



A BETTER OFF BRITAIN

1 in 3

Workers are still 'stuck' in the lowest earnings group after 14 years

£1.39

The difference between the lowest and average wages in lower paying sectors

50%

Of jobs will require level 4 skills (higher education) or higher by 2022

£98

Per week by moving from a level 3 skill job (A-levels) to a level 4 skill job

HELP PEOPLE TO EARN MORE THROUGH BETTER LADDERS INTO HIGHER PAID WORK

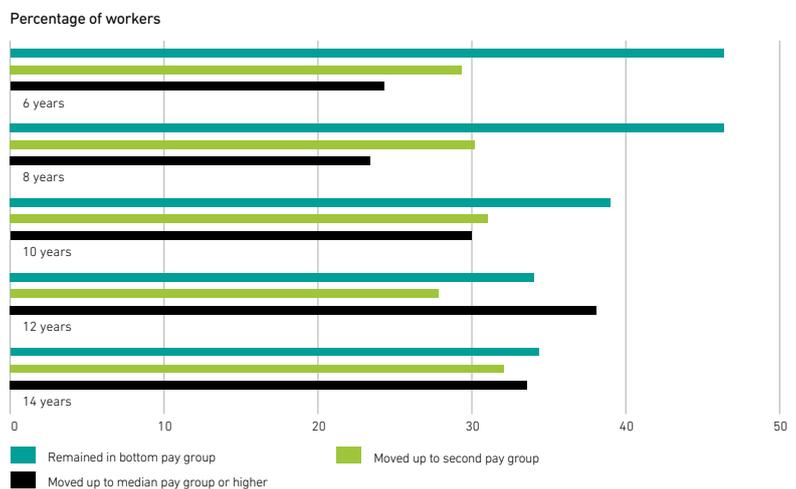
Improving your skills is the main route from low wages to higher wages – skills are the currency of the 21st century labour market

- Gaining intermediate-level skills remains a good route to higher pay – businesses find middle-skill jobs among the hardest to fill.
- But increasingly 'middle jobs' are requiring higher skills – level 4 (eg a BTEC professional diploma) or level 5 (eg a foundation degree, Higher National Diploma, Higher National Certificate). By 2022 50% of jobs will require level 4 skills.
- This means routes into higher-skilled, higher-paid work are becoming more difficult for workers entering our labour market at the bottom. Research commissioned for this report shows that one in three workers who were in the lowest wage group had not moved up at all 14 years later.

We need more vocational routes to the new "middle" jobs

- Unclear routes to in-demand middle-level skills mean that businesses often struggle to find the right person in the right place at the right time.
- To address this and also ensure people can find routes into higher paid work we need to get better at delivering the new middle skill qualifications (level 4) at scale, especially vocational routes.
- With the vast majority of the 2020 workforce already working, this isn't just about better collaboration between further and higher education to deliver apprenticeships and opportunities for young people. It's also about ensuring people of all ages can learn and aren't discouraged from improving their skills by the system.

A third of workers remain stuck in the bottom pay group, even after 14 years



Source: Analysis of BHPS data by Abigail McKnight, LSE

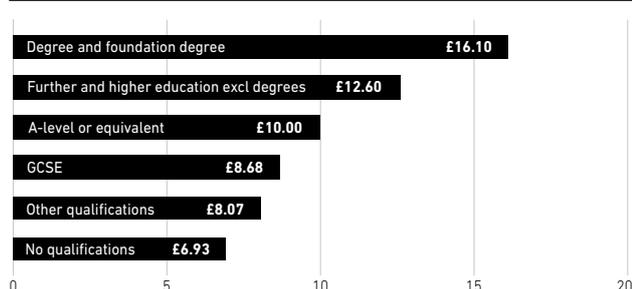
College provision must be aligned to employer needs

- Whether for younger workers or older workers in need of retraining, investment in the right skills will be crucial. Yet our current system isn't delivering.
- Too many people end up on courses that won't boost their employment prospects. We train five hairdressers for every vacancy in a salon, yet only two people for every five jobs in the automotive industry.
- So we must build a vocational education system that better adjusts to the changing needs of our economy and rewards provision that helps people find a job instead of simply rewarding institutions based on the number of people taking a course.

Helping workers progress has to be a board level priority in every business

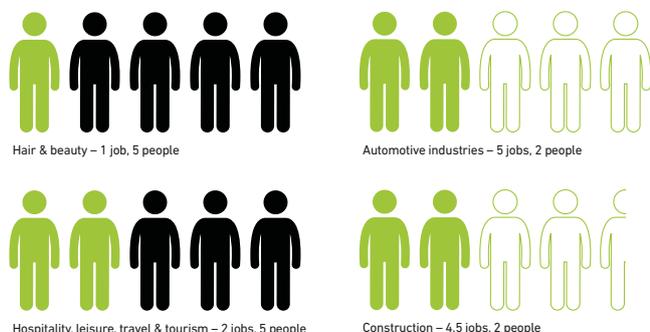
- Helping workers develop new skills and progress isn't just good for employees, it's good for business too. It's about a company's ability to compete and that makes it a board level issue.
- There is lots that businesses can do to help, and it starts with ensuring line managers are incentivised to develop talent for the long-term success of the business in the same way that they are incentivised to improve immediate business performance.

Gaining higher skills is a route to higher wages (£s per hour)



Source: ONS, *Earning by qualification*, 2011

Our skills system isn't giving people the skills that will help them to get on



Source: L Gardiner and T Wilson, *Hidden Talent: Skills mismatch analysis*, CESI, June 2012

RECOMMENDATIONS

For business:

- Work with higher and further education institutions to create 'learn while you earn' routes into the new middle-skills (level 4).
- Make a board level commitment to helping staff develop their careers and incentivise line managers to make this a priority.
- Provide line managers with the tools to deliver better staff development and succession planning through management education in business schools, and greater HR support.

For government:

- Help more people gain the new middle-skills they need (level 4) by encouraging more co-working between higher and further education institutions and building an emphasis on vocational alternatives to degrees as a key part of the system.
- Give workers the confidence to study part-time by making the scale of financial support for courses better known, and change the rules that prevent people from retraining in lower or equivalent qualifications that are more in demand through fear of fees or unaffordable loan commitments.
- Launch a new government strategy for adult retraining.
- Encourage further specialisation in the further education sector and ensure colleges are delivering courses that are in demand in the economy by rewarding them on employment outcomes, not bums on seats.