Skills matter

How the UK can become a learning country

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Contents

Foreword: Skills matter .................................................. 1
How the UK can become a learning country ........ 3
The archetypes ................................................................. 4
The complicated world of skills .............................. 10
Pulling on the levers of the minimum wage ........ 14
Have passport; will work ........................................ 17
The importance of being digital ............................. 18
Footing the bill for lifelong learning ..................... 22
Skills matter

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Skills and education are consistently at the top of the priorities list of employers. The reason for this is clear – skills are the number one driver of productivity, business and economic prosperity. And more than this, having the right skills and education is essential for a fairer society in which prosperity is shared by all.

However:

— 17 million people in the UK struggle with basic maths;
— Britain is 23rd out of 23 Organisation for Economic Co-operation and Development (OECD) nations for teenage literacy;
— And if you have trouble with numeracy or literacy, the digital world is harder to access. According to the Centre for Economics and Business Research (CEBR), over the next decade, the UK could miss out on £21.8bn worth of economic benefits associated with having a digitally literate society.

This would make troubling reading even in normal times. But the Fourth Industrial Revolution and Brexit together are set to shake up Britain’s position in the market for global talent. Our success will depend on how we approach skills. And I see this debate up close every day: we are a people business. We simply wouldn’t survive without a highly skilled workforce to solve our clients’ most complex problems.

Artificial intelligence, robotics and the internet of things are being adopted and absorbed with extraordinary speed. Universal education is a great nineteenth century invention, and while the school leaving age has gone up from 10 to 18 since then, learning can’t stop there. The UK is a world leader in higher education: the two best universities in the world are in the UK. But no degree on the planet can equip someone with everything they need to know for a 60 year career beginning in 2019. Setting the conditions and culture for lifelong learning is not just an aspiration but essential for a competitive UK of the future. So this report contains three calls to action:

1. Develop a national skills framework.
   We need to rethink the way we learn. We need each person to have a strong foundation of basic skills on which to build, and enable workers to adapt to the changing demands for skills and manage transitions in the future. And as employers we need to be clear about the skills needed in order to be productive and successful.

   The potential for digital learning is enormous and we have only just scratched the surface. Our work on Civil Service Learning, which combines people, technology and content represents an innovative solution that keeps pace with the evolving needs and priorities of the business. Better basic digital infrastructure and better digital literacy skills will multiply this effect. If we can get this right, the CEBR research says that providing people with new digital skills would be worth £15 in 2028 for every £1 invested this year.

3. Create and incentivise a culture of lifelong learning.
   The skills required to keep doing a job effectively are evolving all the time. We need to reflect on how this additional learning is funded. In this report we set out a number of options to encourage this culture.

With this report, we want to kick-start a debate on skills. If we as a nation don’t take action, the risks are significant. We simply cannot afford to leave people behind with obsolete skills and no way back to the jobs market. But if we take the right action at this moment, we can set ourselves and future generations on a different course, towards a lifetime of stimulating and fulfilling work.

2 https://www.independent.co.uk/voices/school-cuts-education-libraries-literacy-oecd-teenagers-failing-justine-greening-a8077766.html
3 https://www.goodthingsfoundation.org/bridging-the-digital-divide
4 ibid
How the UK can become a learning country

This short report contains perspectives from KPMG partners and staff on how to address the need to boost life-long learning. Why? Because the businesses we speak to agree that action is required.

As Yael Selfin, KPMG’s Chief Economist, points out in our recent report, “Improving UK regional productivity performance”: “At a national level, 62% of UK businesses are dissatisfied with school and college leavers’ business and customer awareness, and just over half expressed dissatisfaction with their analytical skills. Moreover, over a third of UK businesses were not satisfied with the basic literacy and numeracy skills of school and college leavers.”
Therefore, our first call for action is to:

**Develop a national skills framework.**

Businesses must come together to define the skills they need in order to be productive. Building on certain basic skills – literacy, numeracy and digital proficiency – employers have a responsibility to spell out a job-ready skills framework that focuses less on qualifications and accreditation and more on real, practical workplace competencies.

But how to deliver that framework? Our recommendation here is for:

**A far greater investment in digital learning.**

Claire Warnes, our Head of Education, Skills and Productivity, recognises that the debate around improving national productivity and our skills base is a complex one. However, as she explains later in this report, “If we are to make any significant progress, I can’t help but feel that much greater focus on digitally-enabled learning is the way to go.”

Often, in periods of rapid societal change, there is a risk that people may get left behind. The potential for digital learning platforms to include everyone in lifelong learning minimises this risk and provides a cost-efficient way to deliver learning at scale.

To realise this vision, two basic foundations must be met. First, government must ensure that everyone has access to good, basic digital infrastructure. This must then be accompanied by basic digital literacy skills training, in order to facilitate widespread access to digital learning.

Our third and final recommendation is about:

**Creating and incentivising a culture of lifelong learning.**

Proposing a shift towards such a culture is, in part, a response to the rapid changes that we are seeing in our economy, spurred on by advances in technology and an aging society.

