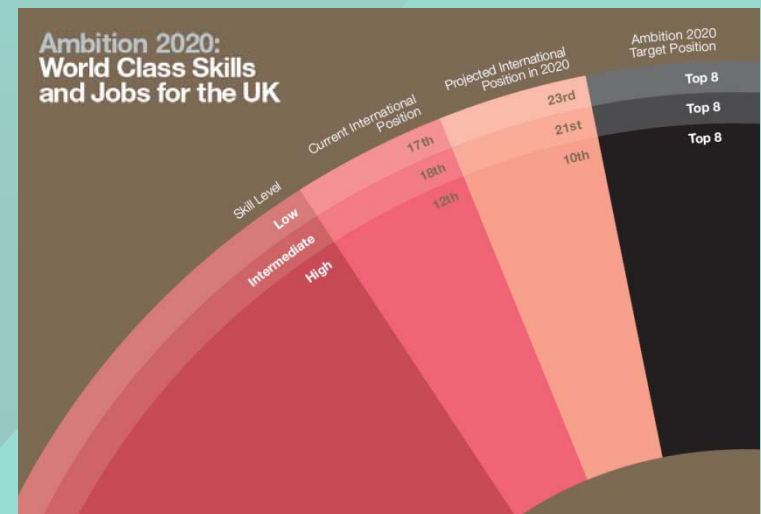


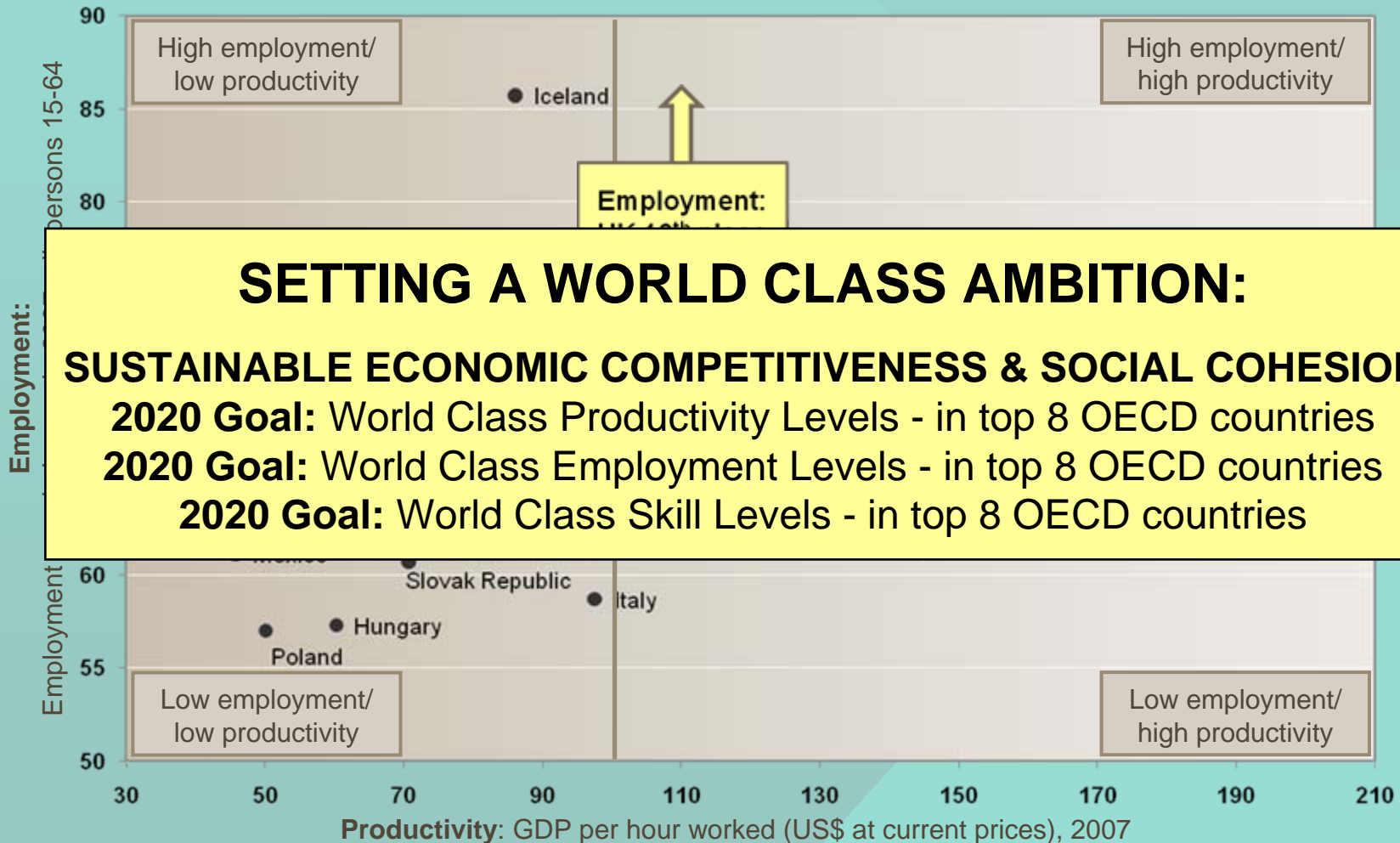
# Ambition 2020: World Class Skills and Jobs: Implications for Sustainable Economic Growth

