

The learning and skills sector and the economic crisis – stepping up to the mark

Seminar one - 20 May 2009



Responding to the recession – the national strategy

Summary of key ideas from the discussion

1. The recession has fundamentally changed the context in which we work. There is no established route map that can help us navigate with certainty through and beyond the recession. There is significant pressure on all public service professionals to be seen to act to support the national effort. However, we need to act as strategically as possible, on the basis of clear priorities and best available evidence of where long-term impact will be greatest. We also need to mobilise intelligent action at every level of our organisations and of the system.
2. The term *agile knitter* was coined to express the idea that we need people who can create coherent responses out of the range of options they face, whether developing a curriculum for recently unemployed people, or making strategic decisions at institutional level, or indeed at the level of national government policy. Coherence at the top of the system can reduce the level of ingenuity needed in the locality, but even with a clear and coherent national strategy, professionals need the headroom to be proactive in shaping and crafting responses to their particular and local reality.
3. We need to be able to gather intelligence at many different levels in order to create a richer understanding of what is happening in the economy nationally and locally, including labour market trends. While there is a clear place for national and sectoral analysis, that must also be fed by the reality of the local and regional economy which can provide real-time intelligence without the lag often associated with data sets. We need a highly-sensitive *autonomic nervous system* that transmits data between the centre and the outlying areas that are in direct contact with the wider world and which allows differentiated responses at appropriate locations, not just those orchestrated and designed from the centre.
4. The capacity for responsive and innovative action at a local level, as distinct to plan-led action driven primarily from the centre, should be extended. This would allow different communities to focus on priorities and solutions that are fit for their context – whether focused on enterprise skills, on supporting newly-unemployed people, self-employment or specific or soft skills. Local actors and leaders take seriously their role as caretakers of the economy, and being in direct dialogue with citizens and customers, are best-placed to understand and respond with agility to skills needs as they unfold – if supported by more flexible funding. Effective local action could be enhanced through networks of providers playing to their strengths and collaborating to achieve locally agreed priorities.



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5. While skills and industrial activism can be part of a strategic response, they should not lead to a domination of planning over market mechanisms - ie the capacity to respond to the actual demand encountered. Although the recession might be seen as a failure of market mechanisms it is also a failure of planning - both the market, the traditional solution of the political right, and planning, the traditional solution of the political left, have failed. A new and more differentiated settlement between planning and market mechanisms is needed.
6. The government's capacity to predict the future shape of the economy is important but limited, as illustrated by the current recession. However where policy decisions are clear, such as those to expand nuclear power and invest in green technologies, future skills can be predicted and government can plan and invest to develop appropriate skills ahead of demand. An example was given where a college had invested facilities for training people for this new type of green technology business, but that the qualifications did not exist yet and so the LSC would not fund provision. This is an illustration of national economic ambitions not translating swiftly enough to localities – a case where key parts of the FE nervous system failed the nation.
7. Given the urgency in the current climate for efficient use of resources, we must identify and address inhibitors of effective practice. We identified several constraints, including overly prescriptive funding streams, slowness in the development of new qualifications, and performance measures and targets which do not allow the vital '*knitting*' to be carried out without penalty to reputation or financial viability.
8. We need funding mechanisms that allow us to make the greatest possible impact with the money available, on the actual needs encountered and within broadly agreed priorities. The description of funding as 'demand-led' is unhelpful as currently operationalised given that it can only be drawn down for a highly prescribed category of demand, not the range actually needed by individuals or businesses. Also, demand already outstrips the available resource and therefore has to be rationed - and is likely to increase in the recession. The promise of 'demand-led' is not therefore delivered to customers.
9. Efficiencies and enhanced impact might be achieved through greater flexibility to use funds more innovatively. For example, by reducing the number of funding streams it would be possible to replace intervention-led policies by bigger picture priorities-based funding. This chimes with the proposal to move away from narrow numerical targets to outcomes-based measures such as progression to employment. Funding silos make it more difficult for providers to achieve efficiencies of scale and to be able to flexibly deploy resources to meet needs, in the more stringent times will increase the risk of insolvency. Funding mechanisms might move away from being based on a fixed price towards an approach where individual or networks of providers bid to achieve the greatest value and impact with the resource available, responding to both nationally and locally-identified priorities.
10. Accounting for public money by demonstrating numerical outputs is defensible but can inhibit best use of public money by directing attention away from the broader policy intentions. We are operating within the PSA targets and performance measures set within a different phase of development and for a very different financial climate. It would be more valuable to measure success in terms of economic impact, for example on increased productivity or earnings as a result of skills development. Equally, the impact on a local community, including sustainable employment, might be measurable over time.

