



Levelling up and skills policy

How qualifications and training can help boost regional productivity

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Summary

The *Levelling Up the United Kingdom* white paper, published in February 2022,¹ recognises 'human capital' as one of six factors that underpin an area's economic success. And while the government wants the levelling up agenda to be about more than just improving economic outcomes, it recognises the 'productivity problem' left unsolved by successive governments as a cause of the regional disparities it seeks to address; the first chapter of the white paper is dedicated to it. This places skills policy, as a means of improving human capital, at the heart of its levelling up agenda.

At the individual level, investment in skills can pay off – specifically university degrees and post-18 non-degree qualifications such as apprenticeships. Evidence also suggests that skills policy needs to focus on retraining people throughout their career and ensuring skills match job demand in local places.

The policies set out by the government broadly match this approach. However, the evidence also suggests there are limits to what these can achieve on their own

– complementary policies are crucial if people are to have incentives to invest in skills and if skilled people are to stay in their area rather than move to higher-productivity places.

In this Insight paper we summarise the evidence on what skills policies are likely to work best at reducing regional disparities and how the government's current approach measures up. It is based on policy evaluations and case studies of past examples of initiatives comparable to levelling up, as well as a small number of interviews with skills policy experts in the UK and internationally.

What skills policy can achieve

The available evidence points to three important factors that skills policy should focus on. The government's current approach broadly aligns with this evidence, albeit with some gaps:

- **Improving skills for those entering the labour force**

We have good evidence that graduates have higher lifetime earnings and are more productive than otherwise similar people without degrees, although this does vary depending on the subject they studied and the type of institution they attended. It is notable that the government has so far had little to say about the role of universities in levelling up even though getting a degree is one of the most strongly evidenced ways to improve economic outcomes.

Based on data on educational and employment outcomes that the UK government has provided, there is a new body of evidence that suggests good returns for skills qualifications such as higher-level apprenticeships. But at the moment, not many people do these qualifications and so a key consideration is how these returns would scale to a bigger cohort of enrollers. Nonetheless, the evidence suggests that such qualifications are likely to be effective, and they are the government's focus for adult skills policy.

- **Improving lifetime learning and retraining provision**

People will have multiple careers, and demand for skills will change over time. Enabling people to be flexible is therefore increasingly important. But also, cross-country evidence suggests that more effective adult skills systems focus on training beyond the pre- and early-career stages.² Singapore is one successful example of this, where the government has introduced flexible credits that adults over the age of 25 can use on training courses at any time they choose. The UK government's lifelong loan entitlement (LLE) is a step towards a Singapore-style model. But more could be done to encourage shorter and less formal forms of training for people in mid-career. Skills bootcamps are an encouraging and early example of this. This is a UK programme for adults aged 19 and over who are either in work or recently unemployed, involving short courses that do not lead to a formal qualification. According to a Department for Education (DfE) evaluation,³ people aged 26–45 were the main group attending these bootcamps.

- **Improving the matching of skills and jobs**

Economies can become more productive not just by increasing skills but also by using them better. Understanding skills mismatches is often easiest at the local level, with national government providing a coherent framework that can be tailored to local areas.

This suggests that it is valuable to have local skills plans. This is what the government has announced with local skills improvement plans (LSIPs), which will set out local skills needs and priorities for change based on the local labour market, and will be centred on the needs of local employers. Employer representative bodies will lead the development of LSIPs. Situating skills planning at the local level in this way is an encouraging step.

The limits of skills policy

But there are limits to what skills policy can achieve. Low-skills traps can develop where the only jobs in an area are generally low-skilled, and so highly skilled people tend to move away and those who remain have little incentive to upskill. Fixing this requires going beyond skills policy and making the area an attractive place for businesses and skilled workers.

The evidence also suggests that investing in skills after age 18 might not be the most effective way to close gaps and help those with the lowest skills. Mostly, it is those who already have existing qualifications who access adult skills training so there is a limit to how far these interventions can close gaps. While the government has set ambitious targets for improving primary education in the levelling up white paper, very little has been announced so far on early-years interventions – such as parenting support and home visits – which we know could have particularly high returns, even if this would take a long time to feed through into productivity.