The nature of work today is that everything changes at pace. The skills required to keep doing a job effectively are evolving all the time. There are some jobs for which the skills being taught during formal education may be outdated by the time a learner enters the workforce.

One – perhaps somewhat radical – suggestion, as explored later in this report, is to use the National Minimum Wage legislation to help achieve this.

Minimum wage rates are important for ensuring people are rewarded for their skills without exploitation. But what if we could protect minimum wage rates and, at the same time, award those who are more highly skilled? If government introduced ‘top-up’ payments on higher skilled employees, it may incentivise people to continuously develop their skills and keep learning.

Leaving the final word to Yael, “We need to remember that this is – ultimately – a conversation about skills leading to stronger productivity and growth, not just to greater participation in the job market. After all, there will always be manual or social tasks that need doing, which can be performed with relatively limited skills. With plenty of jobs like these, employment can remain high but incomes may not necessarily rise.”

It’s an important reminder. To develop the skills we need, we’re going to need to learn to keep on learning. Shall we begin?
“We recognise that people, and the skills they have, are a key driver of productivity. Having the right skills increases people’s earning power. Investing in our people across their lifetimes is fundamental to our shared success, from strong foundations for children and young people in schools and relevant, high quality education and training in our further and higher education systems to career-long learning and enabling employers to invest in their workforce.”

Industrial Strategy, Building a Britain Fit for the Future

It’s helpful that the current Industrial Strategy sees fit to talk about skills and productivity in such broad terms. When talking about such things, it’s typically tempting to narrow the conversation down to the problems faced by school leavers; to focus on how our school system apparently produces young adults unready for the workplace.

I believe the problems go deeper than that. I do think there’s something systemically wrong with our education system but I also think there’s something equally flawed about our approach to lifelong learning. This results in too many people currently having neither the skills nor the opportunities needed to be successful at work.

These people are not just the 16 year old school leavers with poor exam results. I actually think there are three broad categories of people whose potential productivity is being left untapped, for various reasons.

The first of those groups is the early school leaver. If you leave school and you’re not particularly academic, there’s a danger of becoming stranded by a society which focuses very narrowly on academic achievement, leaving you with no obvious career path. Let’s call this group, No Path To Progression.
Higher education isn’t always the answer though. Emerge from there with thousands of other people also holding skills that don't necessarily translate to employment and you can still be under-qualified for many of the jobs on offer. These people find themselves with degrees that hold little or no relevance to the jobs they end up doing. I’ll call these The Mismatched Skills group.

And then, somewhat incredibly, there’s a third group of people in very successful jobs who are stagnating. The nature of the work being done around them is leaving them behind. With no clear route to further learning, they simply carry on doing what they’ve always done. As lacking in an obvious career path as the No Path To Progression group, this is the Standing Still group.

Broad brush, sweeping generalisations perhaps – but I think there are now far too many people in the first two groups in particular for us to ignore, if we are to deliver a truly productive UK workforce. These are people struggling to realise their full potential because of a lack of decent career path planning and access to lifelong learning. And that lost potential at the individual level translates into lost productivity for society as a whole.

Not everyone wants to be the shop floor boss or aspires to become a CEO. This is not about pushing people into places they don’t want to go. But it is about making sure they at least have the opportunities to capitalise on the talents and ambition they have and removing the barriers to realising their potential.

It’s about putting the mechanisms in place for everyone to develop the right skills at the right time and remembering that happier, healthier, more fulfilled workers are likely to be more productive members of society.

With that in mind, allow me to introduce you to the archetypal characterisations of my three groups.
Archetype 1: No path to progression

Chrissie and Dev are both in their mid-20s. Neither found school much to their liking and emerged at 16 with a bare minimum number of GCSEs between them. Chrissie didn’t do too much for the next year or two as one bit of temporary and seasonal work followed another. Dev was somehow convinced to go to college to resit some of the GCSEs he’d missed out on. Although partially successful, he finished with nothing in the way of vocational qualifications, so plenty of doors remained shut to him.

Tiring of her nomadic – and poorly paid – fledgling work life, Chrissie finally got herself a job in a factory, doing anything from working on a production line to spending time in the paint shop and helping out in distribution.

Dev’s personable manner landed him a job working in a call centre but his lack of any real digital literacy soon counted against him. From there, he drifted into retail, working in several shops before settling into one where he was finally given a bit more responsibility but his chances of being made a shop manager always seemed pretty non-existent.

In a similar vein, Chrissie’s knowledge of the business she’d been in for several years did eventually count for something and she was promoted into a coordinator role. She’s now a trusted pair of hands on the factory floor. However, while Dev might not necessarily be worried about the rise of AI (his shop will probably be around for a while yet), Chrissie certainly is. The days when she – and her team – are outsourced to machine labour may not be that far away.

What Dev and Chrissie do have in common is that they have, most likely, peaked already in terms of their career progression – and they’ve not yet turned 30. No-one’s queueing up to get more skills and training into them.

