of course not all that is required to transform and level up a local area’s economy. The above analysis offers a thought experiment based on statistical relationships and it is important to acknowledge that a wide range of economic policies are required to achieve employment boosts of this magnitude. Yet basic skills undoubtedly have a central role to play. A higher base of people with at least basic skills who are in employment can then form the foundation for the increased investment and productivity necessary to deliver good jobs.

Investing in the skills of those who lack any formal qualifications is a key tool for levelling up the country

The evidence strongly suggests that place-based inequality in the share of people without any formally recognised skills comes at the cost of hundreds of thousands fewer jobs in the most deprived parts of the country. As such, investing in the skills of those who lack any formal qualifications in these places is a key tool for levelling up.¹⁴

¹² HMT (2021) *Build Back Better: our plan for growth*. Available at: <https://www.gov.uk/government/publications/build-back-better-our-plan-for-growth/build-back-better-our-plan-for-growth-html>

¹³ Range represents the 95% confidence interval.

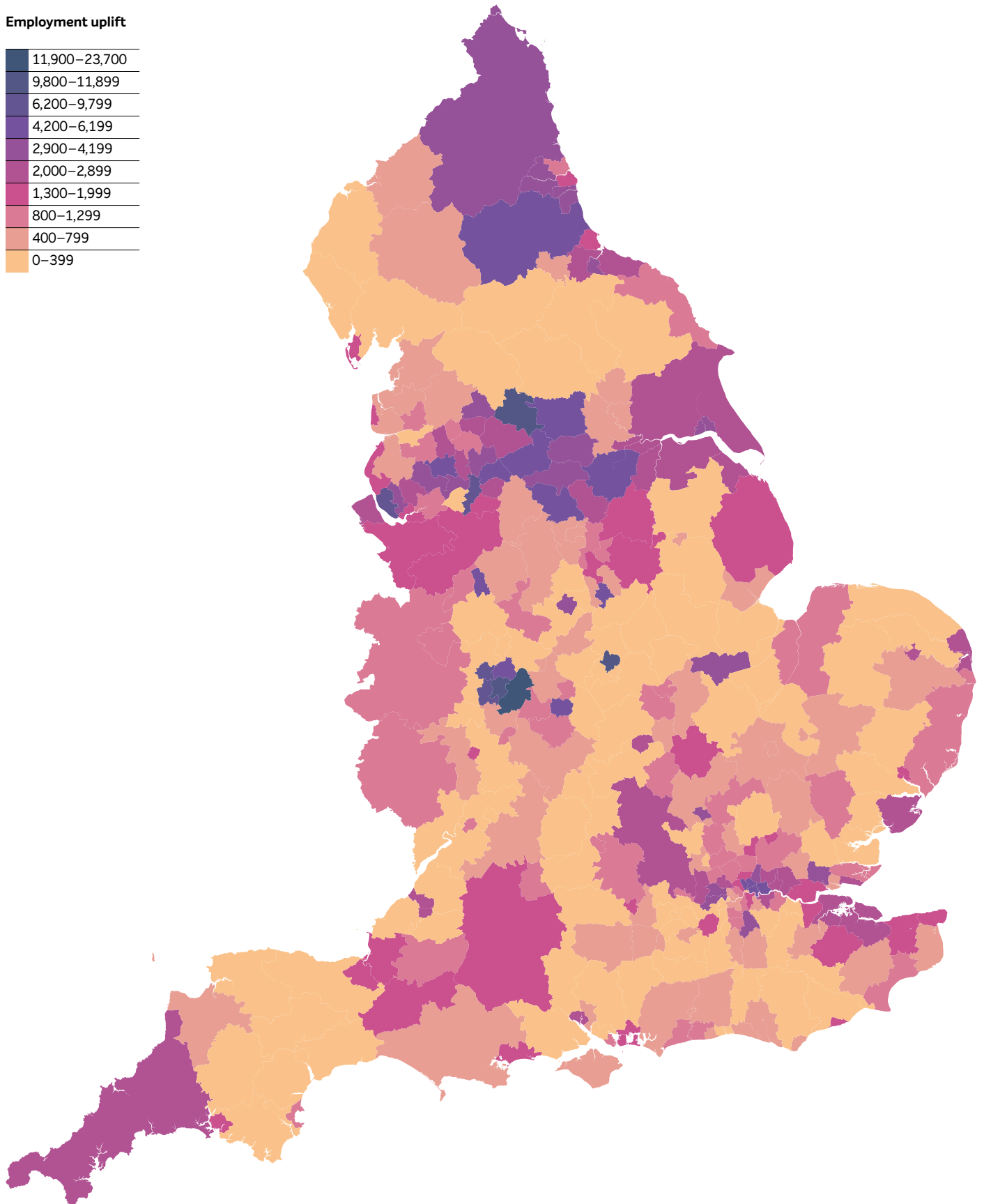
¹⁴ This is just one of several tools for levelling up. For example, in *A gear change for growth (op cit.)* CPP identifies high value-added sectors in deprived communities that merit investment.

