Skills England and the Labour Market Advisory Board: a perfect match?

Policy note

Paul Bivand and Mark Corney

February 2025

campaign for learning

Skills England

This policy note builds on a series of shorter policy blogs on Skills England published by Campaign for Learning since September 2024.

Is Skills England a big deal for HE
Martin Jones, Vice-Chancellor, University of Staffordshire

Is Skills England a big deal for skills
David Hughes, Chief Executive, Association of Colleges

Skills England should drive lifelong learning not just skills
Sue Pember, Policy Director, HOLEX

Skills England and the Migration Advisory Committee: complexity, challenges and coordination
Paul Bivand, Labour Market Analyst and Mark Corney, Senior Adviser, Campaign for Learning

Skills England: let the industrial strategy drive English skills policy
Neil Carberry, Chief Executive, REC

Building a stronger Skills England
Ben Rowland, Chief Executive, AELP

To read these pieces, go to Campaign for Learning's guest policy views

Skills England and the Labour Market Advisory Board: a perfect match?

The Lords are back scrutinising Skills England as part of the wonderfully titled IfATE (Transfer of Functions etc) Bill.

Much, of course, has changed since the New Year.

The economic and employment outlook has worsened. Increases in the National Minimum Wage and employer NICs and associated reforms have yet to make their full impact on prices, job losses and lower wages.

Higher interest rates for longer have raised concerns over lower growth and lower tax revenue whilst higher yields on UK bonds have raised the prospect of an increase in debt interest. Both could put a squeeze on day-to-day departmental and welfare spending.

Day-to-day spending on post-16 education and skills is not protected. Nor is spending on employment support to help people who are unemployed and inactive get back into work. And attention is trained on cutting the welfare bill faster and deeper.

The Spring Statement to be made by the Chancellor on Wednesday 26 March alongside the 'Economic and Fiscal Forecast' by the Office for Budget Responsibility is working up to be a crucial event, shaping the all-important Spending Review due to conclude on Wednesday 11 June.

In her speech on 29 January 2025, the Chancellor promised to go further and faster to kick start economic growth. She emphasised the need to generate growth through employment by reducing economic inactivity and stemming the rising cost of health and disability benefits (with a policy paper to be published ahead of the Spring Statement).

Although the list of arm's length bodies Skills England is expected to work with has again increased since the Lords last examined the IfATE Bill, (see Box 1 and Box 2), the new economic and employment situation should prompt the Lords to have another look at a crucial organisational relationship: Skills England and the Labour Market Advisory Board (LMAB).

Box 1: Skills England and Department for Education's Arm's-Length Bodies	
	Type
Within Department for Education	
Skills England	Executive Agency
Office for Students	Non-Departmental Public Body
Linked to Department for Education	
Ofqual	Non-Ministerial Government Department
Ofsted	Non-Ministerial Government Department
Student Loans Company (UK)	Not for Profit Government-Owned Organisation

Box 2: Skills England and External Arm's-Length Bodies		
Body	**Type**	**Sponsoring Department**
Industrial Strategy Council	Statutory Non-Departmental Public Body	Department for Business and Trade
Migration Advisory Council	Non-Departmental Public Body	Home Office
Social Mobility Commission	Statutory Advisory Non-Departmental Public Body	Cabinet Office
Defence Industrial Joint Council		Ministry of Defence
Labour Market Advisory Board	Advisory	Department for Work and Pensions

The Secretary of State at the Department for Work and Pensions formed the LMAB to support the preparation of the Get Britain Working (GBW) white paper and to provide new insights and ideas as the strategy develops. Charged with helping the government to tackle the greatest employment challenge for a generation - spiralling economic inactivity – the LMAB's assistance is now required to tackle rising unemployment.

Post-16 education and skills

The government is forging ahead with creating two systems in post-16 learning: a skills system shaped by Skills England, and a higher education system shaped even more loosely by the Office for Students and the Student Loans Company.

Maybe the radio silence on the relationship between Skills England and the skills system, and the Office for Students and the higher education system will cease when the Lords meet at Report Stage.