Chrissie and Dev characterise the No Path To Progression group. They have some skills and – perhaps with a little push – could demonstrate more ambition. However, despite having accumulated certain skills over the past few years, society simply doesn’t value these people as much as their counterparts with a more impressive academic record. Both could arguably be more productive contributors to society – if they wanted to be. Yet the question remains of how that can be achieved when they currently have no apparent path in England and Wales.
Alan and Selina benefited from something that Chrissie and Dev were never that concerned about; a university education. Alan and Selina joined the masses heading into higher education. Despite studying a subject he was passionate about, Alan found related job opportunities after graduation to be almost non-existent. Along the way, Selina's years of studying prompted her to rethink what it was she actually wanted to do.

They, along with 31% of their fellow graduates, emerged from university to find themselves not just over-educated for the jobs they ended up doing but also in need of certain top-up skills. Both still managed to secure a decent job – but it’s just not quite what they imagined and, if they’re honest, they’re in jobs, not careers. What they thought was a stop-gap became permanent reality.

Selina proved to be a dab hand at sales and found herself in the estate agency business. She’s highly regarded and already runs one of the firm’s smaller branches. Meanwhile, Alan’s running a payroll team at a large manufacturing firm; something he rather fell into while looking for something, anything, which would pay the bills.

Both earn a fair amount of money but neither sees the potential for the future wage increases that they might have hoped for had they ended up in roles with more obvious career progression and/or a stronger correlation to their academic discipline. They have decent, fulfilled lives, although neither has been able to afford to get on the housing ladder. But this is not the career path they envisaged and enthusiasm for following this much further is running low.

Knowing that the jobs they’re in now could have been pursued straight from school, they look somewhat enviously at the new breed of apprentices coming through their organisations, earning money, getting real world experience and building a career; all while learning in the flow of work.

For sure, they learned a host of valuable life skills while at university that they put to good use at work. But their current situation is indicative of a system that funnelled them into further education with insufficient career path planning and with few viable alternatives for gaining the skills they’ve since developed in work.

The Mismatched Skills are an interesting group. No-one’s suggesting that you only ever go to university to learn skills that can be sold. No-one would want to deny Alan or Selina the chance to study the subjects they were passionate about, for fear of what that world might subsequently miss out on.

The question is simply whether all our Alans and Selinas ever get to realise their full potential and are as happy and fulfilled as they possibly could be.

Where fulfilment and happiness feature, maximum productivity typically follows – and that’s what society needs to bear in mind. They might have very nice looking lives – and they’re hardly asking for your sympathy – but The Mismatched Skills are still as much in need of support as the No Path To Progression.

5 https://www.bbc.co.uk/news/business-48091971
Archetype 3: Standing still

Whereas you might feel some sympathy for the situations that Alan and Selina find themselves in, there will be precisely zero public sympathy for Marc and Florence. Both hold down very well-paid positions in large companies, comfortably ensconced in the middle to senior management ranks. Yet both have seen their career progression prospects grind to a complete halt. They are standing still, slowly stagnating on a very nice wage.

For some time now, Florence has been running a customer service centre, which is becoming increasingly automated. She’s a great people manager and has some experience of running transformation projects but, sadly, her value is only recognised in a very narrow customer service environment. She’s in danger of becoming completely becalmed.

Likewise, Marc works in the back office at an investment bank. He’d like to learn more about data analytics and how to manage people better, as he keeps hearing that these are the skills of the future. He’s also concerned about the potential for his role to be replaced by AI and automation. However, his employer isn’t offering any learning or re-skilling opportunities to help him on either front. He can’t move up the chain and he can’t move sideways. As a result, just like Florence, he continues to do his job competently – but that’s about it.

The two of them now stand as examples of smart people with a very narrow focus on work that may no longer be required. There’s a danger they’ll be left behind as their companies evolve without them, with nothing to facilitate their sideways or diagonally upwards movement. Who wants to reskill such a senior resource? Precisely no-one. With their more-than-comfortable salaries disincentivising them from jumping off and starting again themselves, they’re simply waiting for events to overtake them.

No-one is shedding a tear for either Marc or Florence – yet both have the potential to be so much more valuable and productive than they currently are. They have more in common with Chrissie and Dev than they might care to imagine.
Our six characters are all at different points in their careers and have had very different educational opportunities and experiences. Nevertheless, they have something in common.

Each one has capabilities that they could be using more effectively. Each one is missing out on opportunities to develop the right skills at the right times in their life. And they’re all feeling insecure about their positions.

Imagine a world where Dev and Chrissie could have been funded for an apprenticeship while in the early stages of their working lives, resulting in them securing a degree they never thought attainable. A world where Alan and Selina had been given better careers advice; guided to a degree, or even an apprenticeship, that would have led to improved career prospects. And a world where Marc and Florence could access either leadership or technical training to help push their careers forward, even at this advanced stage.

Then imagine that instead of having to spend time out of employment for further learning, a proportion of that further education could be facilitated by digital learning, reducing the impact on them and their employers.

