

# LSIS Brief Guide

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*Ambition 2020: World Class Skills and Jobs for the UK*  
May 2009

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## Introduction

1. This brief guide summarises *Ambition 2020: World Class Skills and Jobs for the UK*<sup>1</sup>, a strategy published by the UK Commission for Employment and Skills (UKCES) in May 2009, which reviews progress against the Leitch targets, updates the Leitch agenda and considers any implications for the FE and skills sector.

## Background

2. Lord Leitch's review of the British skills system was first published in late 2006, and its recommendations were incorporated into an implementation plan, *World Class Skills*, published in the summer of 2007. They have since been the driving force behind many of the major changes in the FE and skills sector.
3. Lord Leitch's main concern was to increase skills levels so as to improve British productivity, and to maintain the UK's economic competitiveness in an increasingly globalised, knowledge-based economy. Specifically, he set the following main goals to be reached by 2020:
  - 95 percent of adults to have functional literacy and numeracy (basic skills), up from 85 percent literacy and 79 percent numeracy in 2005;
  - more than 90 percent of the adult population qualified to at least Level 2, with a commitment to achieving World Class skills (currently projected to be 95 percent);
  - shifting the balance of [what constitutes] intermediate skills from Level 2 to Level 3, with a boost to the number of apprentices to 500,000 and a total of 4 million adult Level 3 attainments over the period, and;
  - world class high skills, exceeding 40 percent of the adult population qualified to Level 4 and above, with an increased focus on Level 5 and above skills (Ambition 2020, p. 41)
4. All told, achieving these goals would require more than 20 million adult qualifications to be earned by 2020, including 7.4 million in basic skills and 5.7 million at Level 2 (Ambition 2020, p. 42).
5. More broadly, Leitch wanted the UK to be in the 'top quartile' of OECD<sup>2</sup> countries in terms of skills levels by 2020 (Ibid., p. 40)

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<sup>1</sup> [http://www.ukces.org.uk/PDF/UKCES\\_FullReport\\_USB\\_A2020.pdf](http://www.ukces.org.uk/PDF/UKCES_FullReport_USB_A2020.pdf)

<sup>2</sup> Organisation for Economic Co-operation and Development, an intergovernmental organisation comprising 30 nations with advanced economies (Austria, Australia, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, South Korea, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States). Note the OECD includes neither China nor India, most often cited as Britain's chief competitors.

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6. Another of Leitch's recommendations was the establishment of a national commission for employment and skills. This commission would advise the Government on national employment and skills policy, including the re-licensing of the Sector Skills Councils. This body, the UK Commission for Employment and Skills (UKCES), was established in 2007, with Sir Michael Rake as chair. UKCES, in turn, published *Ambition 2020* in May 2009.
7. The Leitch proposals also sit alongside a number of other policy agendas. Until the recession, the Government aimed for a target employment rate of 80 percent of working-age adults (as established in the 2007 Freud Report). In reality, employment peaked at just below 75 percent before the economy began to contract. The Leitch proposals also complement the Lisbon Agenda, the EU's strategy '*to make the EU the most competitive and dynamic knowledge-driven economy by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion*' (p. 42). The devolved governments also produced their own skills plans, with similar targets for attainments at the various levels of education (for more detail on these, see p. 43-44 of the *Ambition 2020* report).

## Progress and prospects

8. The United Kingdom has made modest but uneven progress towards meeting the Leitch goals, according to the Commission's report. In 2003, the UK ranked 17<sup>th</sup> among the 30 OECD nations in terms of 'low' skills, 20<sup>th</sup> on 'intermediate' skills and 11<sup>th</sup> on 'high' skills. As of 2008, the UK still ranked 17<sup>th</sup> on low skills, but had improved to 18<sup>th</sup> on intermediate skills. However, Britain has fallen to 12<sup>th</sup> in high skills. Furthermore, '*the UK's relative position is worse for younger individuals than it is for older people*', and '*we are at serious risk of being left behind*' (p. 48).
9. The proportion of working-age adults with basic literacy skills increased to 86 percent as of 2008, up from 85 percent in 2005 (the figures Leitch employed). The figures also record a two-point increase in basic numeracy, from 79 to 81 percent. Qualifications rates have also increased – 71 percent of the working-age population had at least Level 2 qualifications in 2007, up two percentage points from 2005. Level 3 attainment was 51 percent (up from 48), and Level 4 attainment was 31 percent (up from 28 percent) (p. 52).
10. Employment rates, in the meantime, declined between 2005 and 2007, from 75 percent to 74.4 percent (p. 52). Recent figures from the Department for Work and Pensions indicate that less than 74 percent of the population is now employed, and that unemployment is 7.1 percent. Britain ranked 10<sup>th</sup> in the OECD on employment rates (p. 53).