Yet, a crucial point to make with respect to Skills England and the publicly funded skills system in England is that 91% - £10.8bn out of £11.9bn – is provision at Level 3 and below (see Table 1). Skills England is primarily a Level 3 and below arm's length body in post-16 learning.

The Office for Students and the Student Loans Company overseeing the higher education system in England is the sole funder of Level 8, regulates nearly three times as much funding at Level 7 and dwarfs funding at Level 6 compared to the skills system.

Only at Level 4-5 does there seem to be parity between Office for Students/Student Loans Company and the higher education system, and Skills England and the skills system although overall funding is less than £1bn. It is true, of course, that spending could increase at Level 4-5 in the higher education system through the Lifelong Learning Entitlement and the skills system through employer defined modules as part non-apprenticeship training within the Growth and Skills Levy.

The fact that Skills England will be shaping what is essentially a Level 3 and below part of the post-16 learning system is crucial when deploying scarce time and resources.

Table 1: Estimated cash outlay by the Department for Education on provision and maintenance in England, FY2023/24

	Level 3 and below	Level 4-5	Level 6	Level 7	Level 8	Total
Skills System	**£10.79bn**	**£0.47bn**	**£0.37bn**	**£0.24bn**	**£0.0bn**	**£11.87bn**
16-19 Education Budget	£6.84bn					
16-25 High Needs	£0.70bn					
16-19 Bursary Grant	£0.17bn					
AEB + Free Courses for Jobs	£1.38bn					
Multiply	£0.09bn					
Skills Bootcamps	£0.04bn	£0.01bn				
Adult Learner Loans	c£0.09bn	£0.01bn				
Adult Learner Loans: Bursary Grants	£0.03bn					
Post-16 Apprenticeships	c£1.45bn	c£0.45bn	c£0.37bn	£0.24bn		
Higher Education System		**£0.41bn**	**£21.01bn**	**£0.67bn**	**£0.06bn**	**£22.15bn**
Full-Time Fee Loans		c£0.24bn	£10.17bn			
Full-Time Maintenance Loans		no estimate	£8.70bn			
Part-Time Fee Loans		c£0.15bn	£0.16bn			
Part-Time Maintenance Loans		no estimate	£0.04bn			
Post-Graduate Loans				£0.63bn	£0.06bn	
Office for Students		£0.02bn	£1.34bn	£0.04bn		
Disability/Childcare: Listed as L6			£0.60bn			
TOTAL	**£10.79bn**	**£0.88bn**	**£21.38bn**	**£0.91bn**	**£0.06bn**	£34.02bn
Share	31.7%	2.6%	62.8%	2.7%	0.2%	100.0%

Note: We feel there is a need to have a sense of scale of public funding for the skills system relative to the higher education system by level of qualification. As there is no single source of information or reference for the day to day spending by the DfE on skills and higher education, we have produced this table to assist discussion and encourage debate. We appreciate that the table is open to challenge but it our best estimate. The sources for the table are as follows: (1) DfE Mains and Supplementary Spending Estimate Memoranda, Parliamentary Answers. (2) DfE Annual Reports. (3) Institute for Fiscal Studies Education Report, January 2025.

The estimate for full-time and part-time fee loans for Level 4-5 in the higher education system includes other undergraduate provision at these levels. It uses the basic fee loan amount and so the figure is an underestimate. Total loan outlay at Level 4-5 will be higher given students on vocational sub-degrees are eligible for maintenance loans. Hence, the figures for total loan outlay at Level 4-5 in the HE system is bound to be an underestimate. The split of the OfS Recurrent budget is tentative. Disaggregation has not been undertaken and so each total has been listed as Level 6.

Many of the eight sectors in the Industrial Strategy (see Box 3) will require graduates (Level 6), masters students (Level 7) and even doctorates (Level 8) where higher education delivers most of the skilled labour, and even more if apprenticeship funding for Level 7 or Level 6 ceases.

Box 3: Growth Sectors	
Industrial Strategy	Advanced Manufacturing Clean Energy Industries Creative Industries Defence Digital and Technologies Financial Services Life Sciences Professional and Business Services
Skills Strategy	Above Industrial Strategy Sectors Health and Care Construction

True enough, many of the eight might require Level 4-5 skills where the skills system can contribute alongside the higher education system.