¹⁵ Range represents the 95% confidence interval.

Chart 1: Estimated employment uplift by local authority associated with reducing the share of residents without a formal qualification to the rate in the top 10% of local authorities

Employment uplift

11,900–23,700
9,800–11,899
6,200–9,799
4,200–6,199
2,900–4,199
2,000–2,899
1,300–1,999
800–1,299
400–799
0–399



Policy implications

The relationship between skills and employment established in this report is based on pre-pandemic data. The pandemic, having disproportionately impacted people with low skill levels, has made the need to tackle skills inequality all the more important.¹⁶ The case for rapidly expanding access to foundational qualifications – to both the newly and existing unemployed – has never been stronger.

The case for rapidly expanding access to foundational qualifications – to both the newly and existing unemployed – has never been stronger.

While in recent years the focus of adult education has been on Level 3 skills – particularly since the Leitch review in 2006¹⁷ – widespread access to low level courses is essential for ensuring people are not cut adrift from economic progress. By reducing place-based inequality in basic skills we can set deprived areas on the road to employment growth and economic renewal. With more residents moving onto – and then up – the skills ladder, businesses will be better able to move up the value chain and create higher quality jobs. Delivering this form of inclusive growth starts with reaching those people without any formal qualifications.

Reaching people without any qualifications

By definition, people without any formal qualifications are the hardest for the education system to reach. Negative experiences of learning as a child often mean people are reluctant to re-engage in education in later life. As such, extra effort and support is necessary to reach these people and bring them back into learning.

The majority of adult education at low levels of study is classed as ‘community learning’, defined by the government as “a range of community based and outreach learning opportunities, primarily managed and delivered by local authorities and general further education colleges

designed to bring together adults (often of different ages and backgrounds).”¹⁸

While some community learning is not qualification based, it serves as a vital first step back into learning for adults. Despite this – and the myriad other benefits it delivers¹⁹ – participation in community learning has been declining for several years. In England, participation has fallen from a peak of 797,000 in 2006/07 to 490,000 in 2018/19, a decline of 39%.²⁰ In the last five years alone, it has fallen by a quarter.

Reversing this decline in adult community learning is vital for helping people onto the skills ladder and into work.²¹ There are a number of structural changes that could help boost participation. The House of Commons Education Committee in its recent report argued for community learning centres to be established in every town, setting up in existing community assets such as libraries and colleges.²² The report also calls for a reduction in “the complexity and bureaucracy of community learning funding”, a three year funding settlement and for the Department for Education to improve the quantity and quality of available data on community learners. More secure funding in particular would allow learning providers to work collaboratively with local government towards longer term economic goals for the area.

These are sensible steps, but more can be done to tackle the barriers individuals face in engaging with the education system, for many for the first time since childhood. Research by the Learning and Work Foundation found that these barriers include:²³

- Indirect financial costs (e.g. childcare, transport, and learning materials)
- Dispositional fears (e.g. feeling too old to learn and a fear of feeling stupid or unsupported in the classroom)
- Institutional factors (e.g. ineffective teaching styles, inflexible provision, a lack of course information)

Financial support to cover childcare and transport to and from the classroom could go a long way towards boosting participation across all groups, but particularly for first time learners. Training programmes in deprived parts of the US have been shown to be particularly effective when

¹⁶ Cribb, J. (2021) *op cit*.

¹⁷ Leitch, S. (2006) *Prosperity for all in the global economy – world class skills. The final report of the Leitch Review*. Available at: <https://www.gov.uk/government/publications/prosperity-for-all-in-the-global-economy-world-class-skills-final-report>

¹⁸ Department for Education (2019) *Statistical data set: Community learning*. Available at: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-community-learning>

¹⁹ House of Commons Education Committee (2020) *A plan for an adult skills and lifelong learning revolution*. Available at: <https://committees.parliament.uk/publications/4090/documents/40532/default/>

²⁰ Department for Education (2019) *op cit*.

²¹ For case studies showing the ability of community learning to help adults progress into further learning and work see LGA (2020) *Learning for Life: the role of adult community education in developing thriving local communities – A handbook for councillors*. Available at: <https://www.local.gov.uk/learning-life-role-adult-community-education-developing-thriving-local-communities-handbook>

²² House of Commons Education Committee (2020) *op cit*.