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11. Can we create some safe space for innovation and experimentation around measuring impact which does not carry the risk of providers' performance and reputation being jeopardised? Can we look at how we enable flexibility of response while sustaining confidence in the quality and outcomes of provision?
12. The inevitable reduction in public sector funding in future years will also demand that we think afresh about how we bring about change and innovation. Rather than assuming new money will fund new priorities, it will be down to the agile knitters at all levels of the system to recraft existing resources to meet new needs and expectations.

Caroline Mager
Executive director, Policy and strategic intelligence, LSIS

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Keynote presentations

David Shaw, Head of Policy, Economic Impact Unit, DWP

13. David's presentations included a series of slides, which can be accessed through the LSIS website.
14. David's contribution was divided into three parts: an overview of the current state of the labour market, the DWP response, and an indication of what his department would like the FE and skills sector to do to help fulfil policy goals.
15. David explained that the labour market indicators present a complex picture. On the one hand, headline levels of employment are falling, and unemployment levels are increasing, (both in terms of the number of people seeking benefits and by the ILO measure of unemployment). On the other hand, the job market still has some 450,000 vacancies.
16. Furthermore, most unemployed don't stay out of work very long. DWP figures show that about 50-60 percent of the unemployed are back in work after three months, and 75 percent after six. More people are leaving Jobseeker's Allowance now than were at this time in 2008. All told, the labour market remains '*dynamic*'.
17. DWP's anti-recession policy has three major elements, David said. First, DWP is increasing funding to Jobcentre Plus ensuring they can deliver a high standard of service to increasing numbers of customers.
18. The second element of DWP's response focuses on those who have been unemployed for six months. Several programmes have been instituted to expand the job and training opportunities open to them, including:
 - '*golden hellos*', which are £1,000 recruitment subsidies paid to employers who hire new workers. These workers will also receive workplace training;
 - new training places;
 - work-based volunteering options, and;
 - aid to help unemployed people set up their own businesses, including financial support and advice.
19. The final strand of the DWP's anti-recession efforts is directed at those who have been unemployed for a full year, and especially towards people in this group who are between the ages of 18 and 24 (if a person is unemployed early on in life, it makes it more likely they will be chronically jobless later in life). The chief measure DWP is employing is a publicly funded '*guaranteed offer of meaningful activity*' for a period of six months for all young people who have been unemployed for a year. This activity can take the form of:
 - paying jobs, funding by the £1 billion Future Jobs Fund, which will supply the money for new places to local authorities and their partners;

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- recruitment subsidies and training for key sectors, such as care services (which will see 50,000 new places);
 - work-focused training, in the shape of new courses for 80,000 people, and;
 - volunteering with Community Task Forces.
20. David then suggested areas where the FE and skills sector could contribute to his department's work. The guaranteed for young unemployed people comes into effect from January 2010, and FE could help supply the necessary jobs and training. The sector can also tailor work-focused training to local needs, and make it flexible enough so that the learner can continue the course even after he becomes employed.
21. David noted that the funds described above are, or will be, routed through Jobcentre Plus, and that all these programmes are being studied to determine how well they are serving the unemployed.

John Landeryou, Director, Learning, Quality and Systems Directorate, DIUS

22. John Landeryou from DIUS began by noting that the crisis lacks an agreed starting point. Rather, we became aware of different aspects of it at differing times – some predicted a crisis in 2006 and 2007, as housing prices ballooned, while for others, the crisis began in September 2008 when the American investment bank Lehman Brothers collapsed. No one accurately predicted the crisis, and no one knows what, if any, historical model the current recession will mimic.
23. The unpredictability of the nature of the downturn has made it very difficult to forward plan policies to fight it. Policies are made to address specific aspects as they emerge, and because the public demands some sort of action. At the same time, because faith in unconstrained market forces has been eroded, their influence on policy has diminished. It isn't difficult to work out the possible policy responses, but it is much harder to work out how far or how fast to go in a particular direction.
24. DIUS, John said, is planning for the upturn as well as for the recession, and cited the department's investment in expanding apprenticeships as an example of this. The department is modifying existing programmes and creating new ones such as the training offers linked to length of unemployment.
25. DIUS is keen to '*protect the front line*', meaning that it wants to maintain a maximum level of participation. For this reason, funding is being shifted to the front line from intermediary bodies. Other priorities for the future include supporting training fit for the future economy, and providing a greater proportion of available support to the private sector. The Government has introduced more flexible funding rules, more funding for re-skilling, and is investing in key sectors of the economy (most notably the automotive industry). DIUS is also committed to developing the country's capacity in science and technology.
26. John said that his department was also concerned with the jobless, especially those graduating this year. DIUS has created new intern schemes for the class of 2009, and a new graduate recruitment office.

