

## Skills activism

April 2009

The idea of 'skills activism' begins not with DIUS, but with Lord Mandelson, the business secretary. In December 2008, Mandelson gave a series of speeches on a concept he called 'industrial activism', which he billed as a strategy to support the British economy through the economic downturn.

In a speech to the Royal Society for the Royal Society of Arts (RSA), Mandelson said that industrial activism had five key principles:

- *First, industrial activism does not mean propping up failed companies or running industries from Whitehall. No protection of industry from international competition – because we believe that competition is in our long term interests.*
- *Second, industrial activism means being pragmatic about the ability of markets to enable companies and people to succeed in a rapidly changing global economy. Policy should be activist in the sense that it recognises that government can and must complement market dynamics to get the best outcomes for our society and economy.*
- *Third, industrial activism is shaped not just by what we conventionally label industrial policy but by all government policies –regulation, planning policy, migration policy, transport policy and a range of others – as well as the way government spends money and encourages innovation and entrepreneurship. The central point about industrial policy is how successfully it aligns all these relevant policies to target and deliver industrial outcomes.*
- *Fourth, industrial activism means looking strategically at each sector in the economy, not in order to apply top-down political patronage to companies in these sectors but to assess how horizontal policy can secure maximum benefits across all sectors and reinforce our particular strengths.*
- *Fifth, industrial activism means engaging in Europe and globally to shape the institutions and policies that manage globalisation and global regulation and making sure British companies are exploiting open markets.)*

Mandelson re-affirms the Government's commitment to globalisation, and to maintaining Britain as a competitive force within the structure of a globalised economy. This is the

same concept that underpins Leitch – that the nation’s skills and education systems must equip British workers with the skills and knowledge necessary to compete in a global environment. It also stresses how other policy fields, like education, transport and so on, are part of a wider national economic strategy.

It also suggests a somewhat more activist role for Government in the economy. Regulation will be increased, and the Government will *‘complement market dynamics’* – that is, it will actively intervene in the economy in certain cases to produce a desired result.

In April 2009, John Denham, the DIUS secretary, gave a speech, also at the RSA, that complemented Mandelson’s earlier intervention, introducing a concept called ‘skills activism’. Denham began by giving his interpretation of Mandelson’s industrial activism, saying it is *‘not a return to picking winners, but of consciously organising ourselves for success in the areas of our greatest strength. And this means being coherent across public policy. From what government buys, and whether it encourages innovative solutions and new companies, to where we invest in fundamental research. From how and what we regulate, to the finance for start-ups’*.

The skills secretary then goes on to promise a somewhat more interventionist policy in the planning of skills provision. Significantly, he said: *‘Over the past few years, the skills system has become increasingly demand-led, responding to the choices being made by employers and learners. But while this has produced a more responsive and effective skills system, we know that it has limits as it works at present’*.

Denham suggests that the Government and business need to play a larger role in analysing, and perhaps directing, the determination and fulfillment of skills needs in the United Kingdom. Specifically, he states that *‘we need to understand’*:

- *what drives employer spending on skills and whether our current framework will maximise it.*
- *whether a system that responds to the demands of individual employers will produce the critical mass of learners with the right skills.*
- *whether government and business should work more effectively together in areas of strategic skills needs.*
- *whether national and local government themselves could do more to boost the demand for, and supply of, skilled labour.*

*‘Above all’*, he adds, *‘we need to be more conscious about what drives investment in skills. After all, most skills investment comes from employers, not through my department. And we find that the same factors drive skills investment as other*

*investment – certainty and predictability of market demand, effective and proper regulation’.*

The skills secretary argues for a better understanding of how Government policy can change the skills requirements of a particular sector of the economy – for example, how environmental regulation can increase demand for green workers. *‘It will be an important part of the role of the new Skills Funding Agency to ensure that the skills system becomes sufficiently flexible and sufficiently incentives to meet such demands. The newly licensed sector skills councils must also play a role’.*

Denham also spoke on the need to expand apprenticeships and encourage Train to Gain take-up, and to increase basic skills and use skills as a lever for social mobility. These are all in line with previous Government policy statements.

The Denham speech is the latest manifestation of a recent trend towards questioning the idea of ‘demand-led’ skills. The House of Commons Select Committee on Innovation, Universities, Science and Skills issued a report in January, *Re-skilling for recovery*, which questioned whether employers and learners could adequately provide for the economy’s skills needs through their choices in the open market. The paper argued that they might lack sufficient information and co-ordination to effectively plan skills provision without central planning. In his report on the capital lending programme, Sir Andrew Foster said that ‘demand-led’ capital funding had in large part failed, as demand and supply never equalised, leading to a run on the fund and its suspension. Foster recommended a more centrally planned system, a proposal DIUS accepted. This speech may be another sign that DIUS is stepping back from a total commitment to demand-led, market-controlled systems in FE.

## Contact the LSIS policy team

This policy update has been prepared by Ben Margulies, Policy Research Officer, LSIS. Your comments are welcome – please contact Ben by email on [ben.margulies@lsis.org.uk](mailto:ben.margulies@lsis.org.uk).

**Caroline Mager, Executive Director, Policy and Strategic Intelligence**

[caroline.mager@lsis.org.uk](mailto:caroline.mager@lsis.org.uk)

Telephone: 020 7297 8438

**Ben Margulies, Policy Research Officer**

[ben.margulies@lsis.org.uk](mailto:ben.margulies@lsis.org.uk)

Telephone: 020 7297 8439

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