In such a scenario, each of our archetypes would be personally more fulfilled and more secure in their future prospects. Which, in turn, means they would be more productive; adding more value to the economy by working at a higher level and more readily realising their potential.
The complicated world of skills

“We will create a country where everyone can improve their skills at all stages of their lives, to boost their earning power and the opportunity for better jobs.”

Industrial Strategy; Building a Britain Fit for the Future

The current Industrial Strategy leaves us in no doubt about the importance of skilled labour as a driver of growth within the sluggish UK economy. Skills matter, we hear repeatedly. But they also present us with something of a problem, on several levels.

For a start, as a country, we seem unable to shake off our over-riding fascination with qualifications, which are – increasingly – an inadequate proxy for the skills we actually rely upon at home and at work. A basic qualification in maths may not, for example, equate to the arguably more valuable skill of maintaining a project plan – yet the former seems to carry more weight.

Locking young adults into a seemingly constant cycle of exam retakes to get that qualification is demoralising, both for them and the people working within the further education system. It is also unlikely to get us where we want to be, in terms of improved skills and productivity.

Only 17.6% of young people who fail their GCSEs in English and maths, have managed to catch up by 19. And that’s not a few poor performing areas bringing down the average. It’s pretty uniform, and doesn’t appear to be affected by social background, prior attainment, location or the institution attended.

In the ongoing battle of, “what matters more; academic qualifications or acquired skills?”, qualifications still seem to win out too frequently for our economic comfort. A measure of our likely productivity – and thus our value to society – is too often predicated on what happened (or didn’t happen) in school, college or university. More than a quarter of young people with below Level 2 qualifications are at risk of being in long-term NEET (not in employment, education or training). This compares with just 15% of young people with their Level 2s. We don’t necessarily value skills in the same way – and we certainly struggle with knowing how to measure them.

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The long tail starts here

We have many employers who still claim that new entrants to the job market aren’t “work-ready” yet struggle to articulate what the skills are that they would like to see more of. And we have too many workers who are left with little or no sense of a viable career ladder. They remain stuck at the foot of the ladder, creating a bottleneck for those who might look to follow.

Our long tail of productivity starts right here; combining low paid, low skilled workers with no obvious path to progression with an apparent acceptance that high participation in the labour market somehow makes up for their sub-par productivity.

Without diminishing the value of the much-talked about (and in-demand) STEM skills, many of the skills that we suspect we might need more of to keep the economy moving forward (inter-personal skills; customer service; leadership and management; empathy) are rather pejoratively tagged as “soft skills”. In a world of AI and bots, they could in fact be where we need to focus most future effort, so they deserve far more respect and attention than to be dismissed as fluffy or nice-to-have.

Lately, the importance of lifelong learning has dawned on plenty of large corporates whose investments into their own home-grown training and apprenticeship programmes are starting to resemble the emergence of a shadow education system. Meanwhile, the SMEs who constitute the bulk of UK plc look on enviously at this investment of time and resources, knowing they can never match it.

And in the midst of all this, we have a very traditional education system that, while hardly broken, might be in need of recalibrating its efforts if it is to deliver the workers that future Britain needs.

Time for employers to come to the party

So, what to do? Well, as employers, we all need to come together more effectively in our workforce strategising and planning efforts to define – and pursue – the skills we really do need in our future workforces.

The recent Future of Work report puts it rather more brutally: “Big business tends to blame a lack of skills on a lack of available labour, a problem exacerbated by tighter UK immigration controls expected to follow Brexit. However, maybe the companies in question are at fault; either they are not paying enough to attract the right skills, or they are too lazy to implement a development programme dedicated to internal progression.”

We need that to translate the result of this group thinking into what's taught at school and in work, building off a base platform of literacy, numeracy and digital proficiency – but all with real, practical workplace applications in mind.

But most of all, we need to think about how we value, accredit and record the skills we accumulate outside of academia. Perhaps some sort of skills passport, a centrally held – and universally accepted – record of attainment which allows skills and work experiences to compete on a level playing field with academic achievements.

It’s an idea that’s often talked about – but the appetite for acting on it seems minimal. Admittedly, this is no overnight fix so perhaps the effort it calls for is too big; the necessary policy-making, the infrastructure, the accreditation. The prospect of doing it half-hearted – leaving us with something disjointed and not wholly effective – is arguably worse than doing nothing but it seems a shame that such a universally recognised good idea seems destined never to be acted on, for now at least.

“Big business tends to blame a lack of skills on a lack of available labour, a problem exacerbated by tighter UK immigration controls expected to follow Brexit. However, maybe the companies in question are at fault; either they are not paying enough to attract the right skills, or they are too lazy to implement a development programme dedicated to internal progression”.

Jesus College, Cambridge and KPMG
We need to become more of a learning country, more open to the possibilities connected to lifelong learning and appreciative of the skills developed outside of compulsory education.

Brownies wear sashes

Young children are quite good at this. Anyone who’s ever been involved in Scouting and Guiding carries their record of accumulated skills around with them.