Evidence gaps

Gaps in the evidence limit the government's ability to use skills policy to support local economic development, although the quality of the evidence has come on a lot in recent years thanks to the ability of researchers to use educational and employment outcomes data to evaluate the returns of programmes like apprenticeships. Broadly, the evidence on skills is in a better state than the evidence on some other policy areas such as infrastructure,⁴ but, as already noted, gaps remain. For example, due to small numbers of adults completing technical qualifications, it is hard to say whether observed high returns would apply to a bigger cohort. The focus on improving skills presents an opportunity to close remaining evidence gaps. The government should prioritise:

- **Robust and ongoing evaluation** of different programmes as they expand, to understand returns better
- **The development of data on skills gaps and mismatches** for local government and local employers, to enable them to better tailor their training offers.

This Insight paper first lays out the reasons why we would expect better skills to boost productivity in so-called 'left-behind' places, before reviewing the evidence of what policies work to improve skills. We then compare the lessons from the evidence with the government's current approach.

The role of skills in local growth

Skills play an important role in improving economic outcomes

Improving the skills of workers should lead to higher productivity because workers with better skills should be more productive. 'Human capital' is not the only important component of local economic growth, but it is an essential part of the policy mix the government needs for the levelling up agenda. Figure 1 shows the relationship between productivity (measured by output per filled job) and skill level in local areas of the UK, highlighting the fact that 'left-behind' areas tend to be those with lower skill levels.

Figure 1 **Output per filled job (£) and percentage of those aged 16–64 with qualifications at level 4 or above by local authority in England, Scotland and Wales, 2019**



Source: Institute for Government analysis of Office for National Statistics, annual population survey, 2021; and Office for National Statistics, labour Productivity Indices by local authority district, 2021. Note: Level 4 qualifications are those that sit between A levels and university degrees.

The higher productivity of more highly skilled people shows up principally in higher wages – research from the Institute for Fiscal Studies (IFS) found that individual characteristics (principally skills) can explain between 64% and 90% of differences in wages between areas.⁵

But because workers can move, the impact of skills policy in local areas is complicated

Unlike some of the other factors listed in the levelling up white paper as important for economic growth, such as physical infrastructure, human capital is mobile – people can move. Higher education in particular is associated with greater mobility, as graduates move to places with better job opportunities – particularly large cities.⁶ This means it

can be hard to design skills policies that will actually make a difference to a particular local area, as opposed to giving some of the people in that area the skills they need to move to a more attractive labour market.

As a result, some areas can be stuck in a 'low-skills trap', where there is no demand for high-skilled workers from businesses and therefore no real incentive for local people to invest in improving their skills, with any who do moving away to find work. In the UK, these low-skills traps tend to be associated with areas that have lost a major industry and not been able to replace it with quality work – such as former industrial cities and towns in the north of England and the Midlands, as well as coastal towns that lost domestic tourism as foreign holidays became cheaper.⁷ In these areas, it will not be enough to increase the supply of skills with more training; there also needs to be an effort to improve employer demand for skills.⁸

Which policies work to improve skills?

University degrees, on average, boost productivity

A convincing body of evidence shows that university education leads to higher wages and productivity. Research from the IFS has shown a clear relationship between getting an undergraduate degree and having higher lifetime earnings: men with degrees are, on average, £130,000 better off and women £100,000 better off than non-graduates with similar previous attainment and family background.⁹ However, these returns do vary considerably based on the subject studied and institution attended. Graduates of medicine, economics and law achieve returns of more than £250,000 in higher net lifetime earnings, but for creative arts and languages graduates the return is close to zero, on average.¹⁰ For women, the university they went to does not make much difference, but for men, attending more selective universities sees higher returns.¹¹