**PMSU/BIS Seminar  
Cabinet Office, London  
23 September 2009**

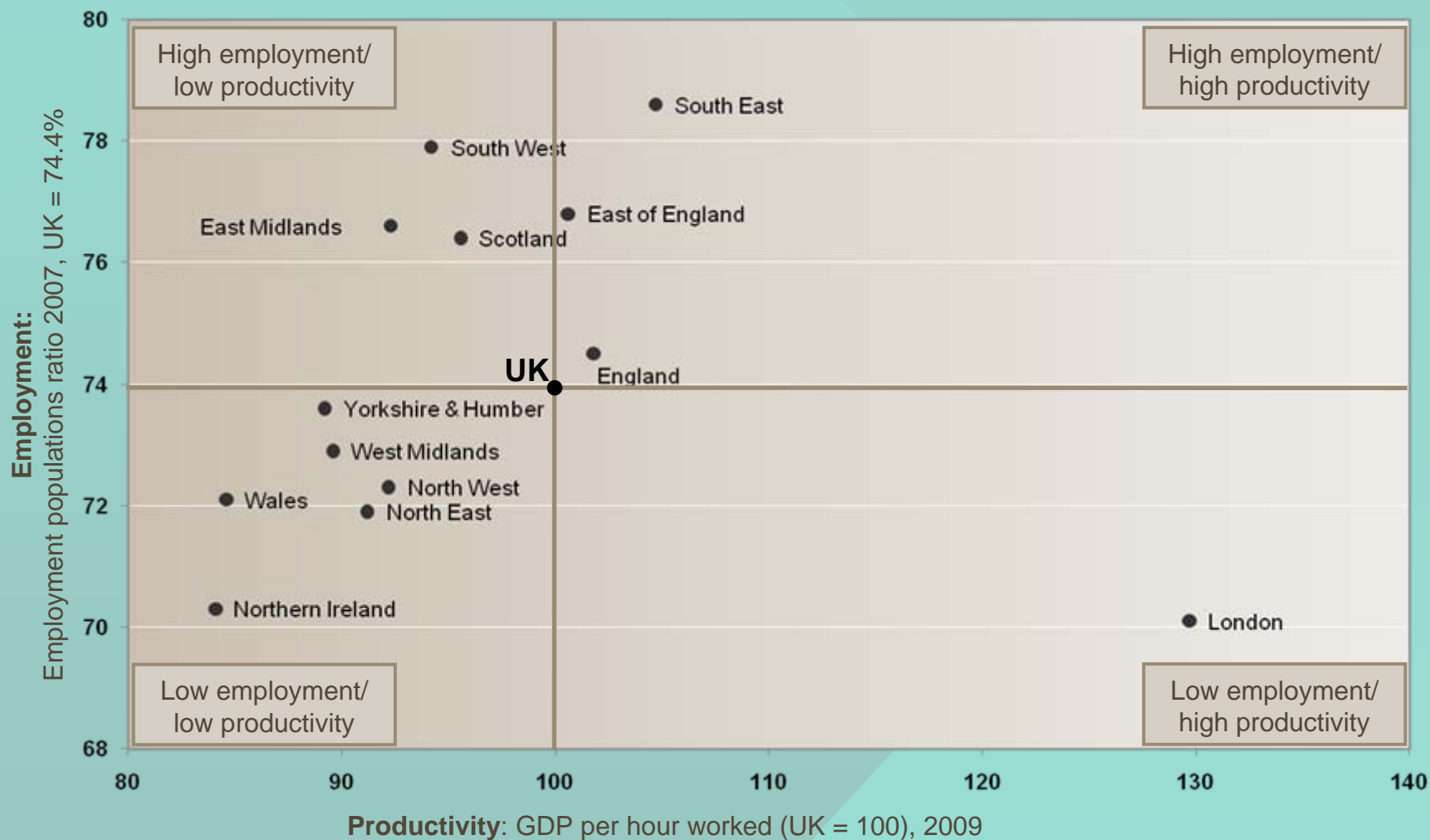
Chris Humphries CBE  
Chief Executive  
UK Commission for Employment and Skills



# Productivity and employment in OECD: Where are we now? Where should we be?



# Productivity and employment in UK



# The UK Qualifications Profile 1997-2007: Good progress over last decade!

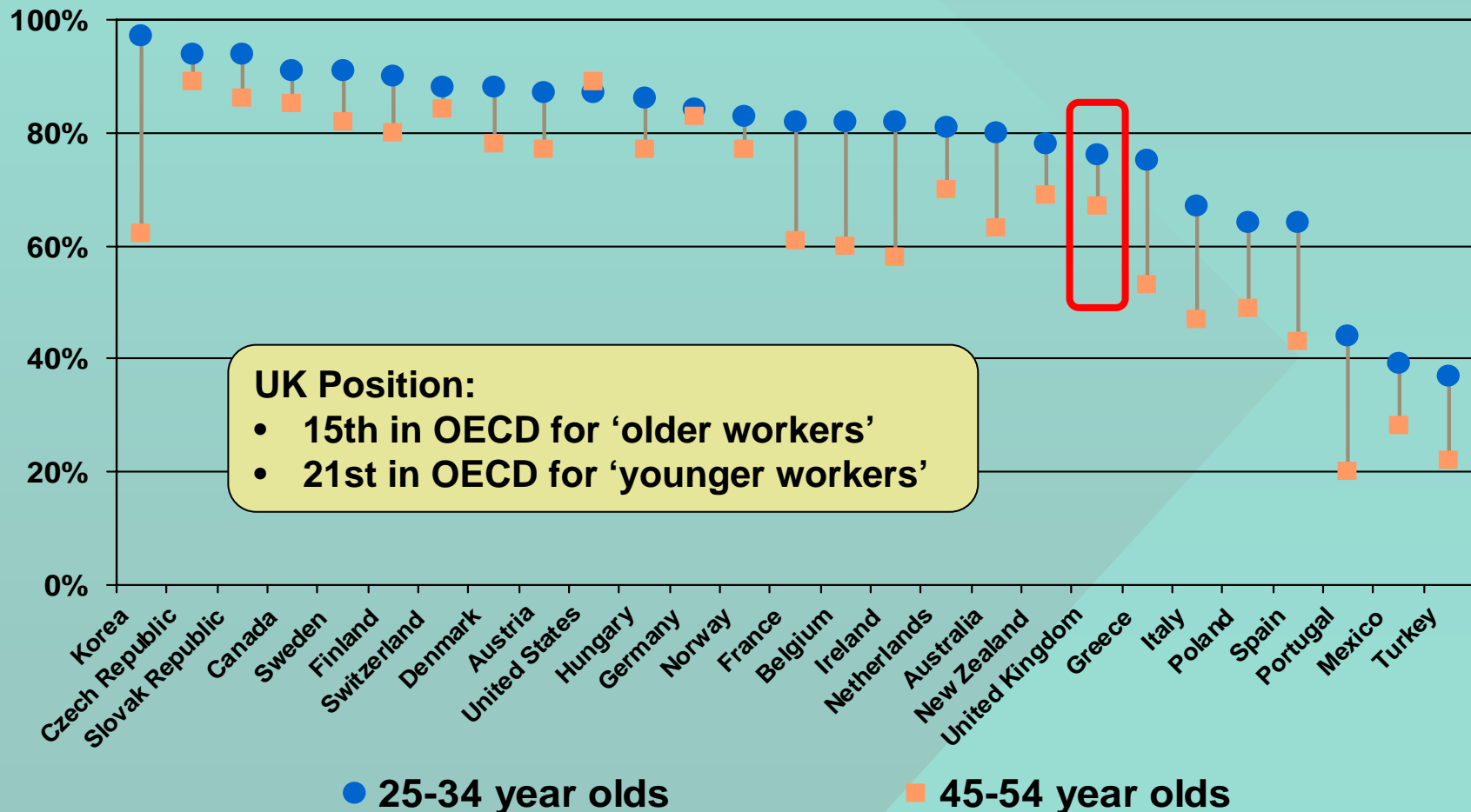
UK Qualification Achievements 1997 – 2007	1997		2007		1997-2007 Change	
	%	Nos ('000s)	%	Nos ('000s)	%	Nos ('000s)
Level 5	3	1087	7	2274	110	+1187
Level 4	18	6101	24	8060	32	+1959
Level 3	18	5999	20	6738	12	+739
Level 2	21	6865	20	6912	1	+47
Below Level 2	21	7074	17	6019	-15	-1055
No Qualifications	18	5920	12	4351	-26	-1569