Swap map reading, swimming and survival skills for entry level telephony, active listening and data analysis (losing the yellow sash and parental needlework) and you’re left with a workplace skills passport; a record of a lifetime of progress and learning.

The analogy is not meant wholly flippantly. It’s all about badging and accrediting people for skills they wouldn’t necessarily receive any formal recognition for, whether those are developed in the workplace or in education (where they may emerge as a by-product of the act of learning something more academically recognisable).

And those skills will soon matter. Take customer service as an example. Society typically looks more favourably on, say, an accountant with the full suite of expected academic and professional qualifications than a school leaver in a retail or call centre environment, no matter how many years of service they’ve racked up.

Yet all the technical information the former gleaned in academia may well be the first thing swallowed up by machine learning and Artificial Intelligence as their profession automates. Customer service could conceivably be one of the last remaining human elements of the industry at some point in the not-too-distant future.

At that point, it would probably be quite handy to have some well-honed people skills; the sort of thing you’d nurture in, say, a retail or call centre environment. Yet, as people with such skills look to retrain, switching to whole new careers or into new jobs that don’t even exist yet, how could they evidence the skills they’ve developed? What’s the benchmark by which we rate those skills?

And if they never got the much-vaunted maths GCSE that unlocks so much of further education or spent three years in higher education, would they even get a look in when those new jobs are created?

Learning to become a learning country

Our education system needs to change – but so too does the culture around it. We need to become more of a learning country, more open to the possibilities connected to lifelong learning and appreciative of the skills developed outside of compulsory education. A country that understands skills and values them as highly as qualifications.

A country where the policy interventions required to make this happen are implemented, not just talked about.

That change starts with businesses finishing the work that’s already begun to define what their most important employability skills really are. That then translates into a national framework where these skills can be evidenced outside of the traditional qualifications structure, compelling us to think about how we measure and accredit those skills.

These changes will not take hold overnight. They will take time; which makes it all the more important to start making changes now. No-one ever said this would be easy. It’s quite a skilled job, after all.
Many of us, as we have progressed into leadership roles, have ascribed to the view that leadership was all about judgment. Nowadays, it’s more heavily influenced by data. What this means is that today’s emerging leaders will most likely be developing some strong analytical skills to help underpin their decision-making abilities. Many of us have placed great value on our leadership competence being about listening to information which was often imperfect, hearing various views, and then making a judgement-based decision.

The net result is one or two generations of leaders who lack the data and analytical skills now needed in leadership, whilst the next generation has not yet the experience. Some might say this creates something of a temporary leadership vacuum.

If you agree, this is where you can see the argument for lifelong learning. Those leaders who emerged on the scene when the internet was only just finding its feet may now be lacking a critical skill.

Now, if those people were nurses or pilots, for example, any equivalent skills deficit may have already been rectified. But they’re not. They’re hardly holding anyone’s life in their hands so – in society’s eyes – they can continue to define themselves by skills and qualifications gained 20 years ago. Yet such leaders can continue to make big decisions that may have significant ramifications for large numbers of people.

Arguably, our ongoing development should be more than a box-ticking CPD exercise. We should all be asked for evidence of our commitment to lifelong learning. And if that means learning something alongside people 20 or 30 years our junior, then so be it.

After all, can we really hope to just ride out the rest of our careers (which look increasingly lengthy, by the way) just making do with the skills we have while everything shifts around us? Probably not. We can’t afford to stand still.
Pulling on the levers of the minimum wage

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If we are to accelerate the development of the skills needed to improve UK productivity, we’re going to have to get creative.

So how about this as food for thought: could we use the National Minimum Wage as a way of incentivising lifelong learning among those workers currently at the lower end of the pay scale?

Could we use the different minimum wage levels as a way of rewarding people for developing their skills, rather than as a reward for simply getting older?

Currently, the Minimum Wage uses age as a proxy for skills, as if getting older is somehow guaranteed to make you more valuable to an employer. To some extent, that’s understandable as it reflects the experience that comes with age. However, this leads to a situation where a 17 year-old with all the ‘work-ready skills’ that employers always talk about has less statutory earning power than a 24 year old who has next to no skills.

Of course, more progressively minded employers may pay our talented 17 year old more anyway — but if that was always the case, we wouldn’t have needed a national minimum wage structure in the first place. In fact, only 30% of working 16 to 18 year olds are paid at or above the adult minimum wage.

Introducing a top-up

Ripping up the existing age bands and replacing them with bands predicated solely on the skills someone has may prove rather too extreme. However, working within the current legislation, could we instead add top-up payments for being able to demonstrate that someone has a certain number of valuable workplace skills and/or qualifications?

Yes, there would be a cost to employers who routinely employ plenty of young people at minimum wage levels. But isn’t this just the cost of the increased productivity we crave? The cost of making sure that school leavers really are work-ready?

In fact, only 30% of working 16 to 18 year olds are paid at or above the adult minimum wage.

