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BACKGROUND TO THE REVIEW

A1 In 2004 following the publication of *Skills in the global economy* alongside the Pre-Budget Report, Sandy Leitch, a former chief executive of Zurich Financial Services and chairman of the National Employment Panel, was commissioned by the Government to lead an independent review of skills.

A2 The Chancellor of the Exchequer and the Secretary of State for Education and Skills commissioned the Leitch Review to identify the UK's optimal skills mix in 2020 to maximise economic growth, productivity and social justice, and to consider the policy implications of achieving the level of change required.

A3 In particular, the Review was asked to:

- examine the UK's optimum skills mix in order to maximise economic growth and productivity by 2020; and
- consider the different trajectories of skill levels the UK might pursue.

A4 The Review has worked with key stakeholders, including those in government; the departments, agencies and education and training providers with a remit to improve the UK's skills; academia; business as well as trades unions. The Leitch review would like to thank all of the organisations listed in the Acknowledgements in this report.

A5 The Review has drawn on evidence from a wide variety of sources. A Call for Evidence was sent to 250 organisations including employers and their representatives, unions, and organisations providing education and training. Responses to the Call for Evidence were also received through the Review's website. For more information on the Call for Evidence, see Annex B.

A6 The Review team is composed of officials from both HM Treasury and the Department for Education and Skills, with an advisory member from the Sector Skills Development Agency. The Review's UK-wide remit has also ensured close co-operation with officials in the Scottish Executive and also work with the other devolved administrations to ensure proper reflection of differences in data and policy.

A7 The Review aims to reflect the views of employers, providers and learners and welcomes comments on its interim report. The Review will present its final report to the Government in 2006.

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B

RESPONSES TO THE CALL FOR EVIDENCE

B1 In April 2005, the Leitch Review of Skills wrote to 250 key stakeholder organisations inviting them to submit evidence to the Review. The organisations contacted included research institutions, business representatives, government organisations and unions. The Call for Evidence document was also posted on the Review website.¹

B2 The Review received responses from more than one third of the organisations contacted. Respondents are listed in the Acknowledgements to this report.

B3 The objectives of the Call for Evidence were to:

- provide evidence that the Review team could use to develop its analysis, helping the team to minimise the duplication of research conducted elsewhere; and
- highlight issues on which the Review should focus its attention, shaping the direction that the Review would take.

B4 The 11 questions posed were split into six themes:

1. skills in the UK: the current skills profile and its impact on the UK;
2. future challenges: the drivers of demand for skills and the types of skills that will be needed;
3. demand for improved skills: demand for skills from employers and individuals;
4. education and training: delivery mechanisms for education and training and their relevance to the labour market;
5. priorities: priorities for the UK and for the Review to take into consideration in its analysis; and
6. adding value: how the Review can build on existing research.

Provision of evidence **B5** Evidence provided by research organisations has helped to inform the Review's evidence base. Many respondents included links to research conducted by academic institutions, and the results of surveys conducted by business representatives and unions of their members.

B6 The principal output of the Call for Evidence, however, has been to highlight issues of particular concern to respondents, and within this to reveal the differences in emphasis between different groups. There were no clear overall priorities emerging, though certain recurrent themes did emerge and these have been reflected in the text throughout the interim report. The main recurrent themes are summarised below.

Skills in the UK **B7** There was general agreement that there were problems with the skills profile in the UK. Although some respondents recognised that there had been recent improvements, all agreed that there were some areas of the current skills profile that were damaging the UK's social and economic prospects.

B8 The wide range of submissions of evidence received by the Review did not point to a clear area of priority for future action. Instead, respondents emphasised skills needs across the spectrum. Respondents highlighted the need to:

¹ Leitch Review Call for Evidence, www.hm-treasury.gov.uk/leitch

- improve basic skills: to reduce social inequality and poor employment prospects, and increase productivity and flexibility in an increasingly tight labour market;
- improve generic and transferable skills: to maintain a flexible workforce, maximise employability, and supply skills necessary to allow for changes in the profile of employment in the UK;
- improve maths and science achievement by 16 year olds: ultimately to increase flow into maths and science-based careers;
- increase the supply of intermediate and technical skills: to overcome skill shortages in vocational and practical occupations; and
- improve the supply of high-level skills: to support competitiveness of high value-added industries by ensuring quality as well as quantity.

Future challenges B9 Global competition, technological and demographic change are highlighted as key challenges to be faced by the UK between now and 2020. Most respondents expected trends observed over the past decade to continue; leading to increases in service sector employment, changes in the skills required in all occupations, and continued economic growth in emerging economies such as India and China. However, perceptions of the impact that these changes would have varied considerably between groups. For example, where employers tended to emphasise the rise of highly skilled low-wage economies as presenting opportunities for UK businesses, regional representatives were understandably more concerned about the negative impact that this might have on local workforces.

B10 There was general agreement from respondents that these changes are expected to lead to greater demands for a more flexible workforce, where existing workers are able to learn new skills and adapt to changing working practices. The types of skills required are also expected to change, with emphasis on generic skills such as communication and customer service, on more technical skills such as IT skills, and on maths and science skills.

B11 The ageing of the existing workforce and overall population, and the increase in the proportion of females in the workforce are expected to affect the skills of the UK in two ways; by changing consumer demand and by changing the training needs and work within organisations. A larger retired population relative to the employed population is expected to increase demand for leisure and health services associated with retirement, leading to increased employment in this sector. There was agreement that training *requirements* will change as older workers need to learn new skills, and that working practices will need to be more flexible to support and retain older workers. However many respondents were concerned that older workers were less likely to participate in training and that a culture of lifelong learning had not taken hold in the UK.

Demand for improved skills B12 Employers expressed concern that the impetus for learning new skills should come from individuals rather than employers. They felt strongly that learning should be relevant to the labour market but employers placed heavy emphasis on the need for a culture change. There was a perception that individual motivation for lifelong learning in the UK is not strong, and while there was general recognition from employers that individuals needed to update their skills throughout their working lives, other respondents worried that there was still too much focus, by both individuals and employers, on initial training for a career and not enough recognition of the need to update skills throughout life.

B13 There was some recognition that there were things employers could do to facilitate learning by individuals, such as allowing it to take place during working time or providing dedicated training resources. In addition, most respondents agreed that employers have a role to play in shaping provision of skills to their needs. However, many respondents argued that employers, rather than education and training providers, have a responsibility to fund the provision of technical skills to their employees.

B14 Many academic and regional respondents suggested that the challenges posed by global economic change would require employers to adjust their business strategies towards higher value-added, skill-intensive working practices, as the UK would no longer be able to compete on products and processes that rely on low wages. Employers themselves did not suggest this, however, and were more likely to highlight the benefits to production presented by the lower wage costs of the emerging economies offering highly-skilled workforces at a fraction of the UK's cost.

Education and training

B15 The concerns with education and training provision were unsurprisingly linked to the problems with the skills profile set out above. For example, there was considerable emphasis on schools being the principal vehicles for achieving improvements in maths and science, generic and transferable skills, and basic skills.

B16 The key issue for post-16 education and training was the need for it to reflect employer needs, both in further and higher education. Employers and awarding bodies emphasised the need for the expansion in higher education to be accompanied by high quality provision. There was considerable concern that vocational education does not currently provide a viable alternative to academic education; this was thought to mean both that demand for technical skills might not be met and that employers would not use the increased supply of graduate-level qualifications.

B17 The need for flexible and responsive provision of post-16 education and training was raised by many respondents, particularly employers, and considered vital not only for employer engagement but also in supporting adult learners who need to retrain or upskill.

B18 Respondent perceptions of Government work-based learning policies, such as the National Employer Training Programme and Apprenticeships, were broadly positive. There was high awareness and general support for the principles underpinning these policies, though concerns were raised about the level of bureaucracy associated with certain aspects of them.

B19 Overall, respondents were concerned that education and training provision is being distorted by the organisations connected to its delivery. Respondents suggested that poor interaction between institutions and conflicting objectives and targets are causing confusion, lack of responsiveness and consequently reduced levels of employer engagement.

INTRODUCTION

C1 The ‘supply side’ model looks at the potential skills profile of working age individuals in the UK in 2020, using qualifications as an approximation for skill. The model is based on analysis of individuals’ highest qualification level, using the autumn quarters from 1997 to 2004 of the Labour Force Survey (LFS). Qualifications are assigned to National Qualifications Framework (NQF) levels as described in Table C.5.

C2 The aim of the model is to look at the ‘potential’ supply of skilled labour, and it therefore covers the whole working age population. As the economically inactive are generally less well qualified than the economically active, including such a group lowers the resulting skills profile. However, knowing the potential labour supply would allow us to look at the impact of changes in activity rates over time.

Overall methodology

C3 The model is based on analysis of single age groups for those whose academic age is 16 to 30. This group is the most likely to improve their qualifications over time. Within that group, there are large differences in the rate at which some ages have increased their qualification level. This means that averaging over the 16-30 group would not accurately capture important growth amongst the younger groups. The remaining groups (31 to state pension age) are treated as one age band as the differences in their qualification acquisition rate are less marked.

C4 The average, annual rate of change in the qualifications held by each age group is calculated over the period 1997-2004. This average growth rate is then applied in each year over the period 2005-20.