**+44%** (Levels 3, 4, 5)

**-26%** (Below Level 2, No Qualifications)

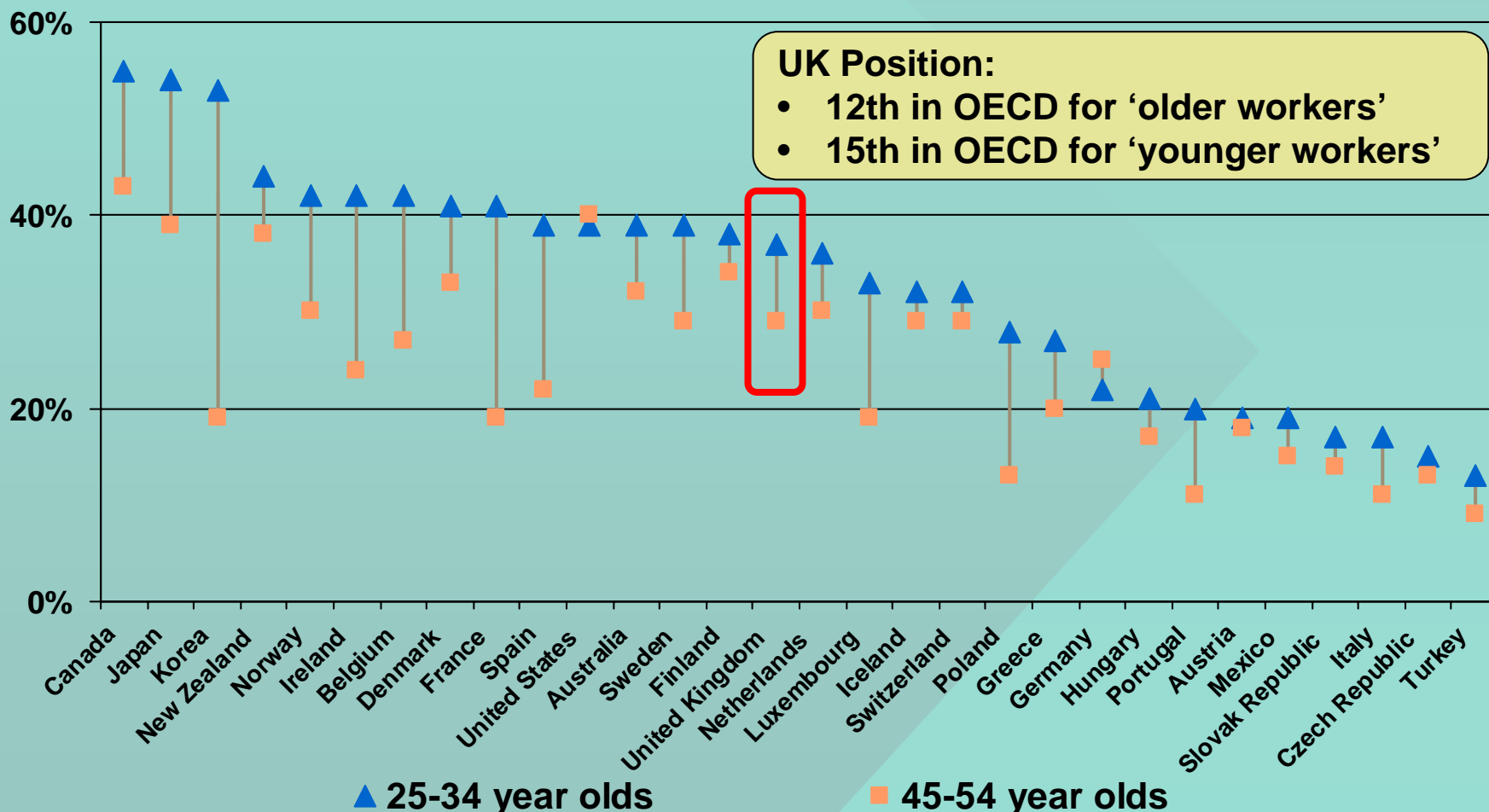
# But the competition is global: Improvements are too slow at school level ...

Population with at least upper secondary education, 2006



# ... and at tertiary level too

Population with tertiary education, 2006



# The International Skills Position 2006

Below upper secondary (low skills)			Upper secondary (intermediate skills)			Tertiary (high skills)		
Country	% Qualified	Rank	Country	% Qualified	Rank	Country	% Qualified	Rank
Czech Republic	9.6	1	Czech Republic	76.9	1	Canada	47.0	1
USA	12.2	2	Slovak Republic	72.5	2	Japan	40.5	2
Slovak Republic	13.5	3	Austria	62.7	3	USA	39.5	3
Canada	14.4	4	Hungary	60.7	4	Finland	35.3	4
Switzerland	15.0	5	Germany	59.3	5	<i>Scotland</i>	34.9	<i>n/a</i>
Japan	15.3	6	Switzerland	55.1	6	Denmark	34.7	5
Sweden	15.9	7	Sweden	53.6	7	Norway	33.0	6
Germany	16.8	8	New Zealand	50.8	8	Australia	33.0	6
Denmark	18.4	9	USA	48.3	9	Korea	32.9	8
Austria	19.7	10	Denmark	46.9	10	Belgium	31.8	9
New Zealand	20.2	11	Norway	46.1	11	<i>England</i>	30.7	<i>n/a</i>
Finland	20.5	12	Finland	44.3	12	Ireland	30.5	10
Norway	20.9	13	Japan	44.2	13	Sweden	30.5	10
Hungary	22.0	14	Korea	43.7	14	<b>UK</b>	<b>30.2</b>	<b>12</b>
Korea	23.3	15	Netherlands	42.2	15	Netherlands	30.2	12
Netherlands	27.6	16	Luxembourg	41.56	16	Switzerland	29.9	14
Scotland	29.5	<i>n/a</i>	France	41.2	17	Iceland	29.5	15
<b>UK</b>	<b>31.0</b>	<b>17</b>	<b>UK</b>	<b>38.8</b>	<b>18</b>	New Zealand	29.0	16
<i>England</i>	32.4	<i>n/a</i>	<i>Wales</i>	38.8	<i>n/a</i>	Spain	28.5	17
France	32.6	18	Canada	38.7	19	<i>Northern Ireland</i>	27.8	<i>n/a</i>