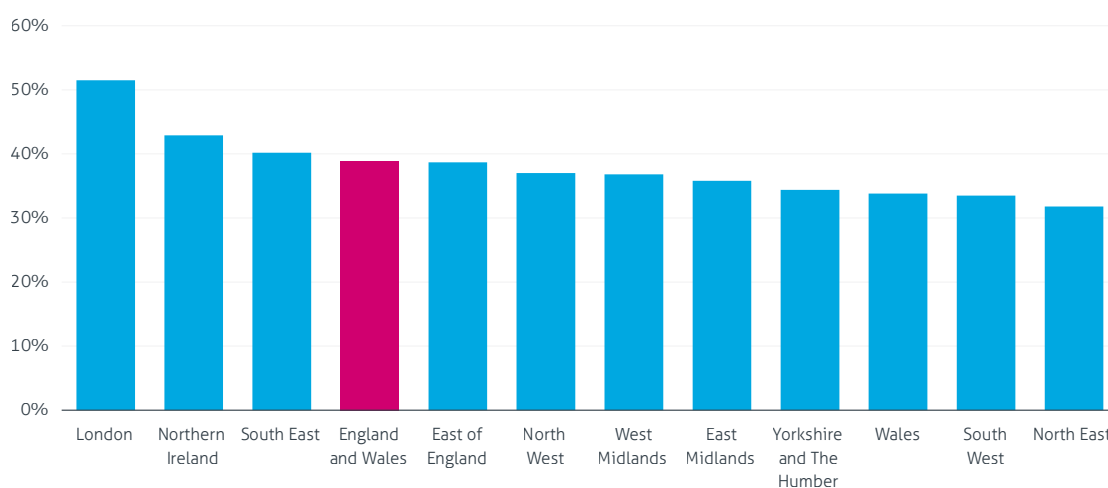
A more university-educated workforce has played an important role in boosting economy-wide productivity. The National Institute for Economic and Social Research found that, in the UK, around a third of the 34% increase in labour productivity between 1995 and 2005 was due to an increase in the share of the workforce with a university degree. Its analysis suggested that a 1% increase in the share of the workforce with a university degree raises productivity in the long run by 0.2% to 0.5%.¹²

Even though expanding university education has led to productivity gains in the past, it does not necessarily follow that a further expansion would lead to further benefits, especially given the evidence from the IFS that certain subjects at less selective universities do not boost wages,¹³ and some have expressed concern that any focus on higher education will have diminishing returns.¹⁴ It is likely that there is a saturation point beyond which it does not make sense to increase the share of the population with a university degree, but there is little evidence that the UK has reached this saturation point yet. There are countries of the Organisation for Economic Co-operation and Development (OECD) with higher education participation rates well above the

UK's 53%: Ireland and Japan both have rates of 60% or higher, and both have higher productivity per worker than the UK.¹⁵

There is also considerable regional variability in the UK in terms of the proportion of school leavers who go on to university. Figure 2 shows the proportion of school leavers going to university in 2021 by region in England and Wales, with a stark gap between the top-performing region (London) and the lowest-performing region (the North East). Even if there were diminishing returns from increasing higher education participation rates among students in London, there will still likely be benefits to increasing them in regions like the North East and the South West – although as we discuss below, this would need to be coupled with efforts to improve the attractiveness of those regions so that students do not just move away once they graduate.

Figure 2 **School leavers' entry rate to higher education by region, 2021**



Source: Institute for Government analysis of UCAS end-of-cycle data resources, 2021. Note: Data from the Universities and Colleges Admissions Service (UCAS) covers the majority of higher education provision in England and Wales but is not comprehensive. Scotland is excluded from the analysis because of significant non-UCAS provision.

There is also evidence that degrees have a number of non-economic benefits: analysis from the Department for Business, Innovation and Skills showed that graduates are less likely to commit crime, have longer life expectancies and have greater life satisfaction, all things that will contribute to the government's other levelling up missions.¹⁶

Other adult skills interventions can be very effective if well targeted...

Within the past six years, the UK government has made available data on long-term educational outcomes through the longitudinal educational outcomes (LEO) dataset. This links people's personal characteristics and education record with their tax records and has enabled a step-change in the quality and amount of evidence on the private returns of skills programmes such as apprenticeships.

Previous evidence on the impact of employment training and apprenticeships was mixed: the What Works Centre for Local Economic Growth published evidence summaries in 2015 and 2016 that found some evidence that these interventions were effective and some evidence that they were not.¹⁷ The general lesson this research

drew was that employment training tended to be more effective on the job than in the classroom, but no other major insights could be generated from the evidence.