C5 To keep the forecasts in line with official estimates of the population size, the projections for the percentage of each group that will have a Level X qualification are applied to the Government Actuary’s Department (GAD) population projections of the size of each group.¹

C6 Rolling forward this average growth rate leads, in a few cases, to the projected number of people with some qualification levels in some age groups falling below zero. In such cases, the model is constrained so that the number can not fall below zero. To ensure that the population size for that age group remains consistent, this constraint is counteracted by apportioning the remainder equally among the other qualification levels.

C7 In reality, there may be a ‘natural ceiling’ which is above zero – i.e. there may be a proportion of any given age group who can not attain higher than a particular level of qualification. There is little or no evidence as to the extent or level of such ceilings, and the approach here avoids making arbitrary judgements in the absence of such evidence. Similarly, it may be that growth rates will slow as a group approaches its ‘natural ceiling’, but again such assumptions are not incorporated in the model.

¹The present exercise uses GAD 2003 projections, and will be updated using to the 2004 data for the Review’s final report.

ADDITIONAL COMPONENTS OF THE MODEL

State pension age changes

C8 By 2020, changes to pension eligibility will mean both women and men reach state pension age at 65. The changes for women begin in 2010, so adjustments to the size of the working age population need to be made from that date. The changes imply an additional 1.9 million additional women will still be in the working age population by 2020.

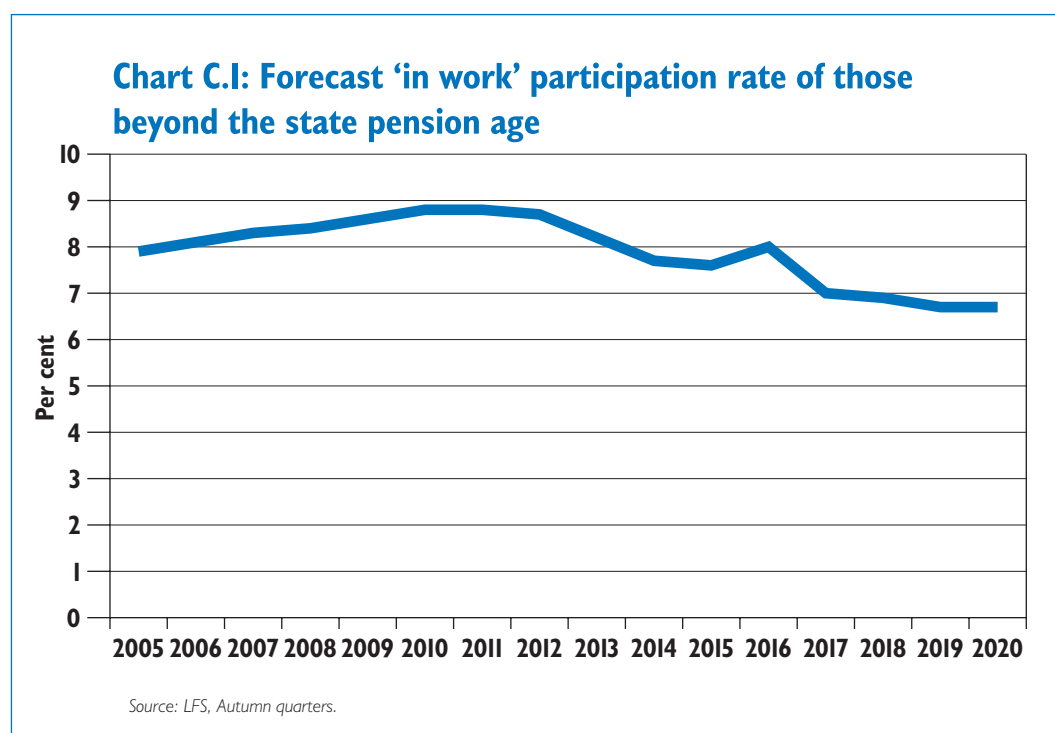
C9 Forecasting the qualifications of this group is difficult. The LFS only has data on the qualifications of women who have chosen to remain in work after they reach the current state pension age (60). This group may or may not be representative of all women aged 60 and over. For simplicity, it is assumed that these women do not improve their qualifications between 60 and their ultimate retirement date. LFS data show that, in aggregate, women over 50 do not typically increase their qualification level significantly, so this assumption may not be as unrealistic as it first appears.

Those working beyond the state pension age

C10 The model includes those who choose to remain in work beyond the state pension age. This group equates to nearly 800,000 in 2004, and so makes a significant contribution to the supply of labour.

C11 Account must be taken of how the size of this group may change over the coming years. The model assumes that the participation rate of this group will continue to grow at its average annual growth rate between 1997 and 2004. This participation rate will be affected by the changes to the state pension age described above.

C12 It is likely that the proportion of those who stay in work beyond state pension age will fall as the legislative changes take effect. Chart C.1 below shows the predicted impact of the pension age changes on the participation rate beyond state retirement age.



Migration

CI3 In and outflows of migrants have an impact on the qualification profile of the population. There is limited information on the qualification level of migrants. Data available suggest that, on average, those entering the UK have lower qualification levels than those leaving the UK. Therefore the scale of the flows in and out is important, not just the net migration flow. GAD data only predicts net migration, so the International Passenger Survey (IPS) is used to derive volumes of in and out migration. Using the trend of overall volumes in relation to the net flow over the last six years, overall flows as a ratio of net migration are calculated. The result is shown in Table C.1.

Table C.1: In and out migration as share of net migration

	Ratio of emigration flows to net migration	Ratio of immigration flows to net migration
Average	1.95	2.95

Source: International Passenger Survey, adults 15-59/64.

CI4 These ratios are then applied to the GAD projection to work out the potential migration volumes to 2020. For example, GAD (2003) predicts net migration to the UK to be approximately 114,000 in 2006 (working age population), so the approach adopted here would suggest that there will be approximately 222,000 ($114,000 \times 1.95$) emigrants and 386,000 immigrants. This allows projections of overall migration flows to be consistent with the GAD estimates of net migration.

CI5 Estimated qualification levels of immigrants are derived using LFS data on the qualifications of those who entered the UK in the last year. The LFS has no information on individuals who emigrate (as, by definition, they have left the country and are not subject to the survey). The most useful data source for information on individuals leaving the country is the IPS. This does not collect information on the qualifications of those leaving the UK, but does have information on their age. The age profile of emigrants is very similar to that of the general population. Therefore the model assumes that emigrants are representative of the general population in terms of their qualifications profile.

CI6 Using the projections of the qualifications of emigrants and immigrants the net effect on the qualifications profile of the forecast migration into the UK can be calculated. The effect for one year (2004) is shown in Table C.2.

Table C.2: Projected relative qualifications of immigrants and emigrants (2004)

	Immigrants	Emigrants	Net effect
Level 4+	62,000	60,000	2,000
Level 3	32,000	45,000	13,000
Level 2	79,000	48,000	31,000
Below Level 2	115,000	40,000	75,000
No qualifications	49,000	30,000	19,000
Total	337,000	223,000	114,000

Source: Derived from LFS (autumn 2004) and IPS.

CI7 Some further exploratory work is required to see if there is a better assumption on which to base estimates of the number of immigrants and emigrants, in order to improve the model.

Current PSA targets

C18 The underlying assumption for the baseline models (see Chapter 3) is that all current skills PSA targets are met. A list of these with an assessment of the extent to which demographic shifts and underlying trends would, if continued, imply that such targets are met, is in Table C.4. This does not equate to an assessment of the ease or likelihood of meeting such targets, nor an assumption that recent trends can be maintained.

C19 Any shortfall is assessed using the UK figures from the model for the particular year and cohort for the target. As targets apply specifically to Wales, Northern Ireland or England, it is important to assess what proportion of the overall change in qualifications can be attributed to each. The distribution of qualifications within the UK in autumn 2004 (Table C.3 below) is then applied to the overall UK figure to generate a better match to the specific target group.

Table C.3: Distribution of qualifications within UK

	England	Wales	Scotland	Northern Ireland	Total
Level 5	85	5	8	2	100
Level 4	83	4	11	3	100
Level 3	83	5	10	3	100
Level 2	84	5	8	3	100
Below Level 2	87	4	7	2	100
No qualifications	81	6	8	5	100
All levels	84	5	9	3	100

Source: LFS, autumn 2004.

C20 Since not all targets are specified in terms of qualifications held by the working age population, some approximations are required. Any shortfall implied by underlying trends is 'added' to the model in order to create a model which illustrates the trajectory assuming PSAs are met. This is not an indication that those targets are necessarily likely to be met. It is assumed that the acceleration required to meet the targets is linear, i.e. if the target has 5 years before it is met, we will gain one fifth of the qualifications required to meet it each year.

C21 Beyond the current end dates for the PSAs, three alternative trajectories to 2020 were considered:

- (a) a scenario where the UK returns to the underlying (1997-2004) level of growth – low trajectory;
- (b) a scenario where the UK continues at the same rate of growth as that required to meet the PSA targets (2004-2008/2010) – high trajectory; and
- (c) a scenario where the UK maintains approximately half of the acceleration – intermediate trajectory.

C22 The baseline presented in Chapter 3 uses the Intermediate trajectory (C21c), and the models for 2020 in Chapter 4 are constructed over that baseline. This is judged to represent a more realistic projection of the future trajectory at an aggregate level, although it may not be the most appropriate if the model were to be disaggregated to each individual target. Further work to refine that assumption will be carried out in the next phase of the Review.