8 KPMG analysis based on ONS Data, 2018: ‘Earnings and hours worked, place of work by local authority: ASHE Table 6’.
If we could make such a system work, we’d be offering fiscal encouragement to study harder at school. (As an aside, it might also be a handy way for government to engage with the younger voters they say they struggle to connect with.) We’d also be offering older workers on minimum wage an incentive to take responsibility for developing the skills that would qualify them for a skills-related top-up – and then onwards to something more highly skilled and better paid.

**Boosted incentives**

Let’s imagine that we added in three skills bands – unqualified, qualified and premium-qualified – in line with the skills evidenced in our ‘skills passport’. The unqualified band carries no minimum wage top-up but the other two do. Then let’s imagine that the amount offered for the premium top-up could grow at a more rapid rate than anything else connected with minimum wage, in an effort to supercharge the incentive for lifelong learning.

Clearly, this would put a significant extra burden on employers. The top-ups applied to the lower age levels would be something of a concern, although mitigated by the fact these workers would be moving through the system anyway and – hopefully – into jobs where minimum wage was no longer a consideration.

However, the idea of being compelled to pay a higher minimum wage to workers over 25 would be controversial to some employers in industries facing significant margin pressure. There are 1.4m people in the UK over the age of 25 who earn less than the real living wage\(^9\). Yet there are many employers who effectively volunteer to do this, as evidenced by the Living Wage scheme, and who point to improved employee engagement, lower churn and a more effective overall workforce.

But if the premium were phased in over a number of years, then we have a powerful signal that Britain is determined to address its productivity challenge. And if we really are serious about improving skills (all the popular rhetoric suggests we are), then we have to consider pulling every single lever at our disposal in an effort to change current attitudes towards skills and learning.

You could even say it’s the minimum we should be doing.

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\(^9\) KPMG analysis based on ONS Data, 2018. ‘Earnings and hours worked, place of work by local authority: ASHE Table 6’.
Have passport; will work

The idea of some sort of skills passport, raised by Justine and Louise, is a fascinating one; an app or other digital platform, for example, via which you could evidence the skills employers are looking for.

A combination of the academic qualifications you hold, the digital learning you’ve undertaken independently and a description of the skills you’ve developed sounds remarkably like a CV. However, what we’re talking about here is more than that. It’s essentially about codifying and verifying those skills that exist outside of academic qualifications.

With this in mind, could we envisage our further education institutions being used as testing centres; places to go to have certain micro-skills checked and verified to a single agreed standard?

The big fear here is that, in the quest to produce something universally acceptable, there’s a danger of creating a monster; something so cumbersome and expensive as to be rendered useless almost immediately. That would have to be avoided. The last thing we need to do right now is to create more challenges within the skills market. Therefore, speed and ease of use would need to dominate any further thinking in this space.

Codify and verify

However it might come about, some sort of codification and verification seems essential. Without that, we’re left with little more than LinkedIn-style endorsements from previous employers or self-declarations that don’t really move us on from what we already have in a traditional CV.

Some of the skills we’re talking about here might need regular re-checking but even that’s no bad thing. Being reminded of just how much you can do is empowering and good for the soul. And, as those of us who have first aid qualifications know well, best practice changes.

Extend the concept further and this becomes a recruitment platform. Employers could specify the practical skills they’re looking for and the level of competence they require – and candidates could immediately prove that they hold at least a percentage of those skills, as per their skills passport.

Could such a system work? Possibly – but I wouldn’t for a minute profess to having all the answers. Do we need to try to make such a system work, so that people can better evidence the skills they do have, while also being encouraged to develop more? Almost certainly.
The importance of being digital

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I know that the debate around improving national productivity and our skills base and making sure our education system is fit-for-purpose is a complex one. There will never be a simple answer. However, if we are to make any significant progress, I can’t help but feel that much greater focus on digitally-enabled learning is the way to go.

Digital learning has so much going for it, in terms of accessibility, equity and cost-efficiency. Outside of work, we know that people access digital content to learn readily, in order to solve home life conundrums. Formal and skills learning needs to be well curated and high quality – rapidly improving technology and content can combine to provide a compelling learning experience.

What it currently lacks is scale. It’s a relatively immature market that few learners are really incentivised to engage with, outside of academia and large corporates. And I think that’s because our overall approach to learning in this country is wrong.

It bothers me that, currently, we’re so heavily focused on learning only up until our early 20s. Learning beyond that point seems the exception, rather than the rule.

I’d like to see that flipped on its head.

Lifelong learning should be our overriding expectation from the outset. As workplaces and jobs become increasingly diverse and complex, it’s more and more important we continue to develop on both a personal and professional level. This includes knowledge gained through our previous experiences, as well as any skills which have been self-taught or learned along the way.

If we’re not prepared to carry on learning, then ours will become an unproductive economy, characterised by a growing number of people unable to deploy their outdated skills in the contemporary workplace.

With the Bank of England estimating 15 million British jobs being lost to robotic automation over the next twenty years, digital learning is a critical mechanism for making sure that we avoid this outcome10.