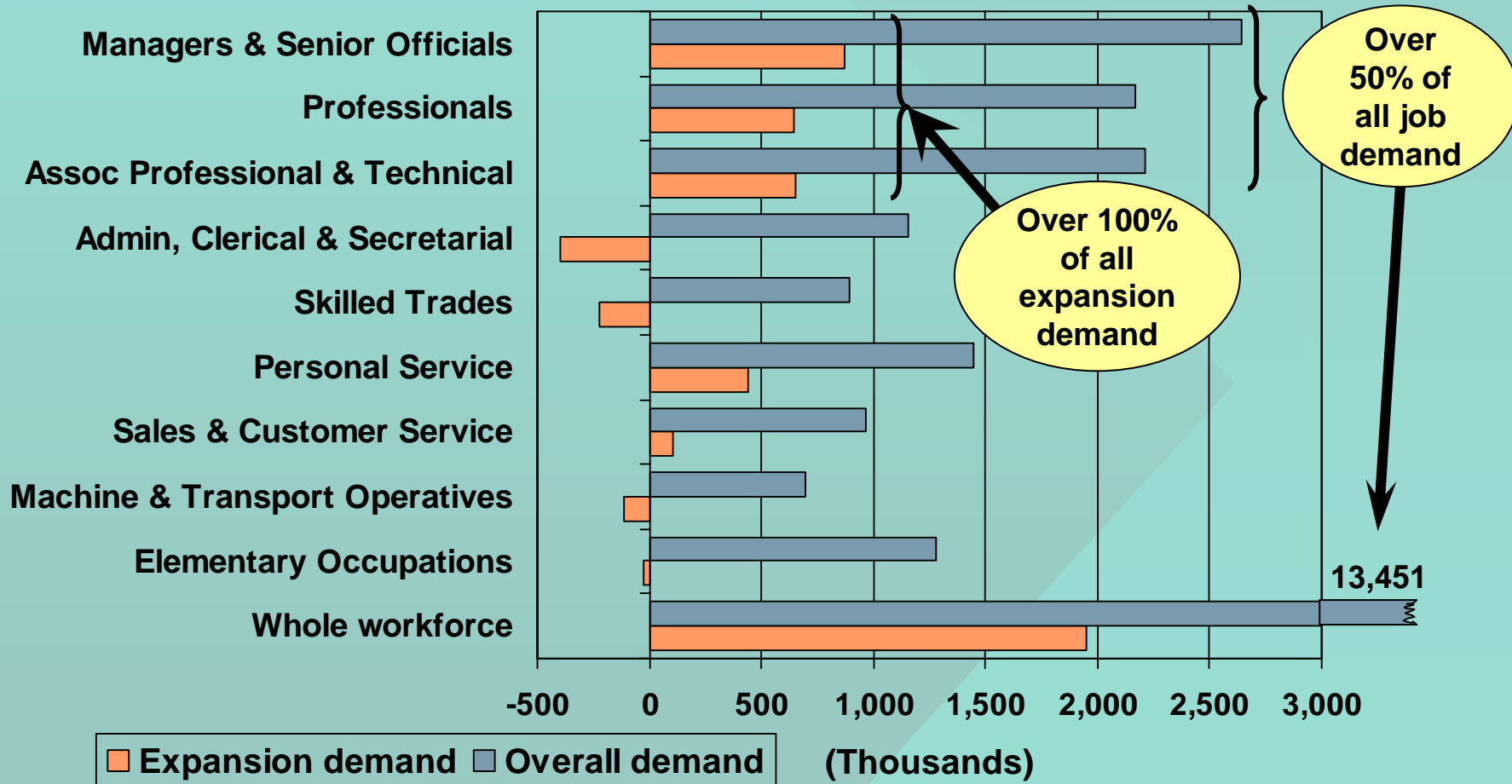
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# Progressive Conclusions

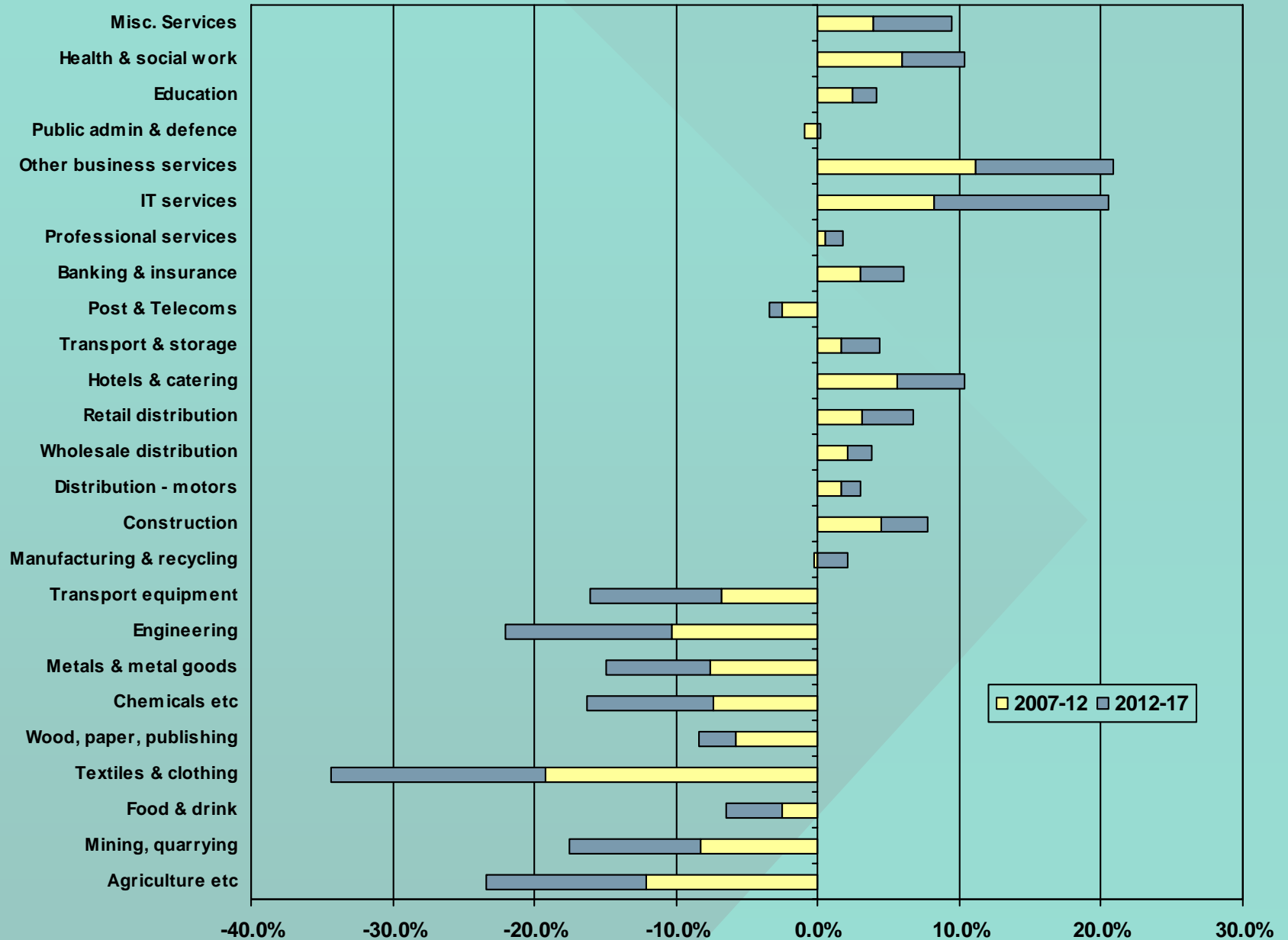
1. UK must aim for high skills, high value added economy
2. We need to raise skill levels – more people, higher levels
3. UK dropping behind on international comparators