²³ Learning and Work Institute (2021) *Decision making of adult learners below Level 2*. London: Department for Education. Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/962404/Decision_making_of_adult_learners_below_level_2.pdf

matched with free childcare.²⁴ Equally important though is to tackle dispositional fears and institutional factors by creating a supportive and effective learning environment. This often requires providing one-to-one support from well-trained and well-resourced professionals. For example, the Entry to Employment Programme, which ran from 2002-2010, enjoyed success through building one-to-one positive relationships between committed professionals and young people who had had negative school experiences.²⁵

These insights are supported by the experience of the Workers' Educational Association (WEA), which follows a 'community-embedded approach' to engage adults in learning. Using existing community assets as learning venues and making courses accessible and fun, the WEA has had significant success in helping people without any formal qualifications onto the skills ladder.²⁶ In addition, qualitative interviews with learners by the Learning and Work Institute suggests blended learning, by combining the personal interaction and support of in-person teaching with the flexibility of online learning, has the potential to significantly boost participation among low level learners.²⁷

Union-led learning has a strong track record in boosting participation in training among workers, particularly for those without any formal qualifications. A 2016 evaluation of *Unionlearn* found 68% of learners with no previous qualifications and 47% of those starting with Entry level or Level 1 qualifications gained a qualification at a higher level as a result of support from the Union Learning Fund.²⁸ The benefits of the fund have been substantial, with every £1 invested in training creating benefits of £7.60 for the worker, £4.70 for the employer and £3.57 for the Exchequer. Unions were found to effectively stimulate demand for training and the evaluation highlighted "strong performance in terms of the delivery of learning outputs and the increased value for money." As such, the government should reverse planned cuts to its funding of the Union Learning Fund.

Traineeships are also an important root into the skills system for those lacking higher level qualifications, serving as a steppingstone into Level 2 apprenticeships. It

is to be welcomed then that the Chancellor announced a £126m boost to traineeships in the Budget. However, the key value of traineeships is their role in preparing people for apprenticeships. The dwindling number of Level 2 apprenticeship opportunities thus represents an important bottleneck for progression up the skills ladder.²⁹

Good jobs

While employment in itself is valuable, we must make sure that investment in the skills system is effective at moving people into good, well paid jobs. Though our analysis establishes a strong and statistically significant relationship between reducing the number of people without a formal qualification and raising employment levels, it fails to identify a meaningful positive impact on wages. Other studies have also shown that the earnings premiums associated with low level courses are small at best.³⁰ As such, getting people without any formal qualifications to engage with the skills system and gain an entry level qualification is just the first step. To access good jobs, these people will need to progress on to higher levels of study.

While employment in itself is valuable, we must make sure that investment in the skills system is effective at moving people into good, well paid jobs

Evidence suggests that progression through course levels can lead to significant wage premiums, particularly for vocational qualifications at Level 3 and above.³¹ Unfortunately, the English skills system has struggled to achieve strong levels of progression from low to higher level courses. Among learners who achieved a Level 1 in 2017/18 for which there is data, fewer than one in three went on to study at a higher level the following year.³² To address poor levels of progression in the skills system, CPP has previously argued for clearer progression routes

²⁴ Schberg, K. and Greenberg, D. (2020) *Long-Term Effects of a Sectoral Advancement Strategy: Costs, Benefits, and Impacts from the Work Advance Demonstration*. Available at: https://www.mdrc.org/sites/default/files/WorkAdvance_5-Year_Report-Final.pdf

²⁵ Tatham, K. (2021) *Learning from the Past Paper No.2: Entry to Employment*. London: Edge Foundation. Available at: https://www.edge.co.uk/documents/135/Learning_from_the_past_Paper_No_2.pdf

²⁶ WEA (2021) *A year to remember: Adult education impact report 2020*. Available at: <https://news.wea.org.uk/impact/>

²⁷ Learning and Work Institute (2021) *op cit*.