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The benefits

The benefits of digital learning are plentiful. Access to digital devices is ubiquitous for a start, creating the possibility of providing high quality learning to everyone, not just society’s elite and not just for the young. People living in disadvantaged areas, people struggling to access traditional learning routes, people at all stages of their lives (young, not so young and old), people working in smaller companies or organisations with little in the way of learning support; digital learning is how we reach everyone, regardless of where they live or work.

Then there’s the fact that digital learning is accessible anytime, anywhere, anyhow, making it perfectly suited to working around learners’ hectic lifestyles. Assuming you have access to a suitable device (and the fact is most people do; almost eight in ten UK adults use a smartphone11), you can plot your own learning route. It can also provide a bridge to learning establishments (be they schools, further or higher education institutions or even large corporates) that learners may not otherwise engaged with.

And finally, the sophistication of new blended learning models is making the learning process more effective, increasing the chances of skills becoming more firmly embedded.

The nature of work today is that everything changes at pace. The skills required to keep doing a job effectively are evolving all the time. There are some jobs for which the skills being taught during formal education may be outdated by the time a learner enters the workforce. The future will see a growing number of people frequently needing to acquire new skills to enable them to move and adapt to new careers and professional disciplines as the pace of change accelerates.

With both these possibilities in mind, the notion that we voluntarily exclude ourselves from further learning once we start earning seems crazy.

Digital learning has so much going for it, in terms of accessibility and cost-efficiency but also quality.

In search of new markets

That’s why I hope that the coming years will see the development of a significant market for supplying digital learning services direct to learners of all backgrounds and ages. If business-to-learners (B2L) becomes a reality, it will most likely mean that we’ve begun to change long-held perceptions about the value of lifelong learning. It will also suggest that we’ve found a way of supporting the learning ambitions of people marginalised or excluded by our current education system.

Of course, B2L exists already, to some degree. Plenty of businesses send employees on training courses (although not necessarily digitally-enabled). Learners can proactively sign themselves up for MOOCs (Massive Open Online Courses) on any subject under the sun. But, typically, these are people with skills and qualifications already under their belts or a more progressive attitude towards their own learning and development.

These educational routes are not being taken by the people who we really need to get to, in order to boost national productivity; particularly those who have been disenfranchised by traditional learning.

For digital learning to really take off within a B2L market, we’re going to need to figure out how best to price and incentivise it to these people. We’re going to have to deliver it on a far greater scale than currently. And, as touched upon by my colleagues elsewhere, we’re going to need employers to be comfortable employing people who define themselves by the type of skills they may acquire through their self-directed digital learning, rather than just their formal academic qualifications.

I strongly believe that learning should be inclusive; something that everyone can access. Education should be the route by which you can pursue whatever you want to do, not what you’re expected (or limited) to because of your background. The continuing evolution of digital learning makes this a far more realistic possibility than previously. It can become a mechanism for improving social mobility and inclusion.

And working on the assumption that having the opportunity to invest in your skills makes you more employable, resulting in a better chance of leading a happier, healthier, more fulfilling life, then it could become a mechanism for improving national productivity too.

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A note on blended learning

Increasingly, we hear digital learning and blended learning mentioned in the same breath. Without doubt, improvements in the quality of digital learning have made blended learning models even more effective.

Trying to pin down an exact definition of blended learning is tricky, however. In most instances, you’ll find people describing blended learning as a mix of online and offline learning activities, with a particular focus on the digital technologies that facilitate the online learning element.

Learning & Development (L&D) firm LEO take a slightly different view. In their latest publication, ‘Why Blended Learning Works (And Can Work For You!)’, they refer to blended learning simply as a mix of different learning activities, aimed at mastering a technique.

Rather than seeing this as a prescriptive mix of online and offline (as many seem to), LEO suggest it could be partly online, entirely online or completely offline. “Regardless of whatever form it takes,” they say, “there is a mix or blend involved and that blend is aimed at helping learners master a new technique as fully and efficiently as possible.”

Put another way, blended learning is about combining complementary learning activities for even greater impact; a case of the whole being greater than the sum of its parts.

The quality and variety of digital learning activities now available (ranging from online tutorials and self-assessments through to virtual reality classrooms and simulation and training exercises) mean that an all-digital programme could easily be classed as blended learning.

Interestingly though, when online and offline activities do come together in a blend, they often do so in a way which completely challenges our traditional views of how education is supposed to occur.

One such example is the ‘flipped classroom’ model; an approach that a KPMG-led consortium of 30 L&D specialists (including LEO) has successfully deployed in our work with Civil Service Learning.

Traditionally, learning involved attending classes or lectures where learners were told what they need to know before completing their homework – assignments, essays, projects etc – in their own time. In the flipped classroom, they now typically undertake the instructional part at home (digitally) and then do at least some of their homework in the classroom.

Except it’s not really a classroom in the traditional sense any longer. It’s merely a place for fellow learners to come together and to discuss and practice what they’ve learned.