Table C.4 Key UK PSA targets**England**

By 2008, 60 per cent of those aged 16 to achieve the equivalent of 5 GCSEs at grades A*–C.

Increase the proportion of 19-year olds who achieve at least Level 2 by 3 percentage points between 2004 and 2006, and a further 2 percentage points between 2006 and 2008.

Improve the basic skills of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007.

Reducing by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, one million adults in the workforce to achieve Level 2 between 2003 and 2006.

By 2010, increase participation in higher education towards 50 per cent of those aged 18 to 30.

Scotland

The Scottish Executive does not have PSA targets. Instead, they have a series of high level indicators contained within their Lifelong Learning Strategy. However, they are not specified numerically and therefore can not be incorporated in the same way as PSAs. The suite of indicators focus on similar areas of skills as the PSAs for the rest of the UK.

(see www.scotland.gov.uk/library5/lifelong/lilt-00.asp).

Northern Ireland

By 2007, 63 per cent of year 12 pupils to obtain 5 or more GCSEs (or equivalent) at grades A* to C (or equivalent), compared to 59 in 2002.

By 2007, 97 per cent of year 14 pupils to obtain 2+ A levels A-E, compared to 95 per cent in 2002.

To increase the per cent of working age people qualified at Level 2 or above from 63 per cent in summer 2003 to 68 per cent in spring 2007.

To increase the percentage of working age people qualified at Level 3 or above from 46 per cent in summer 2003 to 48 per cent in spring 2007.

By 2007, 18,500 people will have achieved a recognised qualification in Essential Skills compared to 100 in March 2003.

Wales

By 2010, over three quarters of pupils finish compulsory education attaining at least 5 GCSE A*–C or equivalent.

By 2010, reduce the proportion of adults of working age without qualifications from 1 in 4 in 1996 to 1 in 10. By 2010, increase the proportion of adults of working age with a Level 4 qualification from 1 in 5 in 1996 to over 3 in 10.

C23 The methodology for assigning qualifications is based on whether an individual has the required number of qualifications to be counted as having a full qualification at any given level – e.g. two or more 'A'-levels for a full Level 3. Part-level qualifications (e.g. one 'A'-level equates to a Level 2) are only used to assign individuals if they do not have any other full Level 3 qualifications (e.g. GNVQ Advanced).

C24 This framework is currently undergoing change. An eight-level National Qualifications Framework (NQF) has replaced the five-level NVQ framework. The Scottish Qualification Framework (SCQF) has twelve different levels. The frameworks can be compared fairly simply. For example, NQF Level 3 (SCQF Level 6) includes A-levels, Scottish Highers, S/NVQ3, and is defined by a set of criteria which describes the knowledge and competence that qualifications at this level are designed to impart. Similar conversions can be applied to other levels of qualification. The 'old' five-level framework is used throughout for the qualifications model.

Table C.5 Assigning qualifications to levels

Labour Force Survey Spring 1997 onwards – Conversion to NVQ level equivalents							
General qualification Level	LFS list	Ac/ Voc	NVQ level equivalences				
			Level 5	Level 4	Level 3	Level 2	Below Level 2
Higher degree	Higher degree	A	Yes				
	NVQ level 5	V	Yes				
First degree	First degree	A		Yes			
	Other degree	A		Yes			
Other HE	NVQ level 4	V		Yes			
	Diploma in higher education	A		Yes			
	HNC, HND, BTEC etc higher	V		Yes			
	Teaching, further education	V		Yes			
	Teaching, secondary education	V		Yes			
	Teaching, primary education	V		Yes			
	Teaching, level not stated	V		Yes			
	Nursing etc	V		Yes			
	RSA higher diploma	V		Yes			
	Other HE below degree	A		Yes			
A-level or equivalent	NVQ level 3	V			Yes		
	GNVQ advanced	V			Yes		
	A level or equivalent	A			those with 2+	those with 1	
	RSA advanced diploma	V			Yes		
	OND, ONC, BTE etc, national	V			Yes		
	City & Guilds advanced craft	V			Yes		
	Scottish CSYS	A			67%	33%	
	SCE higher or equivalent	A			those with 3+	those with 1 or 2	
Trade apprenticeship	A,S level or equivalent	A			those with 4+	those with 2 or 3	those with 1
	Trade apprenticeship	V			50%	50%	
GSCE A*–C	NVQ level 2	V				Yes	
	GNVQ intermediate	V				Yes	
	RSA diploma	V				Yes	
	City & Guilds craft	V				Yes	
	BTEC, SCOTVEC first or general diploma	V				Yes	
	O level, GCSE grade A–C or equivalent	A				those with 5+	those with <5
Other qualification	NVQ level 1	V					Yes
	GNVQ, GSVQ foundation level	V					Yes
	CSE below grade I, GCSE below grade C	A					Yes
	BTEC, SCOTVEC first or general certificate	V					Yes
	SCOTVEC modules	V					Yes
	RSA other	V					Yes
	City & Guilds other	V					Yes
	YT,YTP certificate	V					Yes
	Other Qualifications				10%	35%	55%

D

COST-BENEFIT ANALYSIS MODEL

D1 Chapter 4 sets out the results of a cost-benefit analysis of some illustrative scenarios for skills policy, assessing their impact against a range of economic and social outcomes. This annex sets out the basis of the cost-benefit analysis (CBA) model the Review developed to do this and the main data sources used.

MODEL OVERVIEW

D2 The CBA model developed by the Review attempts to quantify the main economic and social impacts that different ambitions for skills policy might have. Chart 4.1 sets these out. These are then balanced against the main costs to give a net impact for each scenario. This net impact is discounted using the standard HM Treasury discount rate to reflect the fact that benefits gained in the future are worth less than benefits gained today.¹

D3 The focus of the model is on formal qualifications rather than skills more generally. This is because the range of data needed to perform this analysis is only available for qualifications and, as Chapter 1 discussed, qualifications are a good measure of skills. The Review recognises that in determining the optimal skills mix for the UK, a much wider range of skills needs to be considered. This model represents one tool in a range of tools to consider these issues.

D4 The model is also focused on the quantity of qualifications at a particular level, rather than the subjects taken or the quality of qualifications. The quality of qualifications and mix of subjects taken will affect the benefits gained. An assumption about the future quality of qualifications is partly embodied in the assumption about future wage returns – if the quality of qualifications falls, the wage returns would also fall.

D5 The results from the model therefore represent the scale of potential benefits that could be derived if good quality qualifications are delivered and if individuals, businesses and deliverers of qualifications have the right incentives. The second phase of the Review will consider these issues in more detail.

ECONOMIC BENEFITS

D6 As Chapter 1 shows, the two main sources of economic benefits from improvements in skills are higher productivity and increased employment.

Productivity

Wage returns D7 Chapter 1 discusses the clear evidence that improvements in skills lead to increased productivity. It showed that wage returns represent a minimum bound to the productivity improvements that skills and qualifications can bring – in general, employers would not pay higher wages to someone with higher qualifications if they were not more productive than someone without those qualifications.

¹The Green Book: Appraisal and evaluation in central Government, HM Treasury, 2003.

D8 The CBA model therefore uses wage returns as a measure of the productivity benefits that qualifications can bring. There are a large number of studies on wage returns in the UK and they give broadly consistent results. The level of wage returns can vary depending how qualifications are delivered. For example, returns to NVQ Level 2 are significantly higher when they are delivered in the workplace.

D9 The Review has used data from a study by Sianesi (2003). Table D.1 summarises some of the main results of this and some of the other studies. The consistency of the studies means that the results of the CBA model are not dependent on the study chosen.

Table D.1: Estimates of the wage returns to qualifications (per cent)

Qualification	Sianesi ²	Galindo-Rueda ³	Dearden et al ⁴	Macintosh ⁵	Vignoles et al ⁶
Academic					
Degree	26	29	10-27	26	
A-Levels	15	15	15-23	16	
5+ A*-C GCSEs	24-28	24-28	10-20	27-29	
Vocational					
ONCs	10 for men	7 for men	10 for men	6 for women	
HNCs	15-20 for men	15-20 for men	14 for men	8 for women	
Teaching and nursing	30 for women	20 for women	10 for men	26 for women	
Professional	50	50	20	40	
Basic skills					
Entry level numeracy			11		15
Numeracy level 2			16		20
Literacy			None		None

D10 Those who gain new qualifications are assumed to earn these higher wages for 30 years. This is shorter than the ‘standard’ working life of someone leaving school, but reflects the likelihood that many of the new qualifications in these scenarios will be gained by those who have already left formal education and are in the workforce.

Future wage returns **D11** Analysing the potential benefits of skills policy in the future requires an assumption about what will happen to wage returns in the future. Wage returns have been broadly stable for most qualifications over the past decade, despite large increases in the supply of highly qualified workers. The Review has therefore assumed that wage returns will remain stable over the period of analysis.

D12 There is clearly a lot of uncertainty surrounding this assumption. There is some tentative evidence that the returns to higher education qualifications may be beginning to fall.⁷ In addition, wage returns would fall if employers did not adjust their business strategies to take advantage of the increased supply of highly qualified workers.