²⁸ Stuart, M. (2016) *Evaluation of the Union Learning Fund Rounds 15-16 and Support Role of Unionlearn*. Exeter: Marchmont Observatory, University of Exeter. Available at: <https://www.unionlearn.org.uk/2016-evaluation>

²⁹ CPP has previously discussed measures for increasing opportunities for Level 2 apprenticeships. See Norman, A. (2020) *Reskilling for Recovery: Equipping the nation for tomorrow's economy*. London: Centre for Progressive Policy. Available at: <https://www.progressive-policy.net/publications/reskilling-for-recovery>

³⁰ For example, see McIntosh and Morris (2016) who find "At Level 2 and below, no vocational qualifications receive positive and statistically significant returns, with the exception of the BTEC qualifications, with average returns of around 2% in the latter case." McIntosh, S. and Morris, D. (2016) *Labour Market Returns to Vocational Qualifications in the Labour Force Survey*. London: Centre for Vocational Education Research. Available at: <https://cver.lse.ac.uk/textonly/cver/pubs/cverdp002.pdf>

³¹ In addition to McIntosh and Morris (2016), see Bibby, D. et al. (2014) *Estimation of the labour market returns to qualifications gained in English Further Education*. London: Department for Business, Innovation and Skills. Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/383646/Estimation_of_the_labour_market_returns_to_qualifications_gained_in_English_Further_Education_-_Final_-_November_2014.pdf

³² CPP analysis of Department for Education progression data. There is data for 35,900 learners who achieved a Level 1 in 2017/18, 54% of whom went on to further sustained learning. Of these 19,380, 57% went on to a higher level of study, giving a total of 11,050, which is 31% of 35,900. Data available at: <https://explore-education-statistics.service.gov.uk/find-statistics/further-education-outcome-based-success-measures>

through the skills system and investment in personalised and comprehensive careers advice and guidance.³³

Tackling problems with the post-16 education transition, particularly for those who fail English or maths is also key. Lupton et al. (2021) argue that local coordination mechanisms should be strengthened in order to better promote progression during this transition period, including to construct post-16 progression routes that link to pre-16 learning.³⁴

In addition to progression, evidence from the US suggests training programmes that are linked to employers in that sector and are combined with wider support – free job counselling and childcare – can lead to impressive wage gains for people from deprived communities. A randomised evaluation of one such programme, Per Scholas, found participants went on to earn \$6,281 a year more than those in the control group.³⁵ Another, Project Quest, showed that the earnings premium can persist for years. Participants in this programme earned \$5,239 more in the 9th year after completion, compared to a control group.³⁶

How much could this cost?

The estimated unit cost of an NVQ Level 1 qualification in 2009/10 was £1,365.³⁷ An increase in employment of 348,000 to 573,000 equates to a rise of 0.8 to 1.3 percentage points in the employment rate. According to our model, a 3.1-5.1pp drop in the rate of people without a formal qualification would be required to achieve this, which in England equates to 1.1-1.8 million people. At a cost of £1,635 per person, this would come to £1.8-2.9 billion in 2009/10 prices, or £2.4-3.8 billion today.

However, comprehensive training programmes would cost more. For example, the occupational skill training component of the Per Scholas scheme accounted for 27.4% of the total programme cost.³⁸ Applying that to the English scenario suggests a total cost of £8.9-14.1bn. This is clearly a significant investment of public money. However, the evaluation of the Per Scholas programme found a net fiscal benefit to the government of \$11,370 per participant, thanks to higher taxes paid and lower benefits claimed by participants.³⁹ The net benefit to society (calculated by summing the net benefits to participants and to the government) was almost \$30,000 per

participant. As CPP has argued previously, the societal returns to investment in social infrastructure – including skills – are substantial.⁴⁰

³³ See Norman, A. et al. (2018) *Skills for inclusive growth*. London: Centre for Progressive Policy. Available at: <https://www.progressive-policy.net/downloads/files/Skills-for-Inclusive-Growth.pdf> and Alldritt, C. and Norman, A. (2018) *The Data Deficit: Why a lack of information undermines the UK skills system*. London: Centre for Progressive Policy. Available at: https://www.progressive-policy.net/downloads/files/WJ3600_CPP_report_UK_Skills_SCREEN_PAGES.pdf

³⁴ Lupton, R. et al. (2021) *Moving on from initial GCSE 'failure': Post-16 transitions for 'lower attainers' and why the English education system must do better*. Available at: <https://mkOnuffieldfounpg9ee.kinstacdn.com/wp-content/uploads/2021/02/Post16-transitions-for-lower-attainers-Final-report.pdf>

³⁵ Schberg, K and Greenberg, D. (2020) *op cit*.

³⁶ Order, A. and Elliott, M. (2019) *Nine Year Gains: Project QUEST's Continuing Impact*. Available at: https://economicmobilitycorp.org/wp-content/uploads/2019/04/NineYearGains_web.pdf

³⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32354/11-1282-returns-intermediate-and-low-level-vocational-qualifications.pdf

³⁸ Hendra, R. et al. (2020) *Encouraging Evidence on a Sector-Focused Advancement Strategy: Two-Year Impacts from the Work Advance Demonstration*. Available at: https://www.mdrc.org/sites/default/files/2016_Workadvance_Final_Web.pdf

³⁹ Roder, A. and Elliott, M. (2019) *op cit*.

