

The Foundation for Science and Technology

Dinner/Discussion: 1st April, 2009

The Rt Hon John Denham MP, Secretary of State for Innovation, Universities and Skills

Introduction

1. Thank you and good evening everyone.
2. Tonight's discussion and dinner has an enormously broad subject. It's clear from the speakers you have invited that you want to range widely across skills in the economy, skills and mental well-being, and skills for personal development and enhancement.
3. I met Tom Kirkwood in Newcastle last week when I visited the centre of vitality and aging; and I know Richard Layard of old but, in tonight's context, for his pioneering work on apprenticeships.
4. I thought I would try to range widely, though I hope not too superficially, across the three aspects of tonight's debate.
5. But I will begin by outlining our current thinking on how we will need to develop the skills system to respond to the challenges of the current recession.

Industrial activism

6. The credit crisis and associated recession which began with sub prime lending in America, has swept through the world, not just in the west but in emerging and newly emerged economies such as China and India. No country is immune. The challenge we face in the UK is not just to support businesses, families and individuals through the immediate crisis, important though that is, but to look forward to our economic future and to take action to ensure that we come out of the recession as swiftly and strongly as possible.
7. Embracing protectionism is not the answer. Such an approach can only slow recovery and would be to the long-term detriment of the economy and ultimately to the prosperity of businesses and families in the UK.
8. Only international action can truly bring results.
9. The G20 conference, brought here at the invitation of Gordon Brown, is clearly key to the way the world community responds to these enormous challenges.

10. We will all be looking at five tests of whether tomorrow's summit achieves its aims:
11. First, whether we can agree tighter and transparent regulation of banks, hedge funds and what is known as the "shadow banking system".
12. Second, whether we are prepared to commit to doing whatever is necessary to bring about a resumption of growth, push back against the global recession and support families and businesses.
13. Third, whether we can ensure the international monetary fund has the resources and legitimacy it needs to support growth in emerging markets and developing economies.
14. Fourth, whether we can reject protectionism and kickstart global trade.
15. Fifth, how we fare on obligation to help the poorest – those most vulnerable but least able to help themselves.
16. But as the world moves, as it will, out of recession, we face the challenge of re-shaping our society – with a more diverse and more equitable economy, with greater resilience in terms of our energy and food supplies – all within an increasingly competitive world.
17. As we develop a clearer idea of the sectors of the economy in which we have particular strengths, potential competitive advantage, and the ability to generate wealth and jobs, we will need to ensure that government policy is coherently organised to make the most of this potential. I spent a good part of last Wednesday discussing the potential of impact of the new breakthroughs in the science of aging and vitality pioneered by Tom's centre.
18. But success in key areas like nuclear and renewable energy, life sciences, low carbon manufacturing, digital Britain, will not simply happen.
19. You will almost certainly have heard the phrase 'industrial activism' around Government. It means a new thrust in government policy. Not a return to picking winners, but of consciously organising ourselves for success in the areas of our greatest strength. And this means being coherent across public policy. From what government buys, and whether it encourages innovative solutions and new companies, to where we invest in fundamental research. From how and what we regulate, to the finance for start-ups.
20. As we develop this self conscious approach in government, it's clear that a key part will be played by a new 'skills activism'. We already have bold and ambitious plans to raise general skill levels across the economy. The Leitch report set the challenging target of being in the premier league of world skills by 2020. This ambition has been underpinned by rising investment in further and higher education, and by the revival and

renaissance of apprenticeships. But we need to go further, to ensure that in these key sectors at least, we can be sure that we have the right people in the right place at the right time.