² *Returns to education: A non-technical summary of CEE work and policy discussion*, Sianesi, Institute for Fiscal Studies and Centre for the Economics of Education, 2003.

³ *The widening socio-economic gap in UK higher education*, Galindo-Rueda, Centre for the Economics of Education, 2004.

⁴ *The returns to academic, vocational and basic skills in Britain*, Dearden et al, Skills Task Force Research Paper, 2000.

⁵ *Further analysis of the returns to academic and vocational qualifications*, McIntosh, London School of Economics, 2004.

⁶ *The price of skills*, Vignoles, Centre for Economic Performance, London School of Economics, 1999.

⁷ *The class of '99: A study of the early labour market experiences of recent graduates*, Purcell, Elias, Davies and Wilton, DfES, 2005.

DI3 To test the dependence of the results of the analysis on the assumption of constant wage returns, the Review has conducted a sensitivity analysis. This examines the impact on the net benefit of a 1 per cent decline in wage returns each year to 2020. If this were to happen, wage returns would be 35 per cent lower than their current level by 2020.

DI4 As Chapter 1 discusses, wage returns represent a lower bound to the productivity impact of gaining qualifications. For the purposes of the CBA model, the Review has made the cautious assumption that there are no productivity benefits above and beyond the wage returns.

The impact on productivity

DI5 To calculate the impact on productivity, the Review has made an assumption about what output per worker would be if the skills of the UK population did not improve over the next 15 years.

DI6 The Government assumes that productivity will grow by around 2 per cent per year in the medium term.⁸ The evidence suggests that skills improvements have contributed around 0.4 percentage points to annual productivity growth in the recent past.⁹ The ‘counterfactual’ therefore assumes that current output per worker grows by 1.6 per cent per year – the difference between these two figures – from now until 2020.

DI7 This level of output per worker is then contrasted with that implied by the various improvements in skills profiles to calculate the contribution of skills to productivity growth over the period to 2020.

Employment

DI8 The second category of economic benefit is increased employment. Chapter 1 sets out the links between skills and employment. It discusses the results of studies attempting to isolate the link between qualifications and employment. The number of such studies is limited and the results are not as consistent as the wage returns studies. Table D.2 sets out some of the key results.

⁸ *Long-term public finance report: an analysis of fiscal sustainability*, HM Treasury, 2004.

⁹ *A quality-adjusted labour input series for the United Kingdom (1975-2002)*, Bell, Burriel-Llombart and Jones, Bank of England Working Paper 280, 2005; *Accounting growth: capital, skills and output*, Lau and Vaze, Office for National Statistics, 2002.

Table D.2: Estimates of the employment returns to qualifications¹⁰

Qualification	Dearden et al ¹¹ LFS data	Dearden et al ¹¹ IALS data	McIntosh (2004) ¹²
Academic	Percentage point difference	Percentage point difference	Percentage point difference
Degree	6 for men 9 for women	10 for men	
A-Levels	ns for men 3 for women	11 for women	
5+ A*-C GCSEs	10 for men 13 for women	13 for men	
Vocational			
NVQ level 1	-9 for men 4 for women		6-11 for men 16-22 for women
NVQ level 2	-4 for men 10 for women		10-11 for men 17-21 for women
NVQ level 3-5	3 for men 12 for women		10-13 for men 19-36 for women
ONC/OND, BTEC National	4 for men 9 for women		
ns denotes not statistically significant			

DI9 Given this uncertainty, the Review has used the lowest employment returns data for each qualification level and type. This represents a cautious assumption. As with wage returns, the CBA model assumes that employment returns will remain stable between now and 2020.

D20 There are also a number of studies looking at the employment chances of those with basic skills. Table D.3 summarises some of these.

Table D.3: Estimates of the employment returns to basic skills¹³

	Numeracy		Literacy	
	Level 1	Level 2	Level 1	Level 2
	Percentage point difference	Percentage point difference	Percentage point difference	Percentage point difference
McIntosh and Vignoles: ¹⁴ NCDS	2.9	4.0	0.2	1.0
McIntosh and Vignoles: ¹⁴ IALS	2.0	8.8	9.6	11.4
Bynner et al: ¹⁵ NCDS	4.6		3.6	
Bynner et al: BCS70	1.2		5.9	
Dearden et al: IALS ¹⁶		9.0	10.0	11.0

¹⁰ Figures shown give the percentage point difference in the probability of being employed for those with particular qualifications.

¹¹ *The returns to academic, vocational and basic skills in Britain*, Dearden et al, Skills Task Force Research Paper, 2000.

¹² *The impact of vocational qualifications on the labour market outcomes of low-achieving school-leavers*, McIntosh, Centre for Economic Performance, London School of Economics, 2005. Ranges are provided since the percentage point differences vary depending on the level of school qualifications obtained on leaving school.

¹³ Figures shown give the percentage point difference in the probability of being employed for those with particular qualifications.

¹⁴ *Measuring and assessing the impact of basic skills on labour market outcomes*, McIntosh, Vignoles, Oxford Economic Papers, Volume 53, Issue 3, 2001.

¹⁵ *Improving adult basic skills, benefits to the individual and to society*, DfEE Research Report No. 251, 2001.

¹⁶ *The returns to academic, vocational and basic skills in Britain*, Dearden et al, Skills Task Force Research Paper, 2000.

D21 The Review has assumed that the proportion of new qualifications gained by people out of work at their current qualification level is equal to the worklessness rate for that group. For example, 24 per cent of new qualifications gained by those currently at Level 2 are assumed to go to people currently out of work, since 24 per cent of people with Level 2 qualifications are currently out of work.

D22 The estimate of the impact of skills policy on employment is then calculated by multiplying the employment return by the number of people gaining the new qualification who are currently out of work.

DISTRIBUTIONAL BENEFITS

D23 In addition to the economic benefits outlined above, improvements in skills have the potential to have significant impacts on income inequality, regional inequality and social mobility. Chapter 1 set out the main evidence on these links. The Review has modelled the impact of different potential ambitions for skills policy on income inequality and regional disparities.

Income inequality

D24 Changes in skills and qualifications can affect income inequality by altering pay and employment prospects differentially across the income distribution. The Review's modelling provides an illustration of the possible impacts of each scenario on income inequality and child poverty.

D25 To illustrate the impact on income inequality, the Review has mapped educational qualifications on to the adult sample in the 2003-04 Family Resources Survey by current earnings level, using earnings and qualifications data from the Labour Force Survey. Changes to qualification levels, and therefore potential earnings, were then modelled in line with the scenarios and assumptions on wage returns outlined above.

D26 These simulations were conducted using the HM Treasury Inter-Governmental Tax and Benefit Model (IGOTM) to look at changes in net income across households, and therefore the impact on overall income inequality and relative poverty.

Regional inequality

D27 The model estimates the potential impact of skills improvements on disparities in regional productivity and employment. The impact of gaining qualifications on productivity and employment is derived in the same way as described above for the economic benefits.

D28 To estimate the impact on regional employment and productivity, an assumption must be made about the proportion of new qualifications going to each region. The 'baseline' case is that the proportion of new qualifications going to each region mirrors its population share. So the North East, which has 4 per cent of the UK population, gains 4 per cent of all the new qualifications at each qualification level in each scenario.

D29 The Review has also modelled the impact of targeting skills improvements on three regions: the North East, North West and West Midlands. Such targeting means that fewer new qualifications are delivered in London, the East, the South West and the South East.

D30 It is likely that a proportion of those gaining new qualifications will move to a different region. Taking account of this impact is difficult due to limited data on inter-regional migration by qualification level and the impact of gaining new qualifications on the mobility of adults.

D31 Although internal migration between regions is relatively low, skilled workers and young adults show a higher propensity to move. Graduate migration is particularly high, with many graduates moving to London and the East.

D32 To account for this, the Review has adjusted the productivity and employment benefits in line with data on the net change in the number of graduates in a region each year.¹⁷ The effect is a rise in the employment and productivity gains in London, the East and Northern Ireland, and a small reduction in the gains in the other regions of the UK.

COSTS OF DELIVERING A HIGHER AMBITION

D33 The model assumes that a constant number of new qualifications are gained each year: hence one fifteenth of the total number of new qualifications is delivered each year until 2020.

D34 Two main types of costs of delivering a higher ambition for skills policy are considered. The first is the direct cost of provision. This includes private fee contribution, as well as Government spending and the average capital costs of delivering each particular type of qualification.

D35 The second type of cost considered is opportunity cost – the income foregone by those studying for new qualifications. This is assumed to be the average wage for the current qualification level multiplied by the average length of each type of course.

D36 The Review has assumed that the split between part-time and full-time studying remains at its current level for each qualification level.

NEXT STEPS

D37 Over the coming months, the Review will be looking to further refine the CBA model and using it to analyse both potential ambitions for the UK skills profile and ways of delivering improvements in skills.

¹⁷ *Destinations of leavers of higher education (DLHE) survey*, Higher Education Statistics Agency, 2005.

E

INSTITUTIONS AND POLICIES IN THE UK

E1 This annex sets out further information on the institutions involved in the delivery of skills policy, and their associated policies and targets.