**So how will things change over the next decade?**

# UK employment change 2007-2017: Major growth in high level skills



# UK employment change 2007-2017: Continuing sectoral variations



# Progressive Conclusions

1. UK must aim for high skills, high value added economy
2. We need to raise skill levels – more people, higher levels
3. UK dropping behind on international comparators
4. Substantial sectoral and occupational change on the way

**So where do our projections suggest UK will get by 2020?**

# International Skills Projections to 2020

Below upper secondary (low skills)			Upper secondary (intermediate skills)			Tertiary (high skills)		
Country	% Qualified	Rank	Country	% Qualified	Rank	Country	% Qualified	Rank
Czech Republic	5.0	1	Czech Republic	77.2	1	Canada	60.2	1
Sweden	5.0	1	Slovak Republic	75.4	2	Japan	59.9	2
Hungary	5.0	1	Hungary	72.3	3	<i>Scotland</i>	53.8	<i>n/a</i>
Slovak Republic	5.0	1	Austria	63.3	4	Korea	51.8	3
Korea	5.0	1	New Zealand	61.9	5	Denmark	51.6	4
Norway	5.0	1	Sweden	58.8	6	USA	48.0	5
Canada	5.0	1	Germany	57.8	7	Iceland	46.7	6
Netherlands	5.0	1	Ireland	55.0	8	Norway	45.8	7
Finland	5.0	1	Finland	52.3	9	Australia	45.7	8
Austria	6.1	10	Netherlands	51.6	10	<i>Northern Ireland</i>	44.9	<i>n/a</i>
Japan	6.3	11	Italy	49.7	11	Spain	44.2	9
Ireland	7.7	12	Norway	49.2	12	<b>UK</b>	<b>43.5</b>	<b>10</b>
New Zealand	8.3	13	Luxembourg	48.3	13	Netherlands	43.4	11
USA	9.9	14	France	46.6	14	<i>England</i>	42.8	<i>n/a</i>
Switzerland	13.7	15	Greece	44.9	15	Finland	42.7	12
Denmark	13.9	16	Switzerland	44.4	16	Belgium	42.2	13
Belgium	14.3	17	Belgium	43.5	17	Switzerland	41.9	14
Germany	14.4	18	Korea	43.2	18	Ireland	37.3	15
Australia	14.6	19	USA	42.2	19	<i>Wales</i>	37.3	<i>n/a</i>
Luxembourg	15.8	20	<i>Wales</i>	41.6	<i>n/a</i>	Sweden	36.2	16

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# International Skills Projections to 2020 (cont'd)

Table continued from previous slide

Below upper secondary (low skills)			Upper secondary (intermediate skills)			Tertiary (high skills)		
Country	% Qualified	Rank	Country	% Qualified	Rank	Country	% Qualified	Rank
Scotland	16.0	n/a	Australia	39.7	20	Luxembourg	35.9	17
Northern Ireland	19.8	n/a	England	35.9	n/a	France	32.7	18
France	20.7	21	<b>UK</b>	<b>35.7</b>	<b>21</b>	Austria	30.5	19
Spain	20.8	22	Northern Ireland	35.3	n/a	Poland	30.3	20
<b>UK</b>	<b>20.9</b>	<b>23</b>	Spain	35.0	22	New Zealand	29.8	21
Wales	21.1	n/a	Canada	34.8	23	Greece	28.4	22
England	21.3	n/a	Denmark	34.4	24	Germany	27.7	23
Iceland	22.2	23	Japan	33.8	25	Hungary	22.7	24
Greece	26.7	25	Iceland	31.1	26	Portugal	21.2	25
Italy	31.4	26	Scotland	30.2	n/a	Mexico	20.4	26
Poland	50.5	27	Turkey	28.1	27	Slovak Republic	19.6	27
Turkey	55.9	28	Poland	19.2	28	Italy	19.0	28
Portugal	60.0	29	Portugal	18.8	29	Czech Republic	17.8	29
Mexico	74.6	30	Mexico	5.0	30	Turkey	16.0	30

# UK Current Progress to 2020 Ambitions

Skill Level	2007 Actual	2020 Ambition	Projected Outcome	Size of gap
High level skills	31%	40%	41%	+1%
<b>Intermediate level skills</b>	<b>20%</b>	<b>28%</b>	<b>17%</b>	<b>-11%</b>
Lower secondary	20%	22%	19%	-3%
<b>Primary (&lt;12)</b>	<b>17%</b>	<b>6%</b>	<b>16%</b>	<b>-10%</b>
No qualifications	12%	4%	7%	-3%
Basic Literacy	85%	95%	95%	0%
<b>Basic Numeracy</b>	<b>79%</b>	<b>95%</b>	<b>89%</b>	<b>-6%</b>