But analysis of the LEO dataset is able to show good wage returns for several adult skills interventions. For example, one study by the Centre for Vocational Education Research looked at the effects of different levels of qualification on earnings at age 26 and age 30 for men and women. It estimated that, aged 26, people who did apprenticeships or other level 4 and level 5 qualifications (those that sit between A levels and undergraduate qualifications and are typically technical in nature) had wages between 20% and 60% higher than otherwise similar people who only had level 3 qualifications (A levels and equivalent). By age 30, wage returns for these qualifications were between 10% and 30% higher.¹⁸ These returns are comparable to those for university degrees outlined above, although the fall in the size of the return between ages 26 and 30 suggests that lifetime returns may not be quite as high.

This analysis implies large benefits from a further expansion of further education and level 4 and 5 qualifications – although, as with university degrees, the type of subject studied does matter, and science, technology, engineering and maths (STEM) qualifications tend to produce the best returns.¹⁹ Using the Centre for Vocational Education Research’s estimates – along with some additional assumptions – the DfE calculated that the total net value of the further education system in the UK was £26 billion in 2018/19, or a return of between £5 and £7 for every pound invested.²⁰

... but it is unclear whether returns observed among small groups would scale up

Analysis based on the LEO dataset is not equivalent to running experiments with an explicit control group, where people are randomly assigned to either taking a qualification or not. Instead, it relies on comparing people who do certain qualifications with those with similar characteristics but who did not do them. The problem is that, for most further education qualifications, only a very small minority of people have completed them so far. For example, in 2018/19, only around 20,000 people in the UK completed further education qualifications at or above level 4,²¹ compared with more than 430,000 people who completed their first university degree in the same year.²² It is possible that those who are currently choosing to do apprenticeships and other qualifications are different from those who do not. For example, they might have a particular aptitude or passion for the area they are qualifying into that means they would have earned more whether or not they had the qualification. In this case, the estimated returns from the qualification itself would be overstated.

As a result, we cannot be as confident in the effectiveness of these qualifications as we would be if the same results had been observed in a much larger cohort. This evidence gap is one of the most important uncertainties relating to the policies in the levelling up agenda, and if further education is expanded, proper monitoring and evaluation of outcomes will be crucial.

The focus of skills policy should be on lifelong learning as well as immediate post-18 qualifications

Because it is hard to anticipate future skills needs, and people are likely to have multiple careers during their working life that require different skills,²³ lifelong learning is likely to be just as important as – if not more important than – immediate post-18 study.

Evidence from other countries can provide lessons on how best to design and implement a lifelong learning system. For example, the OECD judged the introduction in Singapore of flexible credits for all citizens over the age of 25, which can be spent on education and training at any time, to be an effective mechanism to create a holistic lifelong learning system – although as yet there is no causal evidence on the effect of the new system on participation or learning outcomes.²⁴

Lifelong learning often requires more flexible approaches to training than other types of learning. Adults in work are not always able to take a full-time, or even a part-time, qualification. But the DfE's early evaluations suggest that shorter training such as skills bootcamps, described earlier, can better respond to employer needs and offer greater flexibility for adult learners.²⁵

OECD research has also emphasised that lifelong learning relies on positive attitudes to learning that are formed early in the education system.²⁶ We discuss the importance of earlier interventions to support positive adult skills outcomes below.

Good skills policy is about using skills as well as developing them

Having a more skilled workforce is not the only enabler of higher productivity. It also matters that workers' skills get used effectively in the labour market. If under-qualified people are in roles that require more skills, or people with skills are stuck in roles that do not use them, productivity will be lower. This is known as a qualification or skills mismatch.²⁷

An OECD study from 2017 found that the UK was the highest of the 19 OECD countries considered in terms of the percentage of workers who were over- or under-qualified for their job – for example, if someone without a degree was doing a job that required a degree, or vice versa – and ranked eighth in terms of whether workers were over- or under-skilled.²⁸ The authors estimated that improving skills matching in the UK to the level of OECD best practice could lead to an overall boost in national productivity of 5%.²⁹

Improving skills matching will require tailoring vocational education and training more closely to the needs of employers, to make sure the courses and qualifications that people undertake do actually equip them with the skills they need for work. Research from the OECD suggests that while there is a role for national governments in ensuring coherence, tailoring is best done at a local level where policy makers are closer to the local labour market's needs.³⁰