But the resources Skills England can shape over time is in reality at Level 3 and below in what is now memorably known as everyday sectors, including large parts of the health sector and the construction sector (although Level 2 might be sufficient).

Growth through employment

Towards the end of 2024, as a share of the 16-64 population, employment had stalled, inactivity was high but falling slightly, and unemployment was rising (see Chart 1). At the same time, the number of 16-24 year-olds in the UK not in full-time education or employment had reached 1.25m or 17.2% (see Chart 2).

The main aim of the Get Britain Working white paper published in November is to increase the 16-64 employment rate to 80%. This requires an extra 2.3m people into employment from inactivity and unemployment, a challenge made tougher by the loss of jobs in sectors hit by rises in the National Minimum Wage and employer National Insurance contributions.

Chart 1: 16-64 year-olds in the UK by economic status, September-November 2024

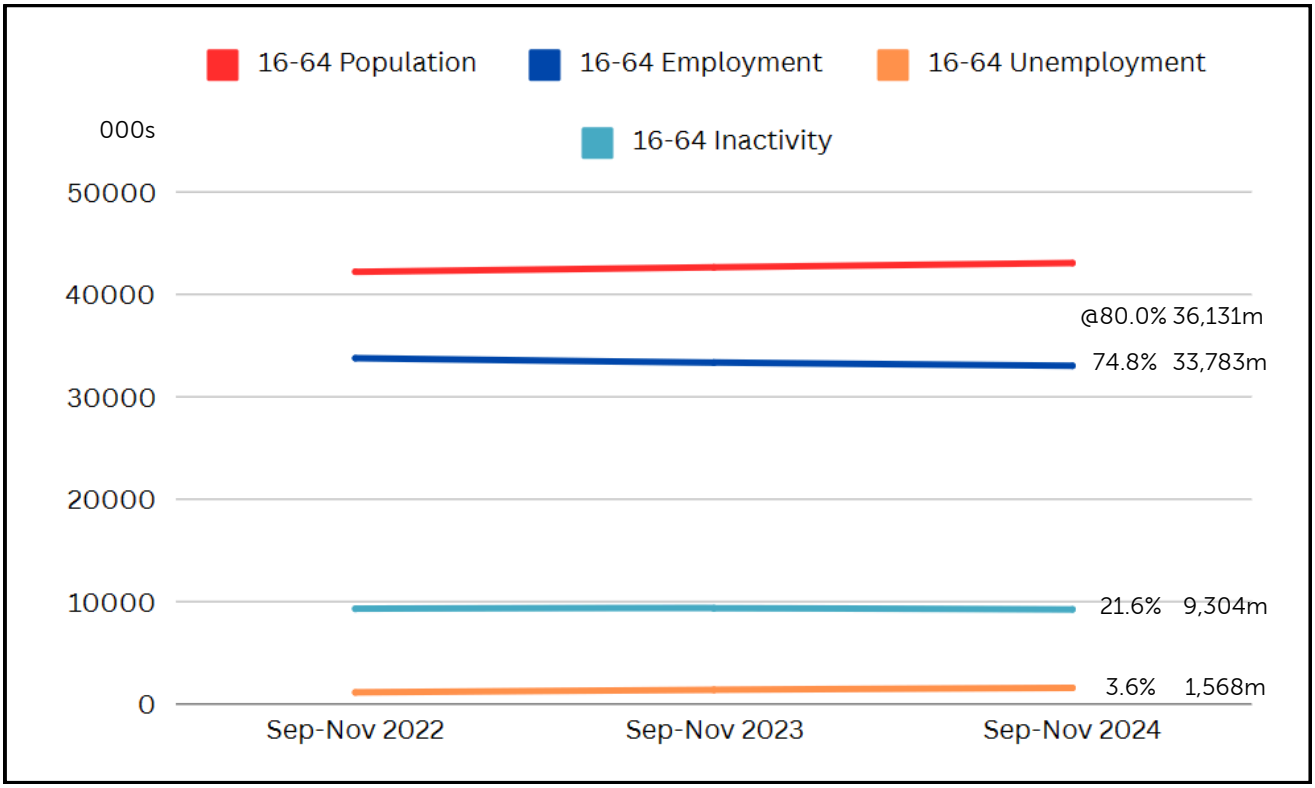
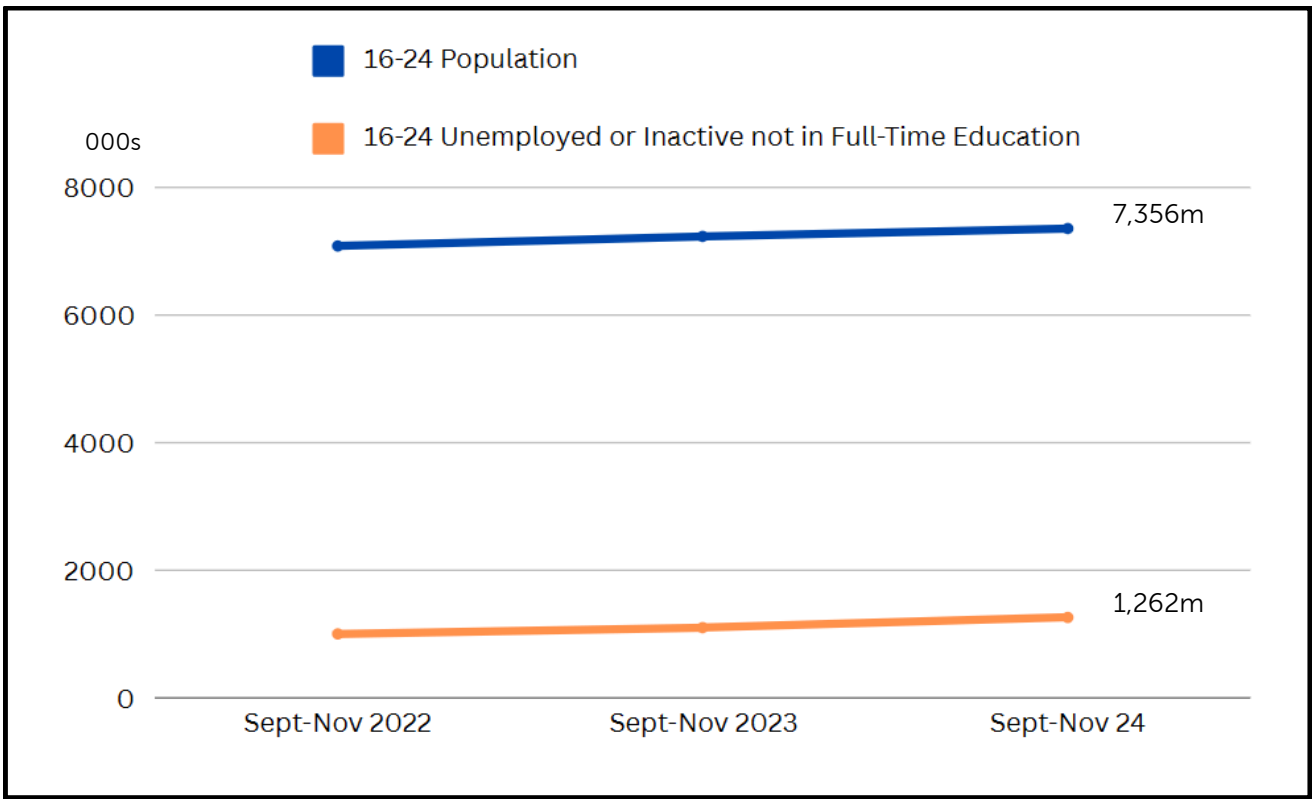


Chart 2: 16-24 year-olds in the UK - Unemployed or Inactive not in Full-Time Education



A key focus of the white paper is on reducing the rise in economic inactivity – excluding full-time students – especially by people who are sick and have disabilities (see Table 2) including those due to mental health issues. Although the government has emphasised economic inactivity by young people aged 16-24, who are sick or have disabilities, more are aged 25-49 and aged 50-64 (Table 3).