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27. John urged providers to examine their *'mainstream activities and budgets to complement DIUS's new initiatives'*. There will be a *'premium'* on agility and flexibility, because the recession's course is so hard to forecast. DIUS itself has become more flexible, funding units of qualifications separately and allowing learners to begin qualifications in college and complete them elsewhere. He noted the connection to the *'skills activism'* agenda, in which Government plays a key role in supporting strategic skills needs.
28. DIUS, through the LSC, will also *'become more aggressive in removing poor provision'*. There will probably be *'more and different contestability'*, in which providers will be judged on the price they offer. At the FE system level, success could also be measured differently in the future, for example by the macroeconomic impact of each programme. At the provider level this might lead to more attention being paid to progression rates and employment rates following learning. John also said that diversification should be important for the sector, to allow them to attract a larger number of funding streams.
29. John finished by saying that the *'reputation of the sector has been in the ascendant'* in recent years, but that this wouldn't necessarily last forever. The sector must succeed in meeting the challenges posed by the recession if it is to retain its standing.

Fiona Price, Director of Skills and Migration, BERR

30. Fiona Price spoke for the Department for Business, Enterprise and Regulatory Reform (BERR). She works for the Business Environment Unit, which exists *'to influence the rest of Government on issues important to business and the economy'*. It does not, however, simply repeat business views but seeks to be a critical friend.
31. From BERR's perspective, the crisis began with the credit crunch. Otherwise viable businesses went to the wall because they could not access short-term credit, while less healthy businesses pleaded for state aid. The Government created a credit scheme to provide loans and capital funding, and allowed businesses to defer some tax payments. The Government also pledged a more prompt payment of invoices (within 10 days).
32. BERR is also planning for the post-recession economy, which poses both challenges and opportunities. Even with the current turmoil, China and India are still growing, albeit more slowly than before, and the global economy will still double in size in the near future. Competition will remain fierce, and the recent judgment of the UK Commission for Employment and Skills (UKCES), which concluded in its *Ambition 2020* paper¹ that Britain will not meet most of its 2020 skills targets, will present a threat to future prosperity.
33. The British economy will take a different shape after 2010. Public spending will be constrained, there will be a greater demand for efficiency in public spending, and the private sector may take a larger role in the provision of public services. Economic growth will be driven by high-value services, which will spur an increase in exports.

¹ http://www.ukces.org.uk/PDF/UKCES_FullReport_USB_A2020.pdf

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34. BERR lays out its plan for managing the transition to the post-2010 economy in a document called *Building Britain's Future – New Industry, New Jobs*². The Government's strategy will be more interventionist, and recognise that market failure is a more frequent problem than previously thought. Government policy will '*work with the grain of the market*' rather than allow the market alone to set the economic agenda. Fiona also said that the Government would try to make '*smarter use of its economic power*'.
35. Whitehall is trying to align its policies across the various departments. In some cases, Fiona said, Government action will not be effective in encouraging economic growth. The state must identify those areas in which its aid will be useful. *Building Britain's Future* focuses on five areas: infrastructure, skills, trade, technology and innovation.
36. Fiona promised more Government help for exporters, technological development and infrastructure development. It would look to provide better economic forecasting and a better understanding of how public expenditure affects certain sectors of the economy.
37. Regarding skills, the Government will identify those skills most needed by the new economy and try to support these. The state must respond to the future skills needs of business, which demand cannot do as effectively as it meets the present, short-term skills needs of business. The Government will work with employers, via the Sector Skills Councils and UKCES, to collect information on skills demand, and increase employer voice in skills development. It will also make sure the Skills Funding Agency (SFA) is sufficiently agile to meet employer demand.
38. For FE and skills providers, these policies will require them to engage with local businesses, and thus become agile, flexible and business-responsive. Providers will be expected to explain to learners why skills are economically valuable, and will be measured on the macroeconomic impact of their provision. Fiona finished by asking what barriers might exist to implementing these principles, and how BERR could help remove them.