One example of a successful, locally led skills policy that tailors training to demand is in San Antonio, Texas. The city historically had a low-wage, low-tax and low-regulation economy and, in the 1990s, QUEST (Quality Employment through Skills Training) was set up to address the loss of manufacturing jobs as the city's economic base shifted towards service- and technology-driven industries. Local people lacked the digital skills to perform the new jobs that were being created, and so QUEST focused on upskilling workers in manufacturing, health care and IT – the city's most important industries.³¹ A study commissioned after QUEST had been running for 25 years found that the programme had generated \$19.32 for every dollar spent on it. This was based on increased incomes of those who took part in the programme, decreased welfare spending because of the programme's effects on unemployment and broader economic impacts.³²

Improving skills in a place requires more than just skills policy

Although differences in skills can 'explain' much of the difference in productivity between places, it does not necessarily follow that skills policy is the sole or even the primary lever through which the government should improve local economic growth. A lot of the literature on skills emphasises the importance of other policies to support skills improvements, because if places are not generally attractive to live in and employers are not based there, highly skilled workers will move to places with better transport, public services, amenities and jobs.^{33,34} Work from the OECD on breaking out of low-skills traps suggests that skills policy works best in combination with a broader economic development framework, including priorities such as attracting inward investment and supporting existing firms to diversify.³⁵

Where local areas have been able to transform their economies in the past, skills policy has often been secondary to larger efforts to regenerate these areas. For example, in the Ruhr region in Germany, which saw its gross domestic product (GDP) per worker rise by 52% between 1991 and 2017 as it transitioned away from a mining and steel-based economy, one factor that enabled the region to retain its skilled people as the qualifications of its workforce improved dramatically was the fact that rents and property prices in metropolitan areas did not rise as much as in other areas of Germany.³⁶

And in Barcelona, which the National Audit Office called "one of the most outstanding examples of city regeneration in the world", skills policy played a fairly marginal role, with most effort expended on new infrastructure, public buildings, public spaces and improvements to public transport.³⁷ Low skills were an issue in the city as its economic base shifted from manufacturing to services, and the municipal government did provide employment support, but the scale of investment in such support programmes compared with the investment in physical regeneration was small. For example, Barcelona Activa, a municipal company of the city council that leads on human capital development, had a budget of around €43 million* a year, as of 2015.³⁸ In contrast, the cost of the infrastructure associated with hosting the Olympics in 1992, which was a

* Current prices.

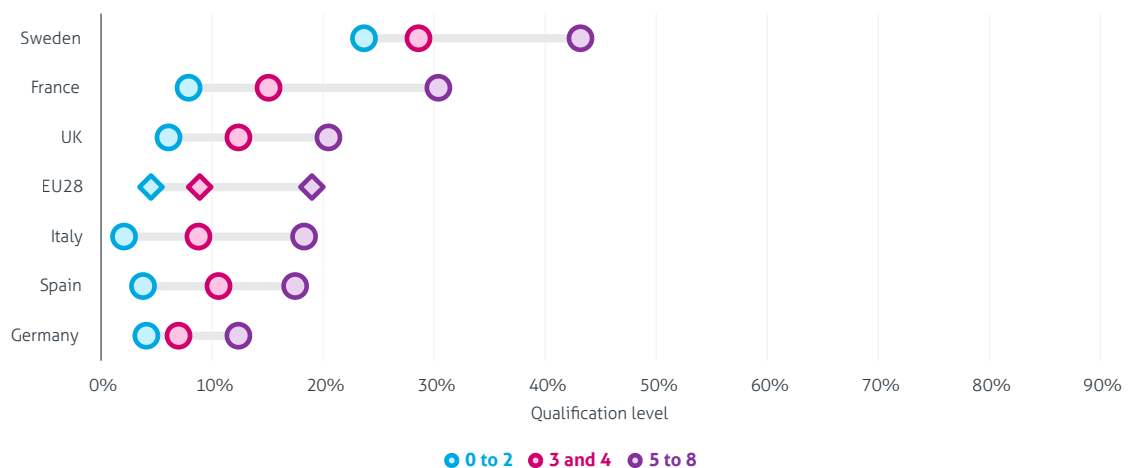
critical catalyst for physical regeneration, was around €15.6bn,* with investment shared between the national government, the Catalonia regional government, the municipal government and the private sector.³⁹

This means that the government cannot consider skills policy in isolation. Other policies around housing supply and affordability, the quality of local public services, the regeneration of town centres and improvements to local infrastructure will all play a role in ensuring 'left-behind' places can become attractive places for businesses to operate from and for highly skilled people to live in.