21. Over the past few years, the skills system has become increasingly demand-led, responding to the choices being made by employers and learners.
22. But while this has produced a more responsive and effective skills system, we know that it has limits as it works at present.
23. There are a number of key factors driving our skills system which are not yet properly addressed in our skills policies.
24. Among these, we need to understand:
 - what drives employer spending on skills and whether our current framework will maximise it.
 - whether a system that responds to the demands of individual employers will produce the critical mass of learners with the right skills.
 - whether government and business should work more effectively together in areas of strategic skills needs.
 - whether national and local government themselves could do more to boost the demand for, and supply of, skilled labour.
25. Above all, we need to be more conscious about what drives investment in skills. After all, most skills investment comes from employers, not through my department. And we find that the same factors drive skills investment as other investment – certainty and predictability of market demand, effective and proper regulation. These are the things industrial activism has to get right; they will also help ensure we get a properly equipped workforce.
26. So, for example:
27. If government regulates - for standards in social care, for example - it has a direct impact on the demand for, and investment in, skills.
28. If government takes a decision to limit immigration for broader social objectives, then it changes the demand for skills in the hospitality sector.
29. If government decides to invest in major infrastructure and construction projects - from school building to house-building to Crossrail and the Olympics - it creates a demand for skills.
30. If government policy creates the expectation of future business - by setting out a framework for renewable energy, for example - it creates a demand for skills. And it sends a strong signal to young people and to the education system to develop skills that they know will be required for future jobs.

31. In areas where this is seen to be happening – in the nuclear industry for example – we see a confidence in the ability to invest in and meet skills needs. In other sectors of potential growth, the future opportunities are less clear: we held a seminar in my department this week on retrofitting energy saving technologies in the existing housing department, and found it was impossible to separate the narrow issue of the demand for skilled labour from the wider question of whether clearer incentives could be put in place to drive a more certain market.
32. It will be an important part of the role of the new Skills Funding Agency to ensure that the skills system becomes sufficiently flexible and sufficiently incentives to meet such demands. The newly licensed sector skills councils must also play a role.
33. I know that the word 'skills' is often taken as synonymous with vocational skills, probably at level 2 or 3.
34. But once we start asking about the relationship between skills and future economic prosperity, we have to look much more widely.
35. Some globally mobile IT companies come to the UK because of our skills base. But not, primarily, our technician or even our graduate skills base. But because they want to recruit amongst people who have conducted basic research in a world leading computer science research team. Our choices of where to invest our blue skies research budget may actually be much more important to our economic success than our more obvious investment in skills.
36. Given the increasing necessity for higher level skills in the jobs of the future, the responsiveness of the higher education sector to employer and industry needs is essential. Universities must engage in two broad areas.
37. The first is by delivering high-level skills for employment. Last year, my Department's *Higher Education At Work* paper stressed the need to step up employer engagement with the design, development and delivery of courses, as well as to expand vocational and work-based study.
38. Some universities are already rising to that challenge. Last year, interacting with businesses and communities earned universities £2.64 billion – 17 per cent more than the previous year. But given the sheer amount of training by business across all levels that HE could compete for – perhaps £5.5 billion – the scope for more such collaborative HE activity remains huge.
39. In future, universities will need to offer still greater diversity in methods of study, as well as qualifications, in order to satisfy what can only be a growing need for graduate-level workers. That means especially more opportunities for part-time study and study in the workplace.

40. In a recent speech on “the HE debate” – our ambition for our HE sector to remain world class in 10-15 years time – I said that despite progress, it is not clear that our publicly funded degrees offer the range and balance of qualifications which students and the wider economy require. Increasing numbers of young and older people will reach the threshold of university education through almost exclusively vocational routes. It’s fair to ask whether these students have sufficient chance to gain higher levels of skills and qualifications in our education system. If not, then higher education will need to meet these needs in future.
41. The second area is learner and employer demand for skills above level 4 – at taught and research postgraduate level. Demand here growing. But the issues here are somewhat different.
42. In actual fact, I’ve said recently that we lack clear public policy in taught and research postgraduate studies.
43. As it becomes increasingly usual here – as it already has in the USA - for Masters degrees to be a desirable pre-employment qualification, it’s inevitable that similar concerns about quality and value for money that the sector has addressed successfully in respect of first degrees arise.
44. In postgraduate research there are different but equally important challenges. Our universities must not only be able to attract the world’s best postgraduate researchers but also ensure that research careers are attractive and attainable for home students. I don’t think that our current funding arrangements can be said to help deliver either of those aims as they potentially could.
45. That’s why I want the new framework for higher education that I’ll publish later this year to set out how we should move forward towards a coherent strategy for postgraduates and a clear division of responsibility between Funding and Research Councils.
46. Of course delivering more, and more employable graduates is not just to drive economic growth. We also know that graduates are more likely to have higher levels of wellbeing, enjoy better health, and, of course, better pay.