These sessions might involve practical demonstrations, role-plays, assignments, case study exercises or merely just a group discussion. Regardless of what the physical activities might be, such a model uses the classroom time for activities that benefit the most from direct interaction.

The benefits here for workplace L&D are obvious. Time spent putting employees into classrooms or workshops has typically been seen as expensive and distracting. Its effectiveness was always a matter for debate too, with employees (whose enthusiasm for a return to the classroom was questionable anyway) seeming to struggle to transfer what they learned back to the workplace.

Using digital learning activities to ‘teach’ a topic, followed by appropriate face-to-face activities to really focus the mind has been seen to significantly increase the likelihood of new skills, knowledge and ideas being taken back into learners’ day-to-day routines.

It’s just another example of how we might expect digital learning to revolutionise the way we learn, both at school and at work.
No debate around how best to improve skills in this country can ever be complete without considering who pays for it.

For much of our education system, it’s obvious who pays. On the whole, schooling is paid for by the state while higher education in England and Wales is paid for by individuals, primarily through the use of the student loans system.

But what of those people who are already in work but who need to develop higher – or simply different – skills? If we’re serious about becoming a country of lifelong learners, how can we fund this?

Several options present themselves. Government subsidies (quite simply paying the cost for stimulating economic growth through increased workforce productivity) or even an extension of the student loan model into workplace learning are two such possibilities. But there’s also the suggestion that businesses need to get far more involved in this than they currently do.

The reluctance here typically stems from investing in someone who subsequently walks out the door at a month’s notice. The challenge lies in finding an economic model that benefits both employee and employer so the latter can make a return on their investment even if this does happen. It’s not as if such win-win models don’t already exist – but they’re certainly not being deployed as widely as we might hope.

The idea of providing training in return for a guaranteed period of tenure is hardly new. Professional services firms, for example, have been offering graduate schemes (in areas like audit) for some time now. These schemes combine part-time employment and part-time study with the chance to gain a qualification after three years. Clearly, the aim is retention but the student may well choose to leave as soon as the three years are up – but the employer will have already been able to generate sufficient value from them (even part-qualified) to make up for taking that risk. The economics work for both parties.
There’s also a model whereby a business puts up the funds for someone looking to completely reskill themselves, confident in their ability to place the learner in a suitable job once they’ve completed their studies. That employee is then tied to a certain length of tenure or otherwise faces repaying the full (and not insignificant) amount spent on their training; motivation enough to stay put for at least a while.

**Opening the transfer window**

Clearly, the fact there is a price to pay for an early exit doesn’t prevent an employee from leaving anyway, particularly if their newly developed (and in-demand) skills bring them to the attention of a prospective employer who may pay that fee for them. We’d then be into the realms of football-style transfer fees but such a buy-out would at least mean that the current employer could recoup their training investment.

But this is where we come back to the point about finding an economic model that works for all parties. In reality, the prospect of merely getting their money back (which is, presumably, all they’d be permitted to do) is hardly likely to encourage any business to sink time, money and effort into a comprehensive training programme. Some sort of tangible return on their investment will be required. We’re looking for win-win here, rather than one side wins and the other side breaks even.

An additional concern here is that, as the training becomes more valuable, so too does the likelihood of it becoming even more worthwhile for an individual to buy themselves out in this way. Even if their new employer hasn’t already paid off the golden handcuffs, their valuable new skills will, most likely, very quickly pay for themselves.

**An alternative approach**

Approaching the problem of funding workplace learning from a completely different angle, I did mention the student loan system earlier. The question here is whether the current system could be extended to a whole new tranche of learners and used to incentivise lifelong learning by providing them with the necessary capital up front to fund their learning.

The size of the existing student loan market may discourage government from wanting to extend it any further (over £1bn in outstanding loans and increasing rapidly)\(^1\). However, when it comes to developing skills, there are few more powerful government intervention tools than the student loans system – so why not extend it beyond higher education?

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1. \(\text{https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7735}\)

When it comes to developing skills, there are few more powerful government intervention tools than the student loans system – so why not extend it beyond higher education?
Innopolis is a fascinating example of what can happen when businesses get involved with education. This new town, 500 miles east of Moscow, has been purpose-built to host a new university, specialising in information technology, and a Special Enterprise Zone, designed to attract high tech businesses to the area.

The businesses taking up residency in that Zone cover the students’ fees, effectively paying the university’s operating costs. In return for their financial support, students commit to working for one of these local businesses for a couple of years after graduating.

This is an extreme and radical example of business intervention within the education system. It’s also one which could never really take hold here – because of the upfront state investment that was required to create Innopolis’ basic infrastructure (the town did not even exist before 2012).

Nevertheless, and bearing in mind how often we’ve talked in this country about the role of universities in regional industry clusters, it is an interesting development in how best to bring together business and education.

For now though, the debate continues about the skills we need and how to develop them. But if we’re serious about boosting growth and productivity by improving the UK’s skills base, we’ll need to figure out who pays for this sooner rather than later.
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