Interventions earlier in life may be more effective

Just as skills policy cannot be seen in isolation from other place-based interventions, adult skills policy should not be viewed as the only way to improve human capital. Evidence from the OECD adult education survey suggests that those who take part in education and training programmes as adults tend to be those who already have some skills, as shown in Figure 3. It is rare for the adult skills system to close or reverse skills gaps that developed earlier in life – during the early years of childhood or at school.

Figure 3 **Percentage of adults aged 25 to 64 who took part in education and training in the previous four weeks by level of education, 2019**



Source: Institute for Government analysis of Eurostat, participation in education and training (last four weeks) by sex and educational attainment level, 2022. Note: Levels 0 to 2 are qualifications up to secondary school, levels 3 and 4 are A levels and pre-university qualifications and levels 5 to 8 are degree-level qualifications or equivalent.

This makes earlier interventions – in the early years of childhood or at school – particularly important, as a way of minimising gaps in the first place and equipping adults with the skills to engage in lifelong learning. According to the OECD’s Programme for International Student Assessment (PISA), students in the UK score above the OECD average on numeracy and literacy, with the UK ranked 12th and 10th respectively.⁴⁰ Bringing numeracy and literacy rates in line with the best performers in the OECD would be one way for the UK to close skills gaps.

* Current prices.

We also have good evidence from IFS analysis that early-years interventions are particularly effective at helping those with below-average performance to improve.⁴¹ Early-years education and childcare is an area where the UK performs particularly poorly compared with its OECD peers, spending only around 0.6% of its GDP on early childhood education and care, below the OECD average of 0.7% and behind countries like Sweden (1.6%), France (1.3%) and South Korea (0.8%).⁴²

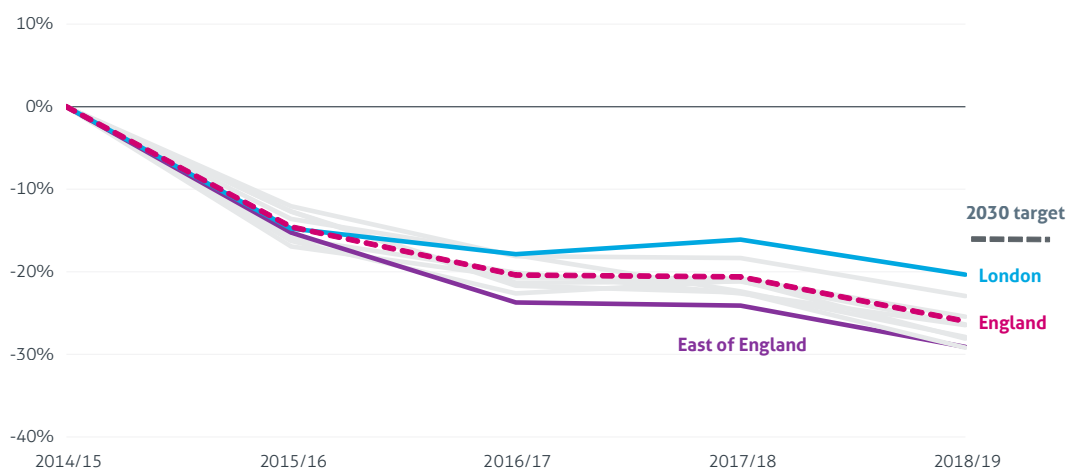
Interventions here could be particularly effective at preventing significant skills gaps later in life. For example, the Early Intervention Foundation has found evidence that the Incredible Years Preschool programme, which provides support for parents with concerns about the behaviour of a child between the ages of two and six, enhances reading ability,⁴³ and that intensive home visits for parents of children under two also support better educational and employment outcomes.⁴⁴

How does the government’s approach stack up against the evidence?