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11. The Commission estimates that *'the UK's relative international position is unlikely to improve in terms of our international ranking between now and 2020'*. The Commission projects that the UK will rank 23<sup>rd</sup> for low skills, 21<sup>st</sup> for intermediate-level skills, and 10<sup>th</sup> for high-level skills. Thus, the UK will actually regress on the lower two skills levels. *'On current rates of progress, therefore, we are unlikely to be in the top quartile of OECD countries at any skill level. We will, therefore, not reach our 2020 Ambition'* (p. 55). The Commission also notes that *'the prospects for attaining the ambition of being in the top countries of the world at all three skill levels vary across the four constituent parts of the UK'*. Scotland is making the greatest progress on low and high skills, and Wales the most on intermediate-level skills (p. 55)<sup>3</sup>.
12. Differences in measurement between the OECD and the Commission mean that the UK's position can actually be viewed as being even worse than the Commission projects. As *Ambition 2020* explains in a footnote on page 55, *'our consideration of the UK's position set out here uses the Leitch definition of Level 2 qualifications as 'upper secondary'. The international community (ie the OECD) classes the UK's Level 2 as below this. The projections here therefore overestimate the UK's relative position. If we re-estimate them on the OECD view ... the UK's international ranking, therefore, deteriorates to 26<sup>th</sup> in regard to the proportion below upper secondary, and 29<sup>th</sup> in regard to the proportion of upper secondary'*.
13. *Ambition 2020* notes that *'relatively small changes in the proportions of people attaining at these different levels of qualifications can make considerable differences to the ranking positions'* – for example, only four percentage points separate 14<sup>th</sup>-place Switzerland from 8<sup>th</sup>-place Australia in high-skills attainment (p. 55). The projections also depend on countries continuing to improve skills attainment at their current rates of improvement, something that isn't deemed likely. The Commission suggests that we need to *'make a systematic assessment of the future direction of skills attainments in other OECD countries'* and *'reassess over time the domestic qualification ambitions which currently support our international benchmarking ambitions'* (p. 56).
14. With regard to the qualifications targets, UKCES projects that Britain will achieve the 95 percent literacy target by 2020, but fall short on the numeracy target (hitting 90 percent) (p. 58). The Level 4 target will be achieved as well, with 41 percent attainment (p. 59).
15. Britain will miss the Level 2 attainment target, though by how much depends upon how you measure the figures – the report states that the ambition is that 22 percent of the population have Level 2 skills (as opposed to Level 3 or no qualifications), and that 19 percent will be at Level 2 in 2020, meaning that Britain falls three points short. However, the ambition is also given that Britain has 90 percent of its working-age population qualified to Level 2 or above, and according to the table on page 59, only 77 percent will be, a 13-point shortfall (p. 58-59). The report also forecasts that 58 percent of working-age Britons will be qualified to Level 3, an 11-point shortfall (p. 59).

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<sup>3</sup> According to a table on p. 57, Scotland would rank third on tertiary-level attainment in 2020, putting it in the top quartile were it an independent nation. *No one* tell Alex Salmond this.

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16. The report also considers other measures of progress in expanding skills attainment. It notes that the proportion of employers offering training increased from 64 percent in 2004 to 67 percent in 2007 (p. 64). Employers spent an estimated £38.6 billion on training in 2007, almost evenly divided between on-the-job and external training (p. 65). However, the UK is below the OECD average in '*ratio of hours in non-formal job training to annual hours of work*' (p. 67). Large firms were more likely to provide training, and training provision was uneven across various sectors of the economy – 92 percent of establishments under the Government Skills Sector Skills Council provided training, but only 60 percent of those in construction (p. 70-1). The young, women and full-time workers were more likely to receive training, and '*the higher the qualification held, the more likely it is that the individual receives training*' (p. 76).
17. According to an LSC survey cited in the report, 26 percent of employers had used FE colleges to deliver training, while 51 percent used other providers. Both services were rated highly – 84 percent of employers who used FE colleges were satisfied or very satisfied, and 93 percent of employers who used other training providers were satisfied or very satisfied (p. 75-6).