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5. Projections suggest further decline against OECD
6. Jobs/Skills mismatch 1 – future skills shortfalls:
  - Professional/technical skills (intermediate level)
  - Basic skills, employability, numeracy

**So the UK must be experiencing significant skills shortages and gaps, mustn't we?**

# Low UK skills shortages and skills gaps

## Skills Shortages and Skills Gaps in the UK

	England	Scotland	N. Ireland	Wales
<b>Skills Shortage Vacancies</b>				
%age of establishments	5%	5%	4%	4%
Number of skills shortage vacancies	130,000	16,000	3,000	5,000
Skills shortage vacancies as %age of employment	0.6%	0.7%	0.4%	0.5%
<b>Skills Gaps</b>				
%age of establishments	15%	20%	9%	18%
Skills gaps as percentage of employment	6%	8%	9%	6%

# Over-skilling and under-employment

	England %	N. Ireland %	Scotland%	Wales %	UK %
<b>Over-qualified</b>	<b>39.0</b>	<b>32.4</b>	<b>39.9</b>	<b>39.9</b>	<b>39.0</b>
Comprising:					
real over-qualification	16.7	12.5	17.3	19.4	16.8
formal over-qualification	22.3	29.8	22.6	20.4	22.2
<b>Over-skilled</b>	<b>32.7</b>	<b>33.6</b>	<b>30.4</b>	<b>37.6</b>	<b>32.7</b>
<b>Under-qualified</b>	<b>14.0</b>	<b>11.8</b>	<b>12.8</b>	<b>13.4</b>	<b>13.8</b>
<b>Qualification matched</b>	<b>47.0</b>	<b>55.8</b>	<b>47.3</b>	<b>46.8</b>	<b>47.2</b>
Amongst which:					
matched but over-skilled	12.3	16.2	10.2	14.8	12.3

## Definitions:

Over-qualified: an over-qualified individual has a qualification at a higher level than that currently required to get the job they hold.

Real over-qualification: over-qualified and over-skilled

Formal over-qualification: over-qualified but not over-skilled

Over-skilled: perceived under-utilisation of skills

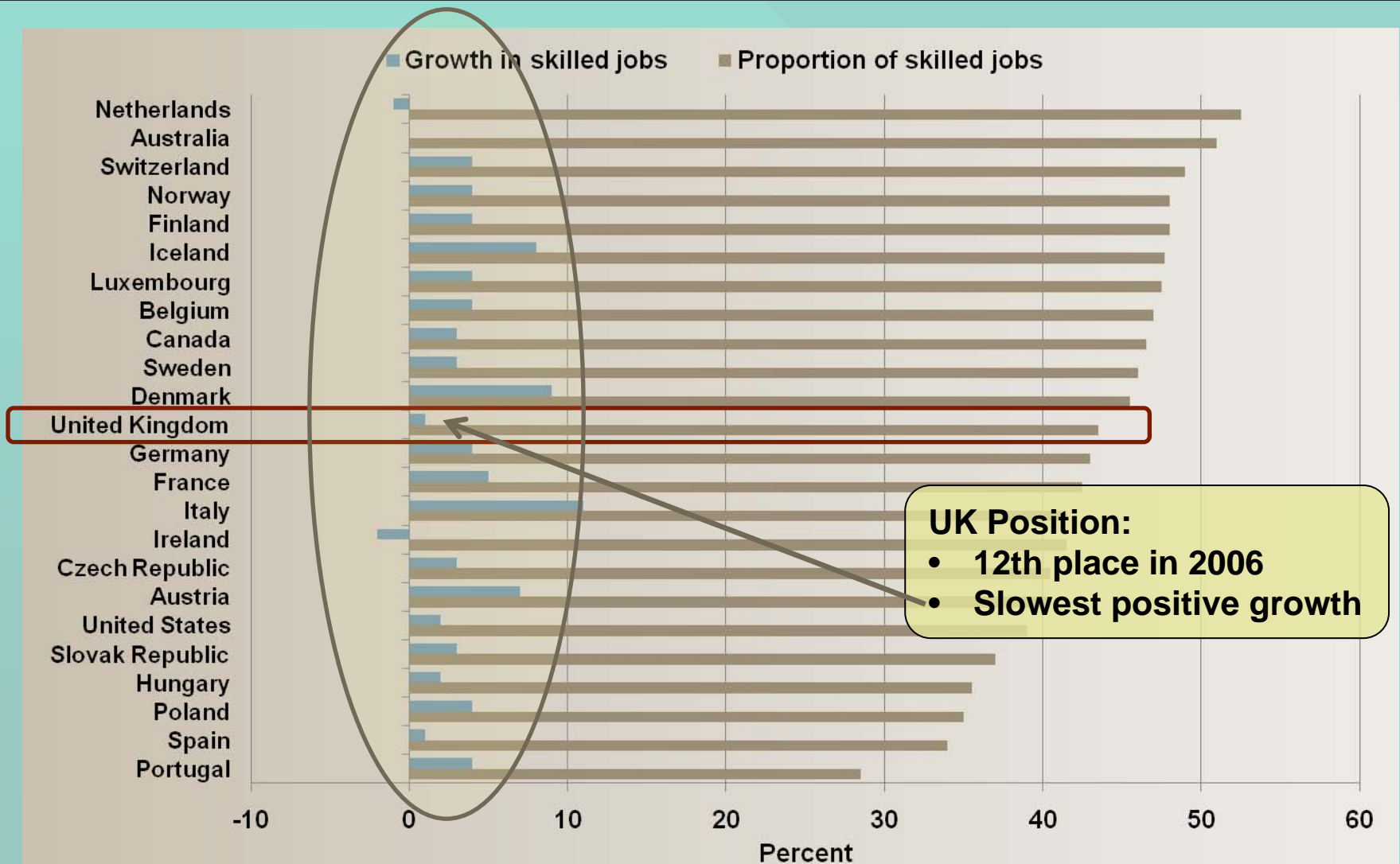
Under-qualified: an under-qualified individual has a qualification at a lower level than that currently required to get the job they hold.