Unsurprisingly, economic inactivity rises with age and so too does economic inactivity caused by disability and ill health.

Table 2: Economically inactive 16-64 Year-Olds (UK), April-June 2024 and 2023 (DWP)

	2024	2023	Change
Total	9,516m	9,166m	+350,000
Student	2,659m	2,432m	+227,000
Sick/disabled	3,035m	2,905m	+130,000
Carers	1,741m	1,674m	+67,000
Retired	1,069m	1,085m	-16,000
Other	1,012m	1,071m	-59,000

Source: https://www.gov.uk/government/publications/get-britain-working-white-paper/get-britain-working-white-paper-analytical-annex

Table 3: Sick/disabled economically inactive 16-64 Year-Olds (UK), April-June 2024 and 2023 (DWP)

	16-24	25-49	50-64
2024	286,000	1,124,000	1,625,000
2023	230,000	1,096,000	1,579,000
Change	+56,000	+28,000	+46,000

Source: https://www.gov.uk/government/publications/get-britain-working-white-paper/get-britain-working-white-paper-analytical-annex

From an employment-health system to an employment-skills-health system

The GBW white paper is jointly published by the Chancellor of Exchequer, and Secretaries of State for Work and Pensions, Health and Social Care and Education. This shows a high degree of political intent to push through co-ordinated reforms.

There is clear aim of joining-up employment support and health support to reduce economic inactivity and get people into employment.

But the GBW white paper states we have a current approach "that is too siloed, which fails to join-up health, work and skills support, and is not rooted in local economies or driven by local needs."

In response, the Get Britain Working strategy goes a step further and seeks to join-up employment, health and skills especially in England and particularly at sub-national level, moving from at best an employment-health system to an employment-skills-health system.

Skills and unemployed or inactive young people not in full-time education

Based on data before March 2023, the Get Britain Working white paper states that 40% of young people aged 16-24 who were unemployed or inactive not in full-time education (see Box 4) did not have a Level 2 qualification. Around 300,000 unemployed and inactive 16-24 year olds outside of full-time education in England do not have a Level 2 qualification, equivalent to 39% of the total.

Box 4: Qualifications of unemployed or inactive 16-24 year olds not in full-time education