## Future job markets

18. '*Increasing our skill levels only makes sense if jobs are available to make use of those skills*' (p. 84). UKCES argues that we cannot '*effectively respond to the changes that are taking place in the economy*' without better understanding employers' demand for labour and skills. It devotes Chapter 6 of *Ambition 2020* to this topic.
19. The report states that the UK added more than 3 million jobs between 1997 and 2007, for an increase of 10.7 percent. Strong growth occurred in the public sector (which grew from 5.2 million in 1998 to 5.9 million in 2005 before declining slightly). The largest growth in new jobs came in the managerial and professional categories, both of which added more than 1 million jobs. Managerial, professional and '*associate professional/technical*' employment now accounts for 43 percent of UK jobs. The number of low-skill jobs dropped in this period, with 350,000 such jobs disappearing (p. 84).
20. In the next 10 years, total employment is expected to increase by another 1.9 million, a growth of about 6.2 percent (p. 86). The '*majority of these jobs are expected to be taken by men*', and there will be an especially large increase in men taking part-time jobs (p. 86). The most vigorous growth will be in IT and parts of the service industries, including hospitality, health care and '*other business services*' (these are not defined). The education workforce will grow about 5 percent, and construction and retail distribution will also grow (p. 86-7).
21. The sector that will experience the greatest loss of jobs is the textiles and clothing sector, which may lose more than a third of its current workforce. Engineering, transport equipment, agriculture, mining and the chemical industry will also see sharp declines. All told, the UK will likely lose 400,000 manufacturing jobs by 2020 (p. 87).

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22. These are all net figures, *'and do not take account of the need for employers to replace workers who leave their jobs due to retirement, occupational mobility or even mortality'*. In short, these numbers refer to the overall number of jobs that will exist in 10 years' time, some of which will need to be filled by more than one person over a period of years as workers change jobs, leave employment or die. All told, 11.5 million job openings will occur in the next 10 years, even though the number of jobs will only increase in absolute terms by 1.9 million (p. 92).

## The policies

### Five key priorities

23. The Commission's plan to meet the 2020 skills targets centres on five *'key priorities'*.
24. Priority 1 is *'to create a clear and integrated strategy for economic transformation and renewal, capable of sustaining the UK through periods of recession, recovery and growth, and that aligns policies and practices in industrial strategy, employment and skills in order to achieve that transformation'*. This involves a *'much stronger alignment of national industrial skills and economic development policies, clear ownership and responsibility for the development of jobs and employment, and more effective integration of national policy with regional/local strategies and action'* (p. 147)
25. Priority 2 is *'to support effective economic development in cities and local communities, built upon economic and labour market strengths and opportunities, and maximising the skills of the local working-age population'*. The report repeatedly notes that skills levels and economic indicators vary across the United Kingdom, and identifies a *'need to close the gaps in economic performance and employment between the nations, regions and sub-regions of the UK'*, as well as to provide a more bespoke services for individuals, businesses and communities. It calls for more decentralised policy-making and work through *'effective partnerships'* (p. 147).
26. Priority 3 is *'to develop more agile and responsive skills and employment provision, capable of anticipating and rapidly meeting employers' evolving skills and job requirements'*. This system, operated by *'our colleges, universities and training providers'*, will be a *'system that meets today's needs, and anticipates and adapts quickly and effectively to the challenges and opportunities of tomorrow'*. (p. 147)
27. The fourth priority is *'to transform individual aspiration and skills into a World Class workforce, maximising the motivation and opportunity for all people to develop and exploit their talents and skills to their full potential'*. Because there are fewer young people and an ageing workforce, competing effectively will *'require the UK to tap the talent of all adults in order to maximise both economic competitiveness and people's quality of life'* (p. 147)