Qualification matched: neither over-qualified nor under qualified

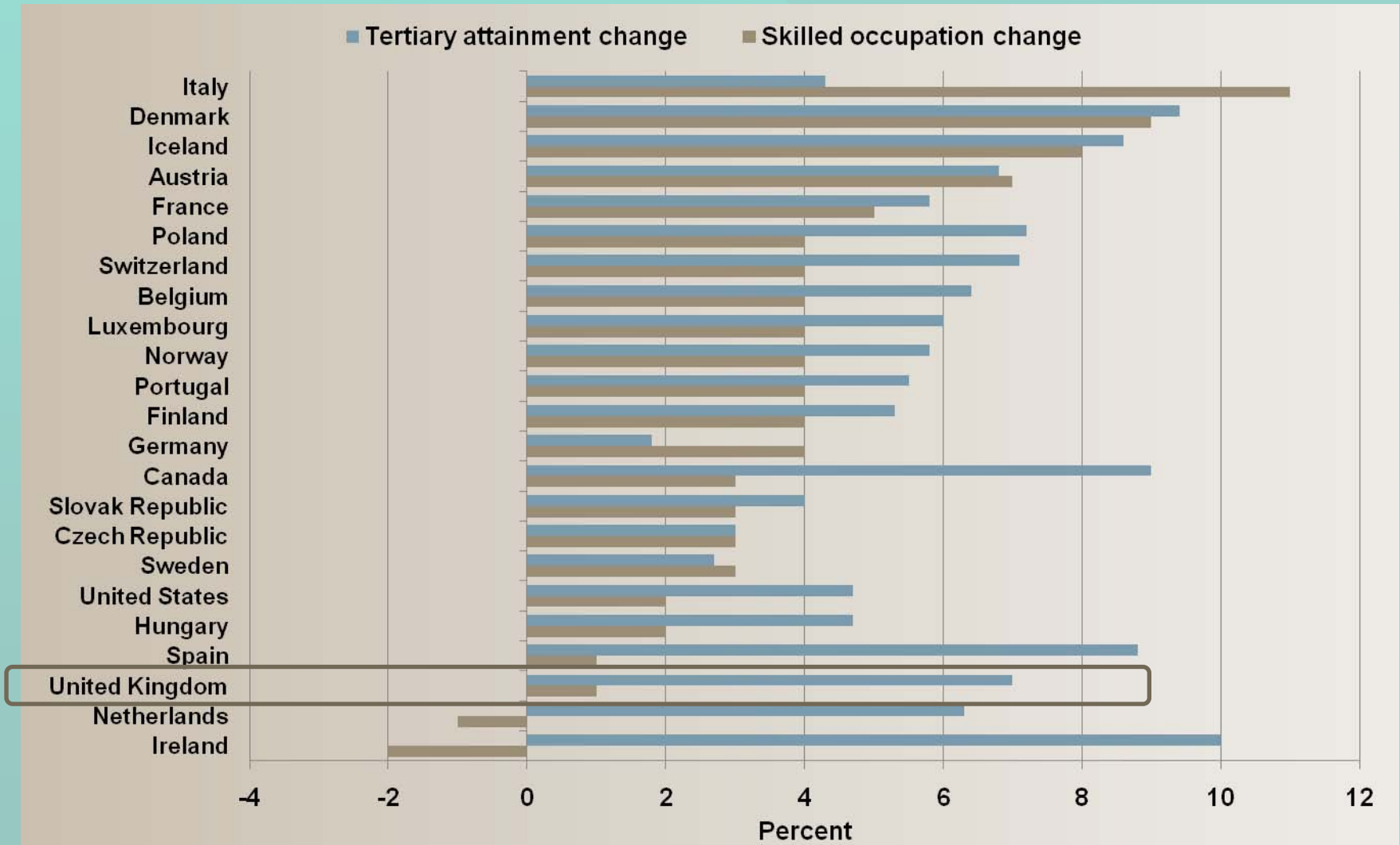
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6. Jobs/Skills mismatch 1 – future skills shortages/gaps:
  - Professional/technical skills (intermediate level)
  - Basic skills, employability, numeracy
7. Jobs/Skills mismatch 2 – skills supply vs job demand
  - Growing levels of over-qualification
  - Or is it under-utilisation of skills?

**How is the UK doing on creating high skilled jobs?**

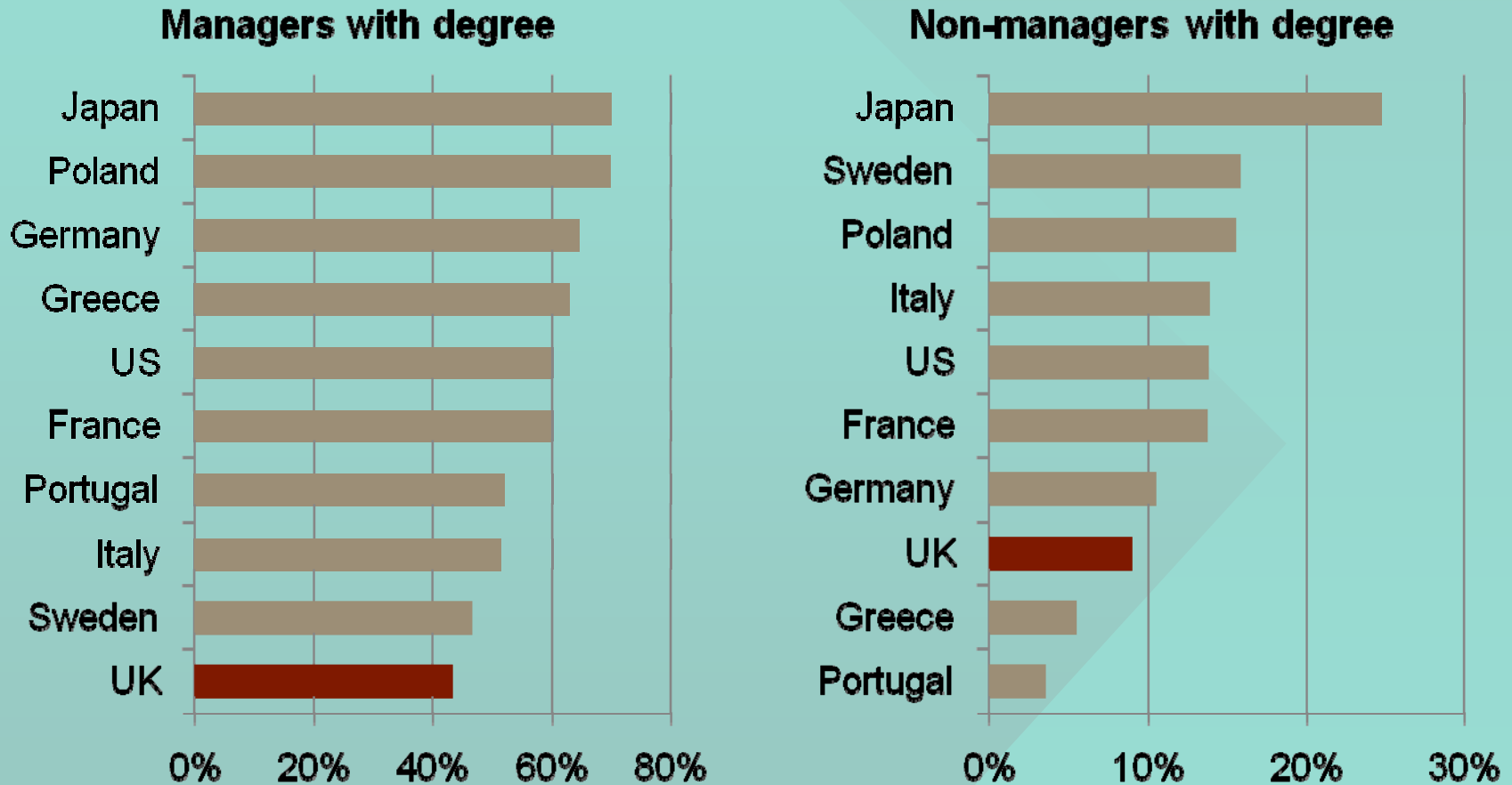
# Slow progress to a high skill economy: Change in skilled jobs between 1998 and 2006