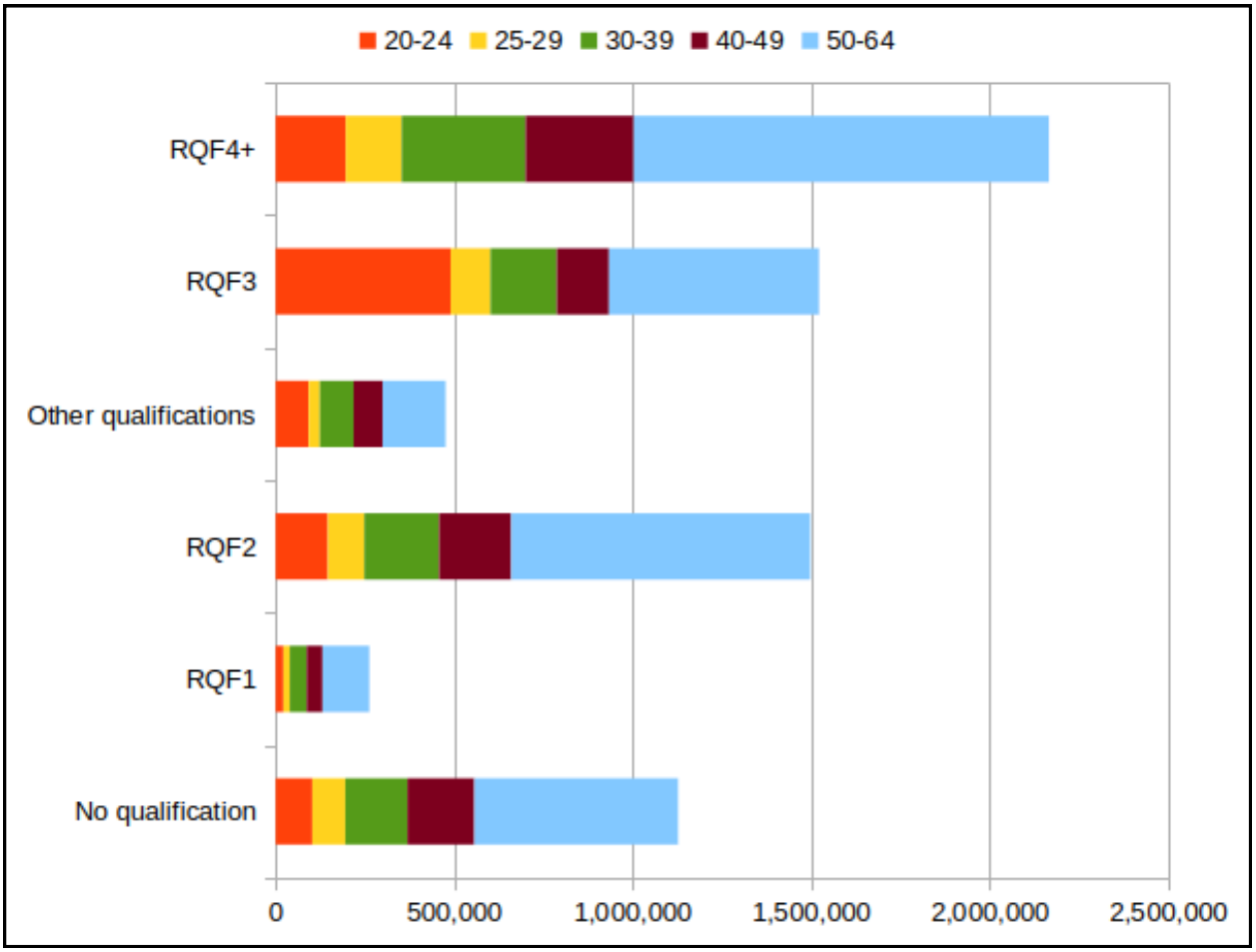
"While one in five young people aged 16-24 in full-time education or employment had no qualifications or qualifications below Level 2, this proportion doubled among those who were not in full-time education and were unemployed or economically inactive."

Get Britain Working, November 2024 (paragraph 99, page 36)

Skills and inactive adults not in full-time education

Another data source is the Adult Population Survey. Focusing on 20-64 year-olds means a large majority of 16-64 year-olds in full-time education will be removed from the data (see Chart 3).

Chart 3: Qualifications of all economically inactive people aged 20-64 in the UK, end 2023



Source: Annual Population Survey, ONS from NOMIS

A striking feature of the qualifications of economically inactive adults aged 20-64 not in full-time education is the fact that nearly 50% are aged 50-64 and a fifth of them do not hold a Level 2 (0.8m) whilst nearly half do not hold a Level 3 (1.6m).

Equally, economic inactivity amongst 20-64 year-olds is not the exclusive domain of adults holding Level 3 and below qualifications: 30% hold Level 4-8 qualifications, although more than half are aged 50-64 (1.2m).

Key messages

1. Skills England and the skills system has a wider remit than the LMAB and the employment support system

Skills England and the skills system has a much wider remit than the skills for the unemployed and inactive.

Skills England - and indeed the skill system and higher education system – has a remit for the skills needs of the 34m in employment as well as the 1.6m unemployed and 1.6m unemployed.

Alongside meeting the training and retraining needs of employees who remain with their employer each year, the skill needs of those who change from job to job also need to be met. During January to March 2023, 0.9m people moved jobs (Diagram 1).

Diagram 1: Labour market flows, UK, January – March 2023

Note: The dark ends of the lines are 'to' and the light ends are 'from'

2. Skills England and the skills system has more in common with the skill needs of the employment system than the industrial strategy

The skills system is predominantly a Level 3 and below affair. Most of the eight industrial strategy sectors require training and retraining at Level 6-8 and to some extent Level 4-5 where resources are equally deployed between the skills system and the higher education system.