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28. The final pillar of this part of the Commission's policy is *'to build employer ambition and capacity to be World Class, capable of competing globally in the high skills, knowledge-driven economy, by optimising the talent and skills of their people'*. The report already noted that about a third of employers don't provide training. *'To recover from recession and thrive in the new global economy, employers must become more productive and effective in their field. Businesses will need to build their future on innovation, quality, high value added and efficiency. Public and voluntary employers will have to do far more with far less in the next decade when public expenditure will be under unprecedented pressure'* (p. 147).
29. The report stresses that employer ambition cannot be effectively grown unless management and leadership practices are improved. *'The UK has a relatively long tail of managers who are not well qualified and [who] do not apply accepted management techniques'*. Only 43.3 percent of UK managers have a degree, a low percentage in global terms (in Japan, it's 70 percent, and almost 60 percent in France and the U.S.) (p. 133). Furthermore, poorly trained managers cannot effectively utilise a skilled workforce, negating the economic benefit of increasing skills rates in the first place (p. 10-11). The Commission advocates the adoption of High Performance Working Practices (HPW), components of which include:
- *high involvement: high employee involvement practices encourage a much greater level of trust and communication between employers and employees through involving them more in the organisation;*
  - *human resource practices [that are] specifically targeted to create a greater depth of human capital investment and skill formation within the organisation, and;*
  - *reward and commitment: practices to facilitate a greater sense of belonging and commitment to the organisation* (p. 127).

## Gaps in the system

30. The paper also identifies a number of gaps in the system. Firstly, there is an *'implementation gap ... where delivery on the ground does not always fulfil the ambition of the policy promise'*. This, the Commission argues, is in part due to the complexity of the skills system the Government has established (p. 140-1). *Ambition 2020* refers to the Commission's plans for skills simplification, published in 2008<sup>4</sup>.
31. Secondly, there is a *'policy gap'*, in which *'too much emphasis has been placed on raising the skills, and in particular, qualification levels of the workforce relative to other dimensions of the agendas and too little emphasis has been given to integrating the skill and employment agenda and their relation to economic performance'* (p. 141).
32. Finally, there is a *'measurement gap'*, which is a consequence of the policy gap. *'Progress is measured primarily in terms of the qualifications of adults, rather than a wider range of relevant success measures'* (p. 141).

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<sup>4</sup> See the LSIS Brief Guide to this paper at:  
<http://www.lsis.org.uk/Libraries/Documents/BGSimpofSkillsUKCES.sflb>

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33. To fill these gaps, *Ambition 2020* offers a 'new strategic framework'. This is a graph, found on pages 142 and 143 of *Ambition 2020*, and on page 8 (Appendix A) of this document. The framework 'crystallises the structure and narrative of this report into a framework which connects the various dimensions of the agenda and policy into a system to better connect skills, employment and economic development policy', and 'would provide the opportunity for greater alignment, coherence, balance and integration across the system and could generate enhanced synergy, effectiveness and impact' (p. 141).
34. The framework visually outlines the main components of skills supply and demand (the first in red, the second in orange), and the possible matches or mismatches between them (in grey), showing how these influence economic performance (in white) (p. 142-3).
35. The report concludes that 'overall ... we believe that the balance of future policy development could usefully be redirected towards the demand side, both overall and within each component', and that, to further this goal, 'we should seek to raise employer ambition and stimulate the demand for a more highly skilled workforce'. The paper also argues that Britain could more effectively employ skills in the economy, take 'action in the field of management and leadership' and attempt to 'build a post-recovery economy which moves further up the value chain and which values, above all, the importance of a highly skilled workforce' (p. 146). The success of the Government's skills targets relies 'fundamentally on employers and individuals 'raising their game'', by seeking higher skills levels in the workforce and for themselves, but the Government has a central role in encouraging this and 'acting as enablers in the system' (p. 146).
36. The report also argues 'it would be valuable to position skills provision and development more proactively in relation to the needs of the economy, in both recession and recovery, by seeking to identify the 'jobs of the future' and the 'strategic skills needs' associated with them, to better inform people, agencies and providers of the potential opportunities that may lie ahead' (p. 146).

## The Five-Year Plan

37. UKCES also published a 'five-year strategic plan' alongside *Ambition 2020*. The plan<sup>5</sup>, which covers the 2009-14 period, lists three strategic priorities, closely related to the five key priorities in *Ambition 2020*. These are:
  1. building a more strategic, agile and demand-led employment and skills system;
  2. maximising individual opportunity for skills and sustainable employment, and;
  3. increasing employer ambition, engagement and investment in skills (Strategic Plan, p. 15)

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<sup>5</sup> <http://www.ukces.org.uk/PDF/5YSP%20FINAL%20D%20090501.pdf>

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38. The Commission plans to have about 100 staff over this five-year period. Its current budget for the 'core remit' is £9.7 million, not counting money provided to the Sector Skills Councils, which the commission deems to be 'indicative' of the approximate funding level over the next five years (Ibid., p. 39).