A BRIEF HISTORY

Evolution of institutional design

E2 For centuries, industrialists, economists and politicians have bemoaned the apparent lack of relevant technical or vocational skills in the workforce. In 1776, Adam Smith's 'Wealth of Nations' suggested that '*the greater part of what is taught in schools and universities ... does not seem to be the proper preparation for that of business*'. In 1870, as Forster introduced the Elementary Education Act, he urged the Country to act rapidly: '*We must not delay, upon the speedy provision of elementary education depends our industrial prosperity.*'

E3 Policies to engage employers have varied widely between centralised and local approaches, between supply-driven and demand-led initiatives and between voluntarism and compulsion. This has led to an inevitable redesign of the institutional landscape as Government agencies and colleges, polytechnics and universities have been reorganised to fit the different approaches of successive Governments. In 2005, most agencies responsible for identifying or delivering skills are less than ten years old and still finding their feet either as stand alone institutions or as part of emerging partnerships at national, regional and local levels (see Box E.1 below). This is true throughout the UK.

E4 In 1964, a period of compulsory training activity for employers began when the Industrial Training Act introduced Industrial Training Boards (ITBs) and a training levy system. This was a clear attempt to increase the amount of workforce training provided by employers. By 1969, there were twenty-seven statutory ITBs with tripartite membership from employers, unions and government. In 1973, the Manpower Services Commission (MSC) was established to plan workforce skill needs, also with statutory powers to improve skills and training amongst employers. The intention was to legally require employers to design and plan provision and to provide a minimum amount of training for their employees.

E5 By the 1980s, this statutory approach had been rejected as both an unnecessary burden and ineffective at addressing skill needs. Ambitions to improve the quality and amount of vocational training were now to depend on a voluntarist, market-led approach. The Industrial Training Act was dismantled with the abolition of most Industrial Training Boards and the creation of more voluntarist initiatives and organisations including National Training Organisations (NTOs), set up in 1992, and Training and Enterprise Councils (TECs), set up in 1989, as employer-led bodies to assess sectoral and local training needs.

E6 In 1990, Investors in People was established as a voluntary system to encourage employers to invest in skills. By 1992, the Further and Higher Education Act saw the creation of the Further Education Funding Council (FEFC), OfSTED, the removal of Further Education Colleges from Local Authority control and the granting of university status to the UK's polytechnics. All these institutions were now 'free' to be led by the varying demands of employers, individuals and the market as a whole.

Box E.1: Last fifteen years of policy development and reform in England

1990	Investors in People established to encourage employers to invest in human capital
1992	Further and Higher Education Act Creation of FEFC, OfSTED and legislation to free FE Colleges from LEA control
1994	Modern Apprenticeships introduced
1997	Processes for establishing Devolved Administrations in Scotland, Wales and Northern Ireland begin, including responsibility for education and skills (Devolved Administrations begin from 1999)
1997	New Deal for Young People established for unemployed young people (contains a full time education option centred on NVQ Level 2) – later followed by New Deal for 25+, New Deal for 50+, New Deal for Disabled people, New Deal for Partners and New Deal for Musicians
1998	The Learning Age – Individual Learning Accounts (ILAs) and University for Industry (UFI) launched
1998	Skills Task Force established by DFEE
1999	Creation of Learning and Skills Council
1999	Training Standards Inspectorate becomes Adult Learning Inspectorate.
2001	Cabinet Office Workforce Development Project – ‘In Demand: Adult Skills in the 21st Century’
2001	Replacement of NTOs with Skills for Business Network comprising Sector Skills Councils (SSCs) and Sector Skills Development Agency (SSDA)
2002	Success for All – Centres of Vocational Excellence (CoVEs) established
2003	Skills Strategy launched jointly by DfES, DTI, DWP and HMT
2004	Modern Apprenticeships relaunched as Apprenticeships
2004	Tomlinson Report into qualification reform published
2004	Foster Review of Further Education and Leitch Review of Skills established
2005	14-19 White Paper published – launches new vocational diplomas
2005	Skills Strategy White Paper – ‘Getting on in business, getting on in work’ launches Skills Academies, Union Learning Academy and Next Step consultation

E7 By 1997, the approach was to change again. In ‘post-compulsory’ learning, voluntarist, locally-led planning and delivery, and highly autonomous institutions were replaced with a more centralised, planned approach.

E8 In order to engage employers more in the planning and design of provision, the University for Industry (Ufi) and the New Deals were duly created alongside the Skills and New Deal Task Forces (The New Deal Task Force was renamed the National Employment Panel in 2001), both of which were to monitor and review skills needs and policies. Both Ufi and the New Deals were also established in the newly devolved administrations in Scotland, Wales and Northern Ireland.

E9 In 1999, the FEFC and the TECs were abolished and the Learning and Skills Council (LSC) created in their place. The LSC was to operate nationally as well as in 47 local areas, each of which were to have a minimum of 40 per cent of council members filled by employers. The LSC would plan and purchase the training required to improve England’s skills profile. In 2001, National Training Organisations were replaced by the Skills for Business Network comprising Sector Skills Councils (SSCs) and the Sector Skills Development Agency (SSDA). Sector Skills Councils were to engage employers in the design of qualifications and training as well as identifying skill shortages and gaps.

E10 In 2002, the ‘Success for All’ white paper launched CoVEs in order to improve the supply of employer-focused activity in FE colleges and in 2003 the Government launched the first ever Skills Strategy, launched jointly by the Departments for Education and Skills, Trade and Industry and Work and Pensions.

E11 The approach of Government since has been one of voluntary engagement of employers in the design, delivery and investment in workforce education and training. This has been encouraged by new incentives in the system. Skills Academies for adults are being introduced to provide employer-led institutions that deliver sectoral skill needs; a National Employer Training Programme (NETP) is to be rolled out across the country providing new brokerage services alongside free tuition in Level 2 qualifications and more Sector Skills Agreements are being developed by Sector Skills Councils.

CURRENT TARGETS

E12 The main areas of skills spending come in three Government Departments: the Department for Education and Skills (DfES), the Department of Trade and Industry (DTI) and the Department for Work and Pensions (DWP). DfES has the lead role in improving skills and qualifications and Box E.2 summarises their PSA targets.

Box E.2: Main DfES PSA targets on workforce skills

All 19 year olds ready for skilled employment or higher education: By 2008, 60 per cent of 16 year olds to achieve 5 GCSEs at A* to C; and at least 20 per cent of pupils to achieve by 2004, rising to 25 per cent by 2006 and 30 per cent by 2008. Increase the proportion of 19 year olds who achieve at least Level 2 by 3 percentage points between 2004 and 2006, and further 2 percentage points between 2006 and 2008, and increase the proportion of young people who achieve Level 3. Reduce the proportion of NEET by 2 percentage points by 2010.

Raise and widen participation in higher education: By 2010, increase participation in higher education towards 50 per cent of those aged 18 to 30 and also make significant progress year on year towards fair access, and bear down on rates of non-completion.

Tackle the adult skills gap: Increase the number of adults with employability skills and progression to higher levels of training through: improving the basic skills of 2.25 million adults between launch of Skills for Life in 2001 and 2010, with milestone of 1.5 million in 2007; and reducing by at least 40 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010. Working towards this, 1 million adults in the workforce to achieve Level 2 between 2003 and 2006.

EI3 DfES PSA targets cover both the stock of adults already in the workforce – represented by the Adult Skills targets – and the flow of young people into the future workforce – represented by the schools and higher education targets.

EI4 The DTI also has responsibilities that impact on the skills levels and productivity of the UK (although some of its agencies act UK wide, many only operate in England). The Regional Development Agencies (RDAs) are an important part of the skills system, with a leading role in Regional Skills Partnerships and also important relationships with universities and other providers. RDAs also now operate the Business Link network with responsibility for business support and enterprise. This is an important part of how Government engages with employers and is currently involved in the design and delivery of brokerage systems such as that in NETP.

EI5 The DTI operates the Office for Science and Technology (OST) and through it the range of research funding councils that provide an essential direction and source of funding for UK universities. Together with the DfES, DTI is also jointly responsible for the Skills for Business Network and for employer engagement through that part of the system. Other important responsibilities include policies that support better management and leadership standards, innovation and investment.

EI6 These are, alongside skills, all critical drivers of improving productivity in the UK and as a result the DTI shares with HM Treasury the PSA target for raising productivity growth and narrowing the productivity gap with the USA, France and Germany. The DTI is also responsible for other PSA targets including improving the UK's relative performance of its science and engineering base (and the overall levels of innovation within the economy).

EI7 DWP is responsible for key aspects of the wider employment and productivity performance of the UK; unlike education and skills, employment and the activities of the Jobcentre Plus network are not devolved to the Scottish Parliament or to the Welsh or Northern Irish Assemblies. In 2005, DWP published their five year plan¹ expressing the ambition of an 80 per cent employment rate in the longer term. Maintaining and improving the UK's high employment rate is an essential part of improving the overall productivity and economic performance of the UK.

¹ *Opportunity and Security Throughout Life*, DWP 2005

E18 DWP are responsible for a wide range of active labour market policies including welfare to work programmes such as the New Deals and area-based initiatives such as Employment Zones and Fair Cities. As Chapter 1 shows, an important aspect of all of these programmes is that participants have the right skills and attributes to move into work. Vital to achieving this is a high level of employer engagement, through which the exact needs of employers can be matched by individual jobseekers.