# Difference between skills supply & demand: Change between 1998 and 2006



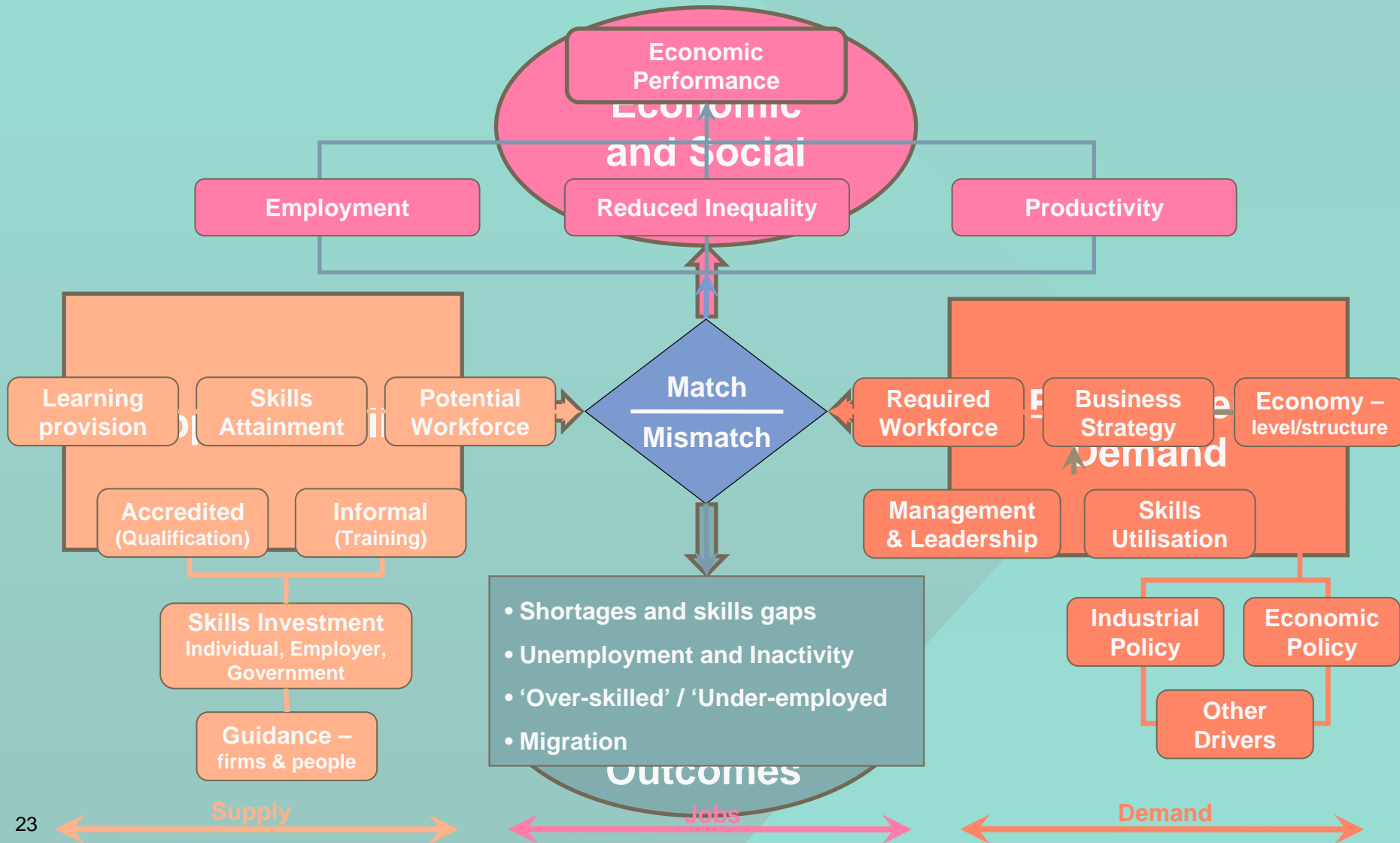
# UK- low levels of qualified managers



- Major UK variations across sectors –14% to 63%; poor in SMEs
- Manager qualifications highly correlated with innovation & performance

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7. Jobs/Skills mismatch 2 – skills supply
  - Growing levels of over-qualification
  - Or is it under-utilisation of skills?
8. Lowest positive growth in high skilled job creation in OECD

# A framework for skills and jobs



# Skills challenges for three clusters

## **A. *Growing in real terms and as share of economy***

- Strong mix of tradable & non-tradable
- Typically require full spectrum of skills; high dependency on intermediate skills
- High levels of over-qualification/under-utilisation – low high skill job creation
- High performance working; employee engagement
- Non-tradable services face major regional skills challenges
- Leadership and management weaknesses, esp. in non-tradable

## **B. *Growing in real terms but falling as share of economy***

- Mostly tradable, mostly declining labour intensity, fewer low skilled jobs
- Currency of skills, esp. technological skills; intermediate level skills
- High performance working practices; employee engagement
- Leadership and management; environmental sustainability, innovation

## **C. *Contracting in real terms and as share of economy***

- Tradable, low-wage, production/extractive industries
- Labour intensity continuing to decline
- Significant innovation requirement to avoid industry collapse
- Transferable skills, re-skilling, leadership and management