⁴⁰ Stock Jones, R. et al. (2020) *Let's get social: The case for investing in social infrastructure*. London: Centre for Progressive Policy. Available at: <https://www.progressive-policy.net/publications/lets-get-social>

Table 3: Summary of policy recommendations

	Barrier	Solution	Levers
Reaching people without formal qualifications	Institutional factors	Improve ease of access to learning in people’s local areas.	Create community learnings centres in every town working collaboratively with local FE colleges to offer a localised route into learning.
		Take advantage of the pandemic induced shift online to offer new, more convenient methods of learning.	Promote blended learning with courses combining in-person teaching with online learning. Certification of blended learning courses by Ofqual would enable all actors to identify quality in the system.
		Help learning providers, learners and local and regional government better understand community learning in their area, enabling each to make better decisions.	Improve the quality and quantity of data on community learning made available by the ESFA.
	Indirect financial costs	Ease non-course financial costs by offering learners access to fully funded transports and childcare.	Funding could be provided by central government and coordinated by local and combined authorities in collaboration with FE colleges, community learning centres.
	Dispositional fears	One-to-one support from well-trained and well-resourced professionals is important for engaging new learners and keeping them engaged.	The government should fund additional, well-trained professional learning councillors to help guide people into and through learning. These councillors should work across a variety of institutions, including FE colleges, Jobcentre Plus and local authorities, in order to align with existing training and employment programmes and local economic strategies.
		Many people without any formal qualifications have only ever had bad experiences with education. It is vital to clearly and effectively communicate the benefits of learning to these people and dispel the myth that learning stops at 18.	Advertising campaigns run by the Department for Education to increase awareness of the benefits of learning. Outreach programmes run by local and combined authorities to engage prospective learners and explain the benefits of adult education.
	Funding issues	Tackling the complexity of the funding system for further education is key for promoting optimal outcomes, especially lower down on the skills spectrum.	The ESFA should review the funding eco-system for entry- and low-level courses and simplify where possible.
		Moving from short-term to long-term funding will enable training providers to better plan provision in line with local needs.	The government should announce a three-year funding settlement for further education at the next spending review.
		Unions have proven adept at engaging workers without any qualifications in training and learning, meaning they are less likely to fall out of work.	The government should reverse planned spending cuts to Union Learning Fund.
	Progressing through qualification levels and into good jobs	Complexity	Learners find it difficult to navigate through what can be a complex system, leading to high levels of churn. Promoting progression through qualification levels can be achieved by introducing clearer progression routes through the skills system.
Lack of support		Evidence shows significant wage gains can be achieved when learners receive comprehensive support alongside sector-based training programmes.	As above, government should fund additional, well-trained professional learning councillors to help guide people into and through learning. These councillors should work across a variety of institutions, including FE colleges, Jobcentre Plus and local authorities. Central government should strengthen the ability to local government to better coordinate the post-16 transition.

Conclusion

Having a minimum level of certified skills is a prerequisite for engaging with and benefitting from modern advanced economies. However, one in thirteen working age adults in England still lack a formal qualification of any kind.

This deprivation of economic opportunity is by no means evenly spread across the country. In some areas, as many as one in five adults lack formally certified skills. Yet in others, only one in forty do. The evidence presented in this paper strongly suggests that addressing these disparities will be vital for building a fairer and more prosperous society as we recover from the coronavirus pandemic.

Tackling skills inequalities requires high levels of public investment in upskilling people, especially in more deprived parts of the country. It also means finding new and better ways of reaching those who so far have been ignored by the education system. We will have to improve the way people are able to progress through skill levels to acquire the tools they need to access good, well-paying jobs.

Unemployment looks set to rise further in the coming months even as the economy begins to return to normal. If the government truly is committed to getting people back into work and 'building back better', then levelling up skills in the most deprived parts of the country would be a good place to start.

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The Centre for Progressive Policy is a think tank committed to making inclusive economic growth a reality. By working with national and local partners, our aim is to devise effective, pragmatic policy solutions to drive productivity and shared prosperity in the UK. Inclusive growth is one of the most urgent questions facing advanced economies where stagnant real wages are squeezing living standards and wealth is increasingly concentrated. CPP believes that a new approach to growth is needed, harnessing the best of central and local government to shape the national economic environment and build on the assets and opportunities of place. The Centre for Progressive Policy is funded by Lord Sainsbury and host of the Inclusive Growth Network.

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