On the other hand, there is a tighter fit between Skills England and the skills system and the LMAB and unemployed and economically inactive adults. Over 90% of the resources in the skills system are at Level 3 and below, and 70% of unemployed and inactive adults hold Level 3 and below qualifications.

Even though 30% of inactive 20-64 year-olds are graduates with a Level 4-8 – although primarily with Level 6 first degrees – DfE and DWP should not presume that where it is deemed necessary to reskill to get a job this must always be at Level 4-6 via the Lifelong Learning Entitlement, Skills Bootcamps or apprenticeships for example. Reskilling at Level 3 and below might be sufficient.

3. The skills system and employment system can deploy around £3bn to support the employability, training and retraining of adults at Level 3 and below

About £1.5bn of grant funding is available for adult skills outside apprenticeships in England through the skills system. A similar sum, £1.4bn, is available for employment support – Restart and specific programmes - for unemployed and inactive adults not in full-time education across Great Britain (see Table 4).

A large part of these combined budgets will be devolved to elected mayors and strategic authorities. The £1.5bn adult skills budget, however, must stretch to job-to-job switchers as well as the training and retraining needs of unemployed or economically inactive people.

Table 4: Estimated DWP spending on Employment Support, 2025/26	
Mains estimate: 2024/25	£1,149m
Autumn Budget allocation: 2025/26 Of which: Eight Economic Inactivity Trailblazers Connect to Work	£240m £115m £125m
Total 2025/26 Of which: 8 Youth Guarantee Trailblazers	**£1,389m** £45m

4. A key challenge will be the delivery of health services to clients of the employment-skills-health system

With nearly 45% of economically inactive 16-64 year-olds outside of full-time education being sick and disabled, the critical challenge is to ensure health services are available to people of working age within the employment-element of the newly proposed employment-skills-health system.

5. Unemployment outside of full-time education is on the rise

The policy challenge is no longer stubbornly high economic inactivity. Although starting at a low base, unemployment is on the rise. Flows from unemployment into economic inactivity must be prevented.

Key actions

1. Build stronger links between the skills and employment system with employment growth sectors

Unemployed and inactive adults, who hold low or no qualifications, will need to secure jobs in employment growth sectors, which will be more challenging in hospitality and retail given the impact of the National Minimum Wage and employer National Insurance contribution rises.

On the skills side, DfE have identified construction and health and care as employment growth sectors, although skills policy will need to support sectors and occupations in every region and locality. On the employment support side, DWP needs a greater sector focus, identifying those where employment growth can be expected and aligned to the skills system.

2. Pay greater attention to economically inactive 50-66 year-olds especially as the State Pension Age increases to 67

With 50% of economically inactive 20-64 year-olds falling in the 50-64 year-old age group and 0.6m do not have a Level 2. They are also likely to suffer from a combination of low-skills and ill-health. Skills England and the LMAB should develop policy ideas for supporting this group back into work.

Although the data looks at 50-64 year-olds, the state retirement age is currently 66 and will increase to 67 between 2026 and 2028. Skills England and the LMAB should work together to generate specific policy ideas to support working lives to state pension age and beyond.

3. Develop an urgent 'Jobs and Full-Time Education Plan for 16-24 year-olds'

Outlined in March at the Spring Statement, fully announced at the time of the Spending Review in June, and ready to go at the start of the academic year in late August, Skills England and the Labour Market Advisory Board should develop a comprehensive 'Jobs and Full-Time Education' Plan for 16-24 year-olds to reduce the number of unemployed or economically inactive people below the 1.1m mark in England.

Increasing employment outside of full-time education as well as entry into full-time education – further and higher – can stem rising worklessness amongst young people.

Such a much-needed plan is possible by pooling the expertise and insights of Skills England – in shadow form until it is formally constituted – and the Labour Market Advisory Board.

Paul Bivand, Labour Market Analyst
Mark Corney, Senior Policy Adviser, Campaign for Learning

www.campaignforlearning.org.uk

Campaign for Learning works for social and economic inclusion through learning. The Campaign is a specialist in engaging people in learning. We work with partners to research, design and deliver innovative programmes and approaches that support people wherever they are to access life-changing learning opportunities.