E19 DWP PSA targets relate to the wider objective of reaching full employment in every region and country within the UK. To spring 2008, PSA targets (shared with HM Treasury) are to demonstrate progress on increasing the overall employment rate and decreasing the unemployment rate. Specifically, there are objectives to increase the employment rates of disadvantaged groups such as lone parents, ethnic minorities, people aged 50 and over, those living in the local authority wards with the poorest initial labour market position and those with the lowest qualifications.

E20 The devolved administrations in Scotland, Wales and Northern Ireland also have key targets relating to education and skills. In Scotland, the Lifelong Learning Strategy has six high level indicators: a reduction in the proportion of 16-19 year olds not in education, employment or training; an increase in support to 16-19 year olds from low income families to stay on at school and/or FE college; an increase in graduates as a proportion of the workforce; a reduction in the proportion of working age adults whose highest qualification is below SCQF Level 5; a reduction in the proportion of 18-29 year olds whose highest qualification is below SCQF Level 6; and an increase in the proportion of people in employment undertaking training.²

**Current
institutional
framework**

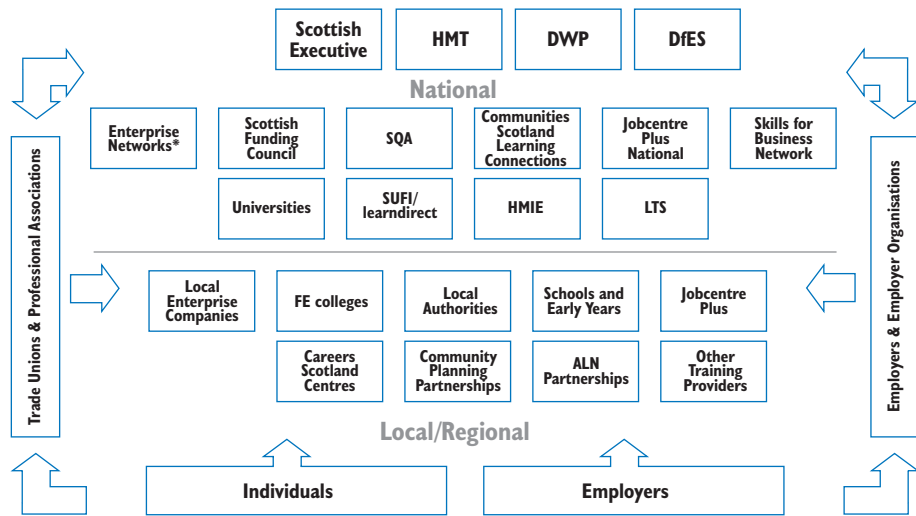
E21 In Wales, targets for 2010 include reducing the proportion of working age adults without qualifications from one in four in 1996 to one in ten and to increase the proportion of adults with at least a Level 4 qualification from one in five in 1996 to over three in ten. In Northern Ireland, by 2007 the targets are to increase the proportion of 16 year olds with at least a Level 2 to 63 per cent (from 59 per cent in 2002), the proportion of 18 year olds with two or more A-level passes (Level 3) to 97 per cent (from 95 per cent in 2002), to increase the proportion of working age adults qualified at least Level 2 to 68 per cent (from 63 per cent in 2003) and to increase the proportion with at least Level 3 to 48 per cent (from 46 per cent in 2003).

DELIVERY IN DEVOLVED ADMINISTRATIONS

E22 Charts E.1, E.2 and E.3 below, show the major organisations in the education and skills system in the devolved administrations in Scotland, Wales and Northern Ireland. Some institutions have been omitted in order to focus on the key institutions responsible for engaging adults and employers.

² *Lifelong Learning Strategy for Scotland: Life Through Learning: Through Life*, Scottish Executive, 2003.

Chart E.1: Departments and delivery agencies for education and skills in Scotland



*The Enterprise Networks: Scottish Enterprise and Highlands and Islands Enterprise incorporates our all-age careers service, Careers Scotland; Futureskills Scotland; business support services and local enterprise companies.

Chart E.2: Departments and delivery agencies for education and skills in Wales

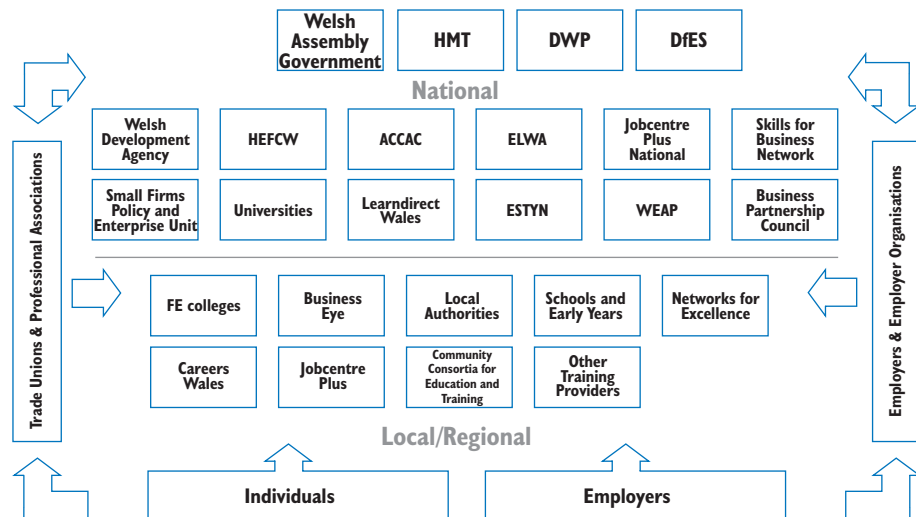
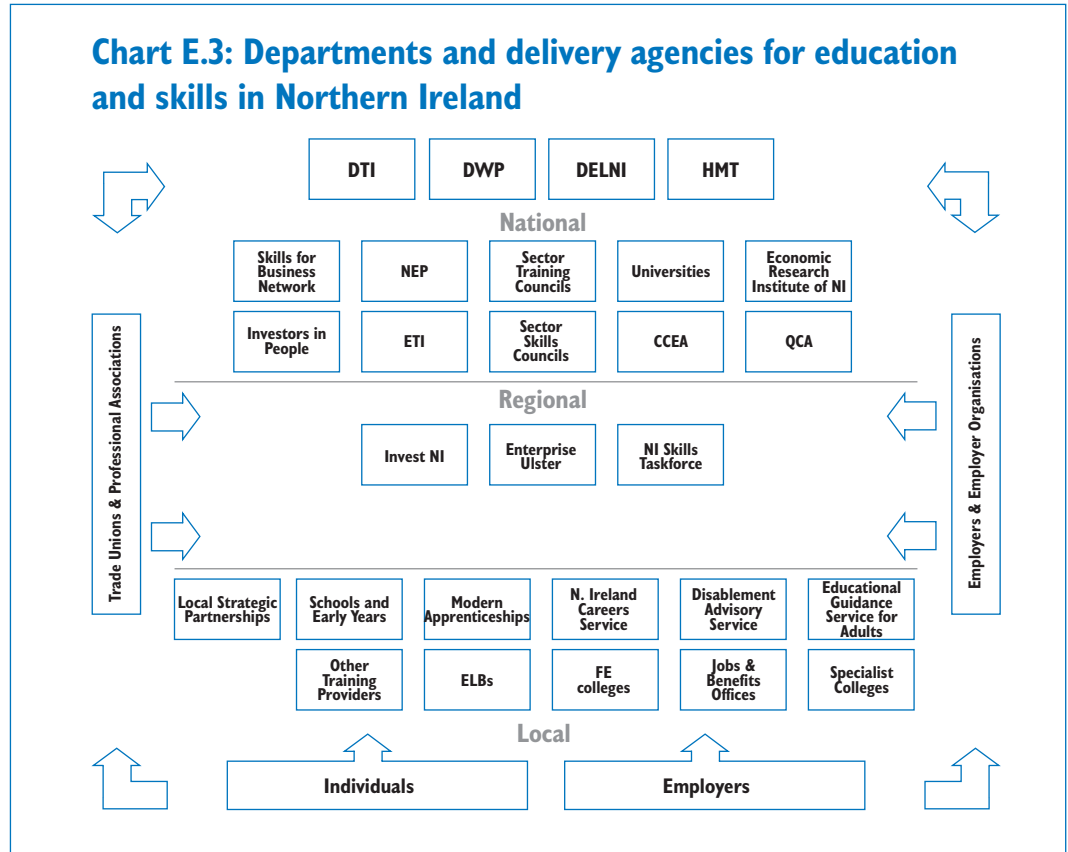


Chart E.3: Departments and delivery agencies for education and skills in Northern Ireland



F

GLOSSARY OF UK INSTITUTIONS

This glossary provides a brief description of the key institutions and agencies in the UK involved in the delivery of skills:

