The seminar

Chris Hasluck, from the University of Warwick Institute for Employment Research (IER), gave the lead presentation on the relationship between skills and social exclusion. Peter Kenway, Director of the New Policy Institute, outlined the success of recent Government policy in tackling poverty but showed how some groups had been left behind. Naomi Eisenstadt, Director of the Cabinet Office Social Exclusion Task Force summarised Government Policy. Sheila Gilmour gave a local perspective on social exclusion in Edinburgh. Finally, David Hughes, Regional Director of the LSC London summarised the seminar’s proceeding.

The seminar was chaired by Professor Richard Berthoud from the University of Essex Institute for Social and Economic Research, and Terence Hogarth (IER) was rapporteur.

The challenge

Previous editions of Skills in England have highlighted two major skills challenges:

- raising productivity; and
- fostering social inclusion.

These challenges are not mutually exclusive. Fostering social inclusion results in the labour market participation of those people who are often disadvantaged in a number of ways which, in turn, affects their capability. Consequently, comparisons of productivity levels between this country and those where labour force participation rates are lower, such as Germany, results in UK productivity being shown in a relatively poor light simply because more marginal workers are more likely to be in employment.

This is a dilemma for policy makers charged with deciding where to allocate scarce resources. Spending resources on productivity may do little to foster social inclusion over the short-term, whereas spending resources on the socially excluded will do little to encourage competitiveness. Leitch’s interim report summarised the situation with the following chart.

![Impact on employment and productivity on top of current ambitions by 2020](chart.png)
Who are the socially excluded?

Social exclusion is a multi-faceted concept relating to a lack of, or limited, participation in key domains of modern life, including: work; consumption; wealth; community life; and citizenship. But defining or measuring the number of socially excluded people is not straightforward. Depending upon how broad a definition is drawn, it might affect several million people or, if defined more narrowly as those with multiple disadvantages who, to date, have proved difficult to reach with existing policies it might amount to a hard-core of a few hundred thousand.

The socially excluded are a varied group of people. Their defining characteristic is that of being multiply disadvantaged so that they are effectively prevented from fully engaging with the economy and are, consequently, thrust into poverty and a dependence upon welfare. Moreover there is evidence that social exclusion is inherited. The children of today’s socially excluded adults are born into a life of disadvantage and inequality of opportunity that subsequently damages their life chances. A poverty of aspiration and opportunity is passed on from one generation to the next.

The role of skills

Skill is part of the solution to social exclusion because it improves employability. The improvement in the qualification rate of the population over the past ten years has been a success story. From the multitude of studies on returns to obtaining qualifications there is a general consensus that qualifications – especially academic ones – from NQF Level 2 and above, show a positive return with respect to a greater propensity to be in employment and/or have higher wages. Acquisition of skills also raises aspirations and these can be transmitted across the generations.

But the improvement in educational attainment has not benefited everyone. England still has a large share of its population who are poorly skilled. Around 7.5 million – a quarter of the workforce – either have no qualifications or are qualified to NQF Level 1. Although there is a cohort effect – with many older people lacking qualifications - many young people remain poorly qualified.

Every silver lining has a dark cloud. As existing policies redeem many people from a life of social exclusion those who are left constitute a hard-core who are increasingly difficult to reach. It is noteworthy that the employment rate for those with poor educational attainment has been in decline. It will be much easier to raise the number of people acquiring Level 4 qualifications than Level 2. Moreover, because the skill level required for the most mundane entry level job is increasing, and because of the immigration of skilled people, access to even low skilled, entry level jobs might become more difficult for those deficient in basic skills. Other things being equal, the position of the socially excluded will get worse. Hence the importance of a skill dimension to bringing about social inclusion.