Paul Head, Principal, College of North East London

39. Paul offered a response to the departmental presentations from an FE college perspective. He started by responding to an earlier statement that we cannot predict the future of public spending. '*Yes we can!*' The tax burden will increase, but spending will be restrained so that the UK can pay off the enormous debts contracted in fighting the recession and saving the banks. This is unprecedented in recent memory, Paul said – during the 1980s, growth of public spending slowed but it didn't stop it in real terms, which is what we're facing now. Public expenditure has grown especially strongly, and steadily, for the past eight years and we have become used to that environment, but we now have to face a very different scenario.
40. Paul said the departmental representatives '*did a fantastic job bringing coherence to panic*'. For the Government's response has been '*do something*'. But the amount of public money it has directed towards supporting employment, skills and other relief programmes is relatively small – it's '*spending at the margins*'. *We really have to make our funding work for this new scenario.*

² http://www.dius.gov.uk/~media/publications/N/new_industry_new_jobs

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41. There are two elephants in the room: the Treasury, which will be calling for cuts across the board to pay off the debt, and 10 Downing Street, whose public service reform programme might clash with the new economic planning.
42. Paul then moved on to quote Antonio Gramsci, an Italian political scientist (and co-founder of that country's Communist Party). Gramsci spoke of two types of politics: the '*politics of position*', which is about acting to defend guiding principles and values - eg social justice, equality and diversity, local need, public service values; and '*the politics of manoeuvre*', which comprise responses to immediate political demands. The politics of manoeuvre fail to address core problems or solve systemic issues, like the ones identified in the *Ambition 2020* paper. That paper also identifies priorities and principles, such as up-skilling, re-skilling, improving productivity and (especially important) ensuring value for money. These are the strategic priorities that FE must support, with whatever resources it has available.
43. '*Don't panic!*' Panicky initiatives often fail to reduce unemployment or raise skills – rafts of short courses help no one. Institutions must ensure that the Government's funding for these initiatives translates into meaningful outcomes.
44. There should be a focus on the medium and long term as well as the short term, on problems such as long-term unemployment and migration patterns. Creating new jobs is all well and good, but does the electorate little good if they aren't skilled enough to fill them, and they instead go to immigrant workers.
45. Paul advised participants not to join every consortium or sign on to every initiative. Often, providers do this to obtain money and keep themselves in business, rather than actually help fulfil local and national need and policy. '*I'm not running around*', Paul said. '*I'm thinking strategically about what I can do to fight the recession in my area with my overall financial resources*', including the new funds devoted specifically to fighting the recession. (The chair described this as '*the Arsène Wenger approach to running a college*', referring to the Arsenal manager). If providers don't think strategically, then they'll put on a large amount of provision which will have to be cut when the recession ends, creating job losses. There isn't enough guidance to help providers reposition themselves for the changes in funding that will result when the downturn ends.
46. Reconfiguration of providers and the funding and planning arrangements are needed to make a significant impact on employability and skills.

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Seminar participants

Seminar chair:

Simon Jack, business news presenter, BBC

Keynote speakers:

David Shaw, Head of Policy, Economic Impact Unit, DWP

John Landeryou, Director of Learning, Quality and Systems Directorate, DIUS

Fiona Price, Director of Skills and Migration, BERR

Paul Head, Principal, College of North East London, member of LSIS Board

Participant	Job title and organisation
Liz Aitken	Programme Director, LSIS
Stephen Bartle	Director of New Business, Learning and Skills Network
Simon Beer	National Institute of Adult Continuing Education
Nadine Cartner	Head of Policy, Association of College Managers
Garth Clucas HMI	Assistant Divisional Manager, Ofsted
Christina Conroy OBE	Principal and CEO, Richmond Adult Community College
Peter Davies	Principal, City Lit
Cathy Ellis	Director of Harnessing Technology in FE and Skills Improvement and Leadership, Becta
Toni Fazaeli	Chief Executive, Institute for Learning
Kevin Ford	Chief Executive, FPM Training
Julian Gravatt	Director of Funding and Development, Association of Colleges
Peter Grigg	Head of Policy and Research, Make Your Mark
Mary Heslop	Vice Principal, Strategy, Warwickshire College

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Caroline Mager	Executive Director, Policy and Strategic Intelligence, LSIS
Beth Maloney	Director of Policy, Research and Strategy, Oaklands College
Ben Margulies	Policy Research Officer, LSIS
Roger McClure	Chief Executive, LSIS
Elaine McMahon	Principal and CEO, Hull College
Aidan Relf	Communications Advisor, Association of Learning Providers
Dame Ruth Silver DBE	Principal, Lewisham College and Chair, LSIS,
Michael Stansfield	Senior Policy Adviser, BERR
John Stone	Chief Executive, Learning and Skills Network
Christine Tyler	College Specialist, Association of School and College Leaders
Diana Watson	Marketing Director, LSIS
Paul Wright-Anderson	Audit Manager, National Audit Office