- **Adult Learning Inspectorate (ALI)** – formed in 2001, formerly the Training Standards Inspectorate, inspects the quality of all adult learning provision including FE colleges, Work Based Learning (including Apprenticeships) and Jobcentre Plus programmes. Works with OfSTED on joint inspections;
- **Business Link** – network of business and enterprise support partnerships, in existence since the 1990s and newly overseen by RDAs. 44 local partnerships coterminous with local LSC's, except London where this is one service across 4 local London LSCs. Providing brokerage for NETP;
- **Centres of Vocational Excellence (CoVEs)** – launched as a quality enhancing specialism programme in Success for All 2001. Mainly sited in FE colleges but also with private providers, employers and collaborative partnerships between FE colleges;
- **Connexions Service** – operates as 47 local partnerships providing support and guidance to young people aged 14 – 19;
- **Higher Education Funding Council for England (HEFCE)** – funding council for universities (not covering research funding);
- **Investors in People** – launched in 1990 to accredit good HR practice;
- **Jobcentre Plus** – formed from the merger of the Employment Service and the Benefits Agency to deliver all work-related benefits and welfare to work programmes. Also funds learning providers to deliver some skills programmes;
- **Learning and Skills Council** – launched in 2000, it controls the vast majority of skills funding (over £9 billion). It consists of National Council and 47 local LSCs. Resources gradually being shifted to regional tier;
- **Learning and Skills Development Agency** – formed in 2001 and to be relaunched as Quality Improvement Agency and Learning and Skills Network in 2006 (see below);
- **Local Education Authorities (LEAs)** – mainly responsible for schools (including sixth forms) but also for local adult education services;
- **Office for Fair Access in Education (OFFA)** – office for monitoring and regulating admissions processes and policies to UK HE institutions;
- **Office for Science and Technology (OST)** – a DTI body responsible for university research funding and a range of additional support and investment programmes. All of the UK's research councils are managed and funded by it;
- **OfSTED** – Inspection body for all education provision to aged 19. Overlaps and collaborates with ALI;
- **Quality Assurance Agency for Higher Education (QAA)** – safeguards and helps to improve the academic standards and quality of higher education in the UK;

- **Qualifications and Curriculum Authority (QCA)** – body charged with regulating exams and curriculum in England;
- **Quality Improvement Agency for Lifelong Learning** – as set out in the 14-19 White Paper, it will be invited to propose a quality improvement strategy to address key Government priorities and enable colleges and training providers to improve and respond to change. Continuing to improve quality of teaching and learning will be a priority. The Agency will be fully operational by April 2006;
- **Regional Development Agencies (RDAs)** – nine RDAs in England are responsible for economic development of regions. RDAs house Regional Skills Partnerships and are also responsible for Business Link network (and therefore NETP brokerage). Note: London Development Agency reports to London Mayor;
- **Regional Skills Partnerships (RSPs)** – are established in all nine of the English regions. They bring together the Regional Development Agencies, the Learning and Skills Council, Jobcentre Plus, Small Business Service and Skills for Business Network, to integrate action on skills, training, business support and labour market services at regional level;
- **Sector Skills Councils (SSCs)** – 25 sectoral bodies forming Skills for Business Network with SSDA. They represent over 85 per cent of UK workforce and operate across the whole of the UK;
- **Sector Skills Development Agency (SSDA)** – supports and licenses Sector Skills Councils across the whole of the UK;
- **Skills Academies** – launched in 2005 as employer-sponsored skills institutions with LSC and private sector funding. They are expected to be a total of 25 (one per sector) and connected to CoVE network;
- **UK Skills** – independent body with responsibility for promoting the skills agenda. Oversees National Training Awards and Skills Olympics. Potentially merging with Investors in People;
- **Union Learning Academy** – intended to bring together various union learning initiatives including FE training centers for Union Learning Representatives and Trade Union centres for UK Online/learndirect
- **University for Industry (Ufi) (learndirect)** – advice and delivery organization concentrating on IAG services, Skills for Life and ICT programmes. Operates learndirect and UK Online centres

SPECIFIC TO SCOTLAND

- **Careers Scotland** – careers and guidance service for people of all ages, supervised by Scottish Enterprise and Highlands and Islands Enterprise;
- **Communities Scotland** – an agency of the Scottish Executive. Its Learning Connections division provides policy advice to Ministers in all matters relating to community learning and development (CLD). Its CLD team also supports the implementation of Scottish Executive policy for CLD, while its adult literacy team supports providers implementing the recommendations in the Adult Literacy and Numeracy in Scotland report 2001;

- **HMIE** – Scottish Education and Training Inspectorate;
- **Learning and Teaching Scotland (LTS)** – an agency of the Scottish Executive designed to support excellence in all teaching and learning activities;
- **Scottish Enterprise and Highlands and Islands Enterprise** – main enterprise agencies for Scotland. The Enterprise Networks incorporate the all-age careers service, Careers Scotland; Futureskills Scotland; business support services and local enterprise companies;
- **Scottish Further and Higher Education Funding Council (SFC)** – is the body that distributes funding for teaching and learning, research and other activities in Scotland’s colleges and universities. It was formally established in October 2005.
- **Scottish Qualifications Authority (SQA)** – the statutory awarding (certificating) body for qualifications in the Scottish education system and the main awarding body for work-related and work-based qualifications;
- **Scottish University for Industry (SUfi)** – similar to Ufi in England, offering advice and information to individuals and businesses. However, it does not offer any courses or programmes directly.

SPECIFIC TO WALES

- **Business Eye** – free, impartial information service for Wales created to find the answers to your business questions – equivalent to Business Link in England;
- **Business Partnership Council** – Wales equivalent to Skills Alliance in England;
- **Community Consortia for Education and Training (CCETs)** – primary role is to achieve more efficient delivery of education and training and promote collaboration between schools, FE and training providers and others to meet the needs of individuals and employers more effectively and coherently. CCETs will be the National Councils essential link with the local learning market;
- **DYSG** – supports FE and work-based learning in Wales – equivalent to the Learning and Skills Development Agency in England;
- **Education and Learning Wales (ELWA)** – key government agency in Wales providing funding and strategic direction to other agencies and providers;
- **ESTYN** – Welsh education and training inspectorate;
- **Higher Education Funding Council for Wales (HEFCW)**
- **Networks for Excellence** – FE networks – equivalent to CoVEs in England.
- **Team Wales Approach** – inward investment partnership of key agencies in Wales.
- **Welsh Development Agency** – main enterprise agency for Wales, made up of four sub-regional areas; and
- **Wales Employment Advisory (WEAP)** – advises on Employment and Welfare to Work Programmes (equivalent to NEP in England).

SPECIFIC TO NORTHERN IRELAND

- **Council for the Curriculum, Examinations and Assessment (CCEA)** – a non-departmental public body reporting to the Department of Education in Northern Ireland. Equivalent to QCA in England. Note: QCA retains responsibility for some qualifications in Northern Ireland such as NVQs;
- **Department for Education and Learning Northern Ireland (DELNI)** – main department overseeing (and funding) key initiatives, institutions and agencies in Northern Ireland;
- **Education and Library Boards (ELBs)** – five ELBs in Northern Ireland. Equivalent to Local Education Authorities in England.
- **Enterprise Ulster** – careers guidance and training agency for Northern Ireland. Offers advice and training for unemployed people in conjunction with Jobcentre Plus; and
- **Invest NI** – main inward investment partnership for Northern Ireland; and
- **Northern Ireland Skills Taskforce** – formed in 1999 to advise the Training & Employment Agency (since incorporated into the Department for Employment & Learning) and Department of Education on action to address current and future skill needs in the NI economy and related labour market research. Members include employer and trade union representatives.

ACKNOWLEDGEMENTS

Lord Leitch and the Review team carried out various consultations with key stakeholders through the Call for Evidence, a series of meetings and seminars, as well as international visits.

Lord Leitch and the Review team would like to thank all those who have attended meetings and submitted evidence to the Review. The organisations that responded to the Review's Call for Evidence are listed below, alongside other UK and international organisations who have made time to meet members of the Review team.¹

We hope we have not left anyone out who should have been included in this list. If we have, please accept our apologies. Particular thanks go to:

- Department for Education and Skills
- Department for Work and Pensions
- Department of Trade and Industry
- HM Treasury
- Learning and Skills Council
- Scottish Executive
- Sector Skills Development Agency

RESPONDENTS TO CALL FOR EVIDENCE

- Adult Learning Inspectorate
- AIM Research
- Asset Skills
- Association for College Management
- Association of Learning Providers
- Association of Scottish Colleges
- Association of the British Pharmaceutical Industry
- Automotive Skills Limited
- BAE Systems
- Bradford University
- British Chamber of Commerce, The
- British Nuclear Fuels
- Capel Manor College
- Centre for Labour Market Studies

¹ Organisations that responded to the Review's Call for Evidence are not listed twice.