Other skills

47. In looking at future challenges to the skills system, I do not want to understate our recent achievements.
48. The creation of Train to Gain showed our commitment to putting the buying-power of public funding for training under employers’ control. By next year, over £1 billion will be available to support the training that employers need to drive their businesses.

49. Since 2006, more than 119,000 employers have used Train to Gain and over 370,000 people have got formal qualifications. Research shows that 43% of people get a promotion and 30% get a pay rise within a year of taking training via Train to Gain.
50. Increasingly, apprenticeships are being seen by employers and employees alike as a good way to get the relevant skills training, to help you get a good, well paid job, perhaps one of the jobs of the future. This government has rescued apprenticeships over the last ten years, and has built them up so they are well on their way to taking their rightful place as a mainstream training option for young people.
51. The number of apprentices today is about 4 times higher than in 1997. And our ambition is to see that rise still further.
52. Of course the vast majority of employers want people who can read and write. In the last 5 years we have taught 5.7 million people basic skills. But the ability to read your child a bedtime story, or to help with the homework is one of the profound, yet intangible, benefits which come from improving your skills.
53. When I first walked into the new Department of Innovation, Universities and Skills I found I had to confront a view that had become ingrained in government.
54. That I either had to chose between investing in the skills that business wanted; or investing in the skills that were important for social inclusion and cohesion.
55. From the beginning I challenged that false choice. Today, DIUS is a key economic department, contributing much to policy and delivery on the key drivers of prosperity. Equally, we are seen as a key player across government on policies to promote social mobility, tackle poverty and promote social inclusion.
56. We are now, for example, an established part of the cross-government team on child poverty, recognizing that, as the Joseph Row tree Foundation has recently reported, beyond redistribution through tax credits, the key to child poverty is raising the skills, and hence incomes, of parents.
57. The Foresight report, of which I was proud to be the Ministerial sponsor, provides a sound, rigorous, academic base for challenging the false choice between personal need and the economy.
58. The Foresight report stresses the debilitating effects that unemployment can have on mental health. And that's one reason why we're offering extra help in the short term to help employers and individuals weather the recession.

59. For example, we're funding 35,000 more apprenticeships next year, at a cost of £140m and spending an extra £158m to help people facing redundancy. In addition, £83 million's being made available to fund 75,000 further education places for those out of work for 6 months.

60. In the *New Opportunities* White Paper, the Government signalled its commitment to providing more opportunities for the most vulnerable people in our society. We are trialling new rights for low-income families in work who are on tax credits, give further training help to agency workers and to those with learning difficulties and mental health conditions.

Other benefits of learning

61. I want to end by saying that the government knows that the benefits of learning aren't found only in skills outcomes or employment outcomes. It is human nature to seek out stimulation and enrichment, and to create social bonds through shared interests and passions. Learning for its own intrinsic value makes an enormous contribution to creating the kind of society we can be proud of.

62. We recognise that informal adult learning can transform individual lives and boost our nation's well-being. At its best, it can bring people and communities together, challenge stereotypes and contribute to community cohesion. It can unite the generations and help people remain active and independent into old age. At its simplest, informal learning can help build people's confidence and add to their personal fulfilment.

63. The *Learning Revolution* White Paper that I published only last week responds to these issues. It aims to encourage more people to engage in more forms of informal and community learning. We are working with the department for health to use informal adult learning to keep older people physically and mentally well. And we are providing specific support to those who are out of work, to help them take the first steps back into learning.

64. Indeed, there are 6 government departments signed up to the white paper. This shows that government has heeded the advice on the foresight report that no single department will be able to develop and deliver solutions to Britain's mental capital issues in isolation.