Summary of the government’s approach

In the levelling up white paper, the government set two targets to improve adult skills and primary school attainment by 2030. For skills, the aim is to have 200,000 more adults completing high-quality skills training each year, with 80,000 of those in the lowest-skilled areas. Previous Institute for Government research has argued that this target is not particularly ambitious – as shown in Figure 4, it would still leave the numbers completing training around 15% below where they were in 2014/15.⁴⁵ The target for primary schools is to have 90% of pupils achieving the expected standard at Key Stage 2 by 2030.

Figure 4 **Percentage change in the number of 19+ further education and skills achievements since 2014/15**



Source: Institute for Government analysis of DfE, further education and skills geography tool 2014/15 to 2018/19, July 2020.

Also in the levelling up white paper, the government emphasised the importance of local tailoring of skills policy through local skills improvement plans (LSIPs). These will set out local skills needs and priorities for change based on the local labour market, and will be centred on the needs of local employers. Employer representative bodies such as Chambers of Commerce will lead the development of LSIPs.

The government has also set out its framework for devolution in England, and more areas will be offered control of the adult education budget (AEB).⁴⁶ The AEB provides the majority of funding for 19+ education and training, and the Education and Skills Funding Agency administers it. Around half of the AEB is already devolved to six of the mayoral combined authorities and the Greater London Authority, which means they are responsible for commissioning and funding skills provision for learners in their area.⁴⁷ Under the new framework, areas will not need a metro mayor to be able to take control of the AEB.

Finally, in the *Skills for Jobs* white paper,⁴⁸ the government outlined plans to support lifelong learning with the lifelong loan entitlement (LLE). This will loan people the equivalent of the cost of four years of post-18 education, and learning can be flexible and modular. Meanwhile the lifetime skills guarantee will provide free qualifications for any adult without a level 3 qualification (equivalent to A levels), to support those with the fewest skills.

Many of the policies the government is pursuing are in line with the evidence...

In the levelling up white paper, the government places its skills targets as part of a multi-pronged approach to levelling up. This is welcome, given what we have outlined above about the need to pursue complementary policies to avoid highly skilled people moving away from areas they do not want to live in.

And many of the individual policies have some evidence behind them. The LLE is a move towards the Singapore model, although with a different kind of focus. The UK LLE will loan people the equivalent of four years of post-18 education at levels 4 to 6. In the impact assessment, the government puts an indicative cost of this loan for 480 credits (the equivalent of four academic years) at £37,000.⁴⁹ But this is a loan and will have to be paid back. In Singapore, the cost of its 'SkillsFuture' credit is considerably lower – 500 Singapore dollars (SGD), or around £290 – and this is not paid back. The aim of this credit is not to cover the cost of a formal qualification, as in the UK, but to cover the cost of shorter courses that start at, for example, 10 SGD for a three-hour course on the different parts of a computer's operating system.⁵⁰ The UK's approach is therefore, in some ways, much more generous in financial terms, but also more geared towards formal learning in a way that may benefit those who are already well educated or have positive attitudes towards learning.

The lifetime skills guarantee, with its focus on adults with the least skills, is an important way of counteracting the trend for education and training to go to more qualified adults. But it will have to contend with the fall in the number of apprenticeship starts at levels 2 and 3 in the last few years.⁵¹ Flexible training offers, such as skills

bootcamps, are a positive way to support lifelong learning, but it is important that the government counts them as equally valuable when trying to achieve the skills mission and increase the number of people doing skills training.

If well designed, LSIPs, with their focus on giving local employers a voice in the skills system, could be a good way to improve skills matching in local labour markets. But one expert interviewee did caution that, particularly when it comes to forecasting their future skills needs, employers are not always very helpful. This interviewee felt that many businesses, especially small ones, did not have a good sense of what skills they would need in five or ten years' time. LSIPs will need to focus on current gaps, incorporating a range of employers from different sectors and employers of different sizes, to make sure they really do tailor skills approaches to local needs.

In addition, international best practice in skills foresight and labour market forecasting – such as Finland's system – incorporates multiple inputs such as expert panels, literature reviews, scenario planning and quantitative analysis, alongside employer surveys.⁵² So LSIPs alone will not be the answer for anticipating future skills needs. The new Unit for Future Skills, based within the DfE, with its remit to consider data on the UK labour market, is well placed to provide the analysis to support better forecasting.