- Centre for Research into the Wider Benefits of Learning
- Centre on Skills, Knowledge and Organisational Performance (SKOPE)
- Chartered Institute of Personnel and Development
- CiLT – the National Centre for Languages
- City and Guilds
- City University
- Confederation of British Industry
- Construction Industry Training Board
- Convention of Scottish Local Authorities
- Creative and Cultural Skills
- E.ON-UK
- EdExcel
- Education and Learning Wales
- Energy and Utility Skills Limited
- Engineering and Technology Board, The
- Engineering Employers Federation
- Equal Opportunities Commission
- e-Skills UK
- Financial Services Skills Council
- Forum of Private Business, The
- Forum for the Future
- Frontier Economics Ltd
- GlaxoSmithKline
- Halifax Bank Of Scotland - HBOS plc
- Higher Education Funding Council for Wales
- Institute for Employment Studies
- Institute of Directors
- Institute of Electrical Engineers
- Investors in People Scotland
- Investors in People UK
- Kings College London
- Lantra Sector Skills Council

- Learn Direct Scotland
- Learning and Skills Council
- Learning and Skills Development Agency
- Learning and Training Scotland
- Local Government Association
- London Development Agency
- Low Pay Commission
- Manchester City Council
- NATFHE – University and College Lecturers’ Union
- National Institute of Adult Continuing Education
- National Council for Education and Training for Wales
- National Institute of Economic and Social Research
- National Union of Students
- North West Development Agency
- Office for Standards in Education (England)
- One North East
- Open University, The
- Qualifications and Curriculum Authority
- Quality Assurance Agency
- Royal Society of Chemistry
- Scottish Enterprise
- Scottish Funding Councils for Further and Higher Education
- Scottish Qualifications Authority
- Scottish University for Industry
- Sector Skills Council for Science, Engineering and Manufacturing (SEMTA)
- Sector Skills Development Agency
- Sfitzer Marine Limited
- SkillsActive
- Skills for Justice
- Skillsmart Retail Ltd
- Small Business Service
- Third Age Employment Network

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- Trades Unions Congress
- UNISON
- Universities UK
- University College London
- University for Industry (learnirect)
- University of Exeter, The
- University of Hertfordshire
- University of Kent
- University of Leicester
- University of London
- University of Manchester
- University of Warwick
- Work Foundation, The
- Voluntary Action Sheffield
- Welsh Assembly
- West Midlands Regional Skills Partnership
- Yorkshire and Humber Regional Forum
- Yorkshire Forward

UNITED KINGDOM ORGANISATIONS

- Advisory Conciliation and Arbitration Service
- Apprenticeship Task Force
- Arcadia Group plc
- Arriva plc
- Asda Wal-Mart
- Association of Colleges
- Authentic Foods Company
- Balfour Beatty plc
- Bank of England
- Best Companies Limited
- Bibendum Wine Limited
- British Telecom plc
- Cabinet Office

- Careers Scotland, Glasgow
- Castleoak Construction Limited
- Centre for Economic Performance
- Centre for Enterprise
- Centrica plc
- Cobra Beer plc
- Communities Scotland
- Dearne Valley College
- Department for Employment and Learning, Northern Ireland
- Dixons Group plc
- Exel plc
- Feilden Clegg Bradley Architects
- Foster, Sir Andrew
- Foster Review
- Futureskills Scotland, Glasgow
- HSBC
- IBM UK Ltd
- Institute for Public Policy Research
- Institute of Education
- Institute of Fiscal Studies
- KPMG
- Lambert, Richard
- Lauder College, Dunfermline
- Legal and General plc
- London School of Economics
- McKinsey & Company
- Mayday
- Morgan Stanley
- National Employment Panel
- Oracle
- P3 the Social Inclusion Charity
- Ringwood Brewery Limited

- Scottish Credit and Qualifications Framework, Glasgow
- Scottish Executive
- Scottish Funding Council, Edinburgh
- Skillset
- Slimming World
- Small Business Council
- Snowdrop Systems
- Social Market Foundation
- The Centre: MK
- Tesco plc
- Vodafone plc

INTERNATIONAL

Canada

- Algonquin College, Ottawa
- Canadian Council on Learning, Ottawa
- Canadian Labour and Business Centre, Ottawa
- Conference Board of Canada, Ottawa
- Human Resources and Skills Development Canada, Gatineau
- Industry Canada, Ottawa
- TalentWorks, Ottawa
- The Alliance of Sector Councils, Ottawa

China

- Chevvening Scholars, Shenzhen
- China Development Institute, Shenzhen
- China Life, Shenzhen
- Guangzhou Daily, Shenzhen
- Guangzhou Economic and Technical Development District, Guangzhou
- Shenzhen Government, Shenzhen
- Shenzhen Taxation Bureau, Shenzhen
- South China Morning Post, Shenzhen

- Wal-mart, Shenzhen
- ZTE, Shenzhen

Finland

- EK – Confederation of Finnish Industries
- Ministry of Education, Helsinki
- Ministry of Labour, Helsinki
- National Board of Education
- Stadia, Helsinki Polytechnic
- TAT – Economic Information Office, Helsinki
- TEKES, Helsinki

India

- GE John F Welsh Technology Centre, Bangalore
- HSBC Electronic Data Processing India, Bangalore
- Indian Institute of Management, Bangalore
- Infosys Technologies Ltd., Bangalore
- Microland, Bangalore
- Wipro Technologies, Bangalore

Sweden

- Adult Learning Unit/Co-Ordination and Information Centre, Stockholm City
- National Agency for Higher Education, Stockholm
- National Agency for School Improvement, Stockholm
- Swedish Confederation of Enterprise, Stockholm
- TIMPRO, Stockholm

United States of America

- American Association of Community Colleges, Washington DC
- Biotech Council, Boston
- Cambridge-MIT Institute, Boston
- Centre for Law and Social Policy (CLASP), Washington DC
- CISCO, Washington DC
- Commonwealth Corporation, Boston
- Department of Education, Washington DC
- Department of Labor, Washington DC
- Georgetown University, Washington DC
- Jobs for Future, Boston
- McBassi and Company
- MIT (including Entrepreneurship Centre), Boston
- Montgomery College, Washington DC
- National Centre on Education and the Economy (NCEE), Washington DC
- Progressive Policy Institute, Washington DC
- Reich, Robert
- The Brookings Institution, Washington DC
- The Urban Institute, Washington DC
- Urban Institute, Washington DC
- US Department of Education, Washington DC
- US Department of Labor, Washington DC

ACRONYMS AND ABBREVIATIONS

ALG	Adult Learning Grant
ALP	Association of Learning Providers
BTEC	Business Training and Education Council
CAB	Citizens' Advice Bureaux
CBA	Cost-Benefit Analysis
CBI	Confederation of British Industry
CDLs	Career Development Loans
CE	Cambridge Econometrics
CIPD	Chartered Institute of Personnel and Development
CiLT	CiLT – the National Centre for Languages
CLMS	Centre for Labour Market Studies
CoVEs	Centres of Vocational Excellence
DCMS	Department for Culture, Media and Sport
DEFRA	Departments for the Environment, Food and Rural Affairs
DELNI	Department for Education and Learning Northern Ireland
DfEE	Department for Education and Employment
DfES	Department for Education and Skills
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
ELWA	Education Learning Wales
EMAs	Education Maintenance Allowances
ERAD	Employment Retention and Advancement Demonstration
ESOL	English for Speakers of Other Languages
ETPs	Employer Training Pilots
EU-15	The 15 countries of the European Union prior to May 2004
FEFC	Further Education Funding Council
HBOS	Halifax and Bank Of Scotland – HBOS plc
HEFC	Higher Education Funding Council
HEFCE	Higher Education Funding Council England
HNC	Higher National Certificate
HND	Higher National Diploma
GAD	Government Actuary's Department
GCSE	General Certificate in Secondary Education
GDP	Gross Domestic Product
GVA	Gross Value Added
IALS	International Adult Literacy Survey
ICT	Information and Communication Technology
IEE	Institute of Electrical Engineers
IER	Institute of Employment Research
IiP	Investors in People
ILAs	Individual Learning Accounts
IoD	Institute of Directors
IPPR	Institute for Public Policy Research
IPS	International Passenger Survey

ITBs	Industrial Training Boards
LAAs	Local Area Agreements
LEAs	Local Education Authorities
LFS	Labour Force Survey
LSC	Learning and Skills Council
LSF	Learner Support Funds
LSPs	Local Strategic Partnerships
LTW	Learning and Training at Work (DfES Survey Series)
MSC	Manpower Services Commission
NALS	National Adult Learning Survey
NCS	National Contracting Service
NEP	National Employment Panel
NESS	National Employer Skills Surveys
NEET	Not in Education, Employment or Training
NETP	National Employer Training Programme
NHS	National Health Service
NI	Northern Ireland
NIESR	National Institute of Economic and Social Research
NQF	National Qualifications Framework
NTOs	National Training Organisations
NVQ	National Vocational Qualification
ODPM	Office of the Deputy Prime Minister
OECD	Organisation of Economic Co-operation and Development
OfSTED	Office for Standards in Education
ONC	Ordinary National Certificate
OND	Ordinary National Diploma
ONS	Office for National Statistics
OST	Office for Science and Technology
OU	The Open University
Ph.D.	Doctor of Philosophy
PISA	Programme for International Student Assessment
PSAs	Public Service Agreements
QAA	Quality Assurance Agency for Higher Education
QCA	Qualifications and Curriculum Authority
RDAs	Regional Development Agencies
RSA	Royal Society of Arts
RSPs	Regional Skills Partnerships
SBS	Small Business Service
SCQF	Scottish Qualification Framework
SfL	Skills for life
SMEs	Small and Medium-sized Enterprises
SQA	Scottish Qualifications Authority
SSAs	Sector Skills Agreements
SSCs	Sector Skills Councils
SSDA	Sector Skills Development Agency
SSVs	Skills- shortage Vacancies

TECs	Training and Enterprise Councils
TFP	Total Factor Productivity
TUC	Trades Unions Congress
Ufi	University for Industry
WA	Welsh Assembly
WBLA	Work-Based Learning for Adults
WERS	Workplace Employment Relations Survey

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