Skills policies to assist the socially excluded

There are two policy approaches to using skills as a means to foster social inclusion: the work-first versus human capital model. The first approach emphasises that the best means to improve employability is to first get people into jobs. Once in a job people will acquire the skills and behaviours that will allow them to sustain their employment and possibly progress. The second is the human capital model. This is based upon improving the capabilities of individuals through labour market programmes designed to raise their skills and gain employment. The UK model is very much based on a work-first approach. For instance, the New Deal for Lone Parents in its first incarnation had no training option. This debate is linked to the Skills in England seminar on flexicurity (http://readingroom.lsc.gov.uk/lsc/National/Flexicurity_SeminarReport_11May07.pdf). The flexicurity seminar outlined the relative merits of the Danish system which is based on employment regulation that allows employers to readily hire and fire employees, but provides those in search of work with the necessary training to obtain the new jobs being created in
the labour market. This has allowed structural adjustment to take place in the Danish economy without high unemployment occurring and thereby avoid one of the causes of social exclusion.

Arguably the work-first approach results in much churn in low skilled jobs. Relatively poorly educated people obtain work but find it difficult to stay in a job, for a number of reasons, and have little opportunity to progress. Moreover, doubt has been cast on whether access to employment is sufficient for these people to exit social exclusion.

**Poverty as a proxy for social exclusion**

Social exclusion in many respects is about poverty. Looked at in this way, has the combination of Welfare to Work and skills policies failed the socially excluded? As always the answer to such questions is a mix of yes and no. No, it has not failed, because 0.7 million children have been taken out of poverty for instance. Yes, it has failed because of the large number of people who now constitute the working poor. Employment is no longer a guarantee of social inclusion. Many children who are now living in poverty are in households where at least one of their parents is in employment.

From an employment perspective the problem is the large number of jobs that pay relatively poorly. These are the jobs that the low skilled are dependent upon now and in the future. It is important to recognise that despite the substantial improvements in educational attainment the percentage of 19 year olds in employment who have a qualification below Level 2 has remained constant – at around a quarter of each cohort – for a number of years (see chart below). It is these young people who will, other things being equal, be dependent upon low skill, low wage employment. They are also likely to be dependent upon welfare even if in a job.

![Chart showing Proportion of 19 year-olds with qualifications](chart.png)

**Skills policies that will assist the socially excluded**

The Skills for Life policy has been successful in raising levels of functional literacy and numeracy where this has been a barrier to employment and social inclusion. And the evidence on the rates of return to obtaining additional qualifications demonstrates that rising levels of educational attainment has allowed many more people to benefit to a greater degree than before from the spoils of economic growth.
The work-first approach has also propelled many people into employment and thereby contributed to raising the employment rate. But the work-first approach has not necessarily allowed people to sustain employment or progress in the labour market. For the low skilled, their experience is likely to recurrent movement into and out of low paid, entry level jobs. Moreover they are likely to be dependent upon in-work benefits – in other words economically dependent upon the State.

But policy is beginning to change. Firstly, Train to Gain seeks to improve the skills of those in work by providing fully funded training to employers where they are willing to raise the skills of their workforce to Level 2. Second, there will be a greater emphasis on providing advise and guidance to adults to assist them with their progression through the labour market. Third, the Leitch Review emphasises the importance of providing functional literacy and numeracy skills to an even greater number of people than dictated by existing targets.

**The Way Forward**

The skills policies described above are necessary ones in order to raise the employability of the most economically vulnerable people in society, but they will not be sufficient to tackle social exclusion.

There are two key dimensions to current thinking:

- policy integration – bringing together in a holistic manner policies relating to skills, social security, health and other policies as necessary to assist the socially excluded to become socially included;
- more targeting of policy – policies that have been aimed at everyone in the population have brought about major improvements in society but there is now a need concentrate efforts on the 2-3 per cent of the population whose social exclusion has been largely resistant to policy measures.

Skill is writ large into current policy prescriptions. Employment provides a route out of social exclusion, and skills provide the means to obtain, sustain, and progress within a job. But for the skill element to work effectively there needs to be a range of other complementary policies in place too.