... but these policies might not make a big difference to productivity

The likely effect of the skills mission set in the levelling up white paper is relatively modest, because it does not require a major expansion in the number of people taking adult qualifications. The target to have 200,000 more adults a year completing skills training is around 300,000 short of where it would need to be to bring numbers back to 2014/15 levels. Analysis from the Royal Society of Arts suggests that the value of meeting the skills mission would mean a £5bn boost to annual GDP – around a 0.2% increase.⁵³

This figure is based on the returns from these qualifications observed historically, as well as assumed broader productivity benefits that do not show up in wages. But, as outlined above, it is difficult to know how scalable the effects of programmes aimed below degree level actually are. This means there is considerable uncertainty as to whether meeting the target to increase participation in skills training will actually lead to big increases in economic growth in 'left-behind' areas.

Careful monitoring will be important to build the evidence base. It is welcome that for many of the more nascent programmes, such as skills bootcamps, the DfE has planned evaluations to understand what works, and the same approach should apply to programmes like apprenticeships that have already been evaluated but where there is uncertainty that expanding numbers will produce the same returns. The Unit for Future Skills will play an important role in filling evidence gaps and providing the data to support rigorous evaluation. If the evidence shows continuing high returns as more people undertake 19+ qualifications and training, there would be a case for a more ambitious expansion than the current target.

Universities, early-years education and childcare are notable gaps in the government's approach

The education and skills missions in the levelling up white paper focus on primary school and further education attainment. There is no equivalent mission targeted at higher education. This is despite the evidence that university degrees are associated with higher individual earnings and increased productivity. Some UK universities are recognised as among the best in the world,⁵⁴ and so as a matter of priority the government may wish to focus attention on other elements of the education and training system.

But given the strength of the evidence that certain degrees produce significant returns in terms of individual earnings and productivity gains, it is a mistake to omit higher education from levelling up entirely. Initiatives to improve student outcomes and ensure fair access, such as financial support and foundation years, might all have a role to play in supporting levelling up – although the evidence is still emerging in some of these areas.⁵⁵

There is also no mission for children under five, despite the fact that many of the disparities in education outcomes are embedded before children start primary school.⁵⁶ Investment in early-years education may therefore, in the long run, provide better value than later interventions, addressing inequalities before they open up rather than trying to close gaps once they have arisen. Policies with good evidence behind them in this regard are intensive home visiting between birth and two years, and support for parents – especially first-time parents – through parenting classes.⁵⁷

Recommendations

This Insight paper has shown that the types of policies that should improve skills – increasing the number of people taking high-level qualifications, reducing skills mismatches and encouraging lifelong learning – all form part of the government's skills policy approach. But our analysis of the government's approach has also highlighted gaps.

We recommend the following:

- The government should increase the ambition of its levelling up skills mission to return participation in adult skills training to at least 2014/15 levels. The necessary funding from the Treasury should accompany this.
- The government should aim to increase participation in higher education as well as adult skills qualifications, especially in parts of the country where the share of people going to university lags behind the national average.
- The government should develop policies to improve early-years provision, which could be the most effective way to improve skills for those from disadvantaged backgrounds. This should include an expansion of home visits.

While the evidence base on skills policy has improved in recent years, the government could use its policies to pursue levelling up more effectively if some gaps were filled.

As the government expands its skills offer, it can and should prioritise evaluating programmes to allow policy to be better targeted in the future. There are two specific areas where further evidence would be most fruitful.

First, the government should focus on improving evidence on which programmes and qualifications yield the highest returns in terms of wages and productivity. This will involve evaluating programmes where the evidence base is strong, such as apprenticeships, but where there is uncertainty about how returns will scale. The planned evaluation of smaller and less formal programmes such as skills bootcamps will also be important for filling evidence gaps. The new Unit for Future Skills within the DfE will have a data-driven evaluation role, and should help support this priority.

Second, the government needs to ensure that high-quality and granular data is available to help local policy makers understand skills mismatches in their area. LSIPs and further devolution of the AEB are both positive steps to enable local government, along with local employers, to tailor training offers to local skills needs. Further devolution of skills policy, and divergent approaches across the country, can also build a valuable evidence base so long as the government enables and supports robust evaluations. The Unit for Future Skills is also a step in the right direction in terms of improving data quality and availability.

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