## Implications

39. *Ambition 2020* can be best viewed as the latest stage in the implementation of the Leitch Agenda. It does not propose any alteration in the ideology or goals of Leitch, but makes suggestions as to how the Leitch policies might be better delivered.
40. The policies that *Ambition 2020* suggests are only sketched here – detailed implementation will follow, and the FE and skills sector has a significant interest in engaging with the Commission<sup>6</sup>, in particular to elaborate how strategic priority 1 from the Five-Year Plan ('*building a more strategic, agile and demand-led employment and skills system*') could be enacted.
41. For the most part, the stated principles mirror existing Government policies – for example, the creation of a more responsive skills system, the decentralisation of decision-making and attempts to encourage people to take a more ambitious approach to their education and training. It also reiterates the need to emphasise a demand-led approach to the skills system ('*we believe that the balance of future policy development could usefully be redirected towards the demand side*').
42. It is worth noting that the report does state that skills improvement should not be measured solely by the number of qualifications attained (see paragraph 32). The Government has been criticised for relying on qualifications as a simple proxy for skills attainment – the House of Commons select committee on skills made this point in its report on Leitch early in 2009.

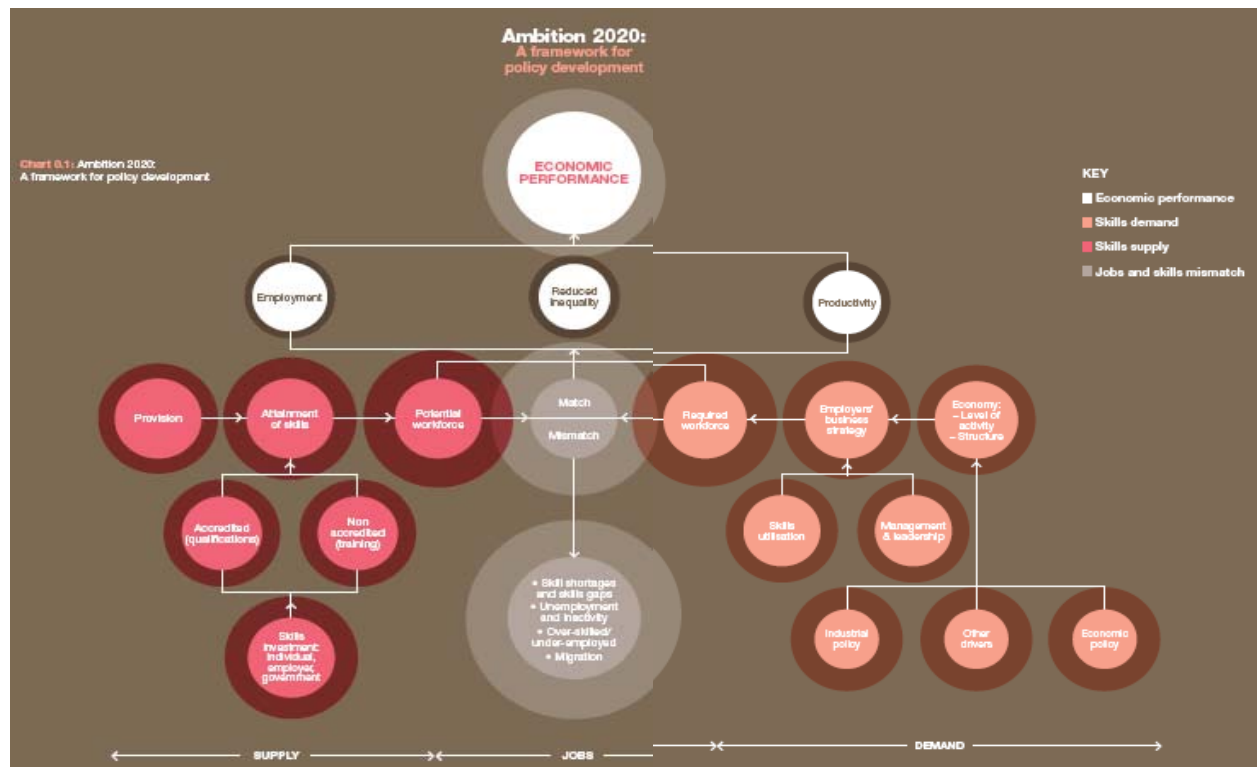
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<sup>6</sup> There is FE representation on the Commission, in the person of Ioan Morgan, principal of Warwickshire College.

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## Appendix A



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