

## Summary of Ambition 2020

Ambition 2020: World Class Skills and Jobs is our annual assessment, to the four UK nations, of our progress towards becoming world class in productivity, employment and skills by 2020. (This means being amongst the top eight OECD countries).

We need this goal because in a rapidly developing world there are increasing competitive pressures internationally due to the effects of globalisation, ongoing technological developments, and changes in consumer demand. This sets enormous opportunities and challenges to which we must respond if we are to secure future economic success.

Ambition 2020 provides a robust independent account of economic and skills developments. Fundamentally too, it enables Government to work with business to provide a compelling vision for the future and strategic leadership in the development of the economy, to take stock of ongoing changes, and to take corrective action as necessary to stimulate economic growth, transformation and renewal. In making this assessment, we have developed a strategic framework to provide a basket of indicators which connects various dimensions of the agenda surrounding Ambition 2020. This also allows us to measure and track progress in productivity, employment and skills over time and, critically, to benchmark the UK's position internationally with other leading economies.

Last year we published the first Ambition 2020 report in what we called 'tough times'. The recession was biting deep into businesses, jobs and communities, and economic conditions were extremely testing and difficult. Now, although we are emerging out of the recession, as then, our focus must be on the economy and exploring the means to securing economic renewal and growth. We must actively seek to transform and rebalance the economy and to create the conditions needed to ensure sustainable recovery over the long term. The challenge is indeed great, but then so is the prize. To edge into the top 8 countries in the world, we need to increase our employment rate by close to 1% point and our productivity levels by 13% points. Every 1% point increase in each is worth around £10 billion a year: in perpetuity.

This report is our second annual assessment of how well we are doing and what we need to do to achieve this important Ambition by 2020. It should be noted that annual changes, relative to the scale of historical change and prospects for the next 10 years are likely to be relatively limited and not all data sets and analyses are capable of annual monitoring. Nonetheless, we do examine the changes to see if they are moving in the 'right' direction. We also delve in a little more detail into some important areas where our work over the last year has enabled us to do so, reflect further on relevant policy developments and include more sub-regional and local data.

The key findings from the analysis are that:

- the **UK remains a significant economic force internationally** – it is still the 6th largest economy in the world and the 4th largest in the OECD. However, the *World Economic Forum's Global Competitiveness Report* ranks the UK 13<sup>th</sup> in the world – down one from last year;
- on the **two key drivers of prosperity** – jobs and productivity – we remain within **touching distance of being world class**. The most recent internationally comparative data shows that the UK position is unchanged since last year, remaining ranked 10<sup>th</sup> on our '**employment rate**' and 11<sup>th</sup> in terms of our '**productivity rate**' – just outside the top quartile of OECD countries;
- in terms of **inequality**, the UK position (24<sup>th</sup> least equal in the OECD) has not changed since last year;
- **we have continued to make progress in the last year in raising the skill levels of the UK workforce**. This continues the positive trend observed over the last decade. We have seen the numbers achieving high level qualifications increase over the decade by more than 3 million or 44% whilst the numbers without any qualifications declined by more than 1.5 million or 26%. Over the last two years (2007 to 2009), the proportion of adults not qualified to Level 2, has declined from 30% to 28% and the proportion qualified to at least Level 4, has increased from 30% to 32%;

- whilst UK skills levels have been progressing, so too have those in other countries, often at a faster rate. So, when it comes to estimating our **likely future progress** towards the 2020 Ambition, we conclude that **the UK is unlikely to improve its relative international position**. The UK's 'current' international ranking on the three measures of low, intermediate and high level skills, has changed little since last year and longer term forecasts suggest this is unlikely to improve. Indeed in the future, we anticipate that the UK will remain in the bottom half of OECD countries on low and intermediate level skills. On high level skills improved so that we expect to be ranked 11th by 2020 – just short of World Class.

In summary therefore, our performance is currently not world class in productivity, employment or skills, and not yet on a trajectory to be world class.

To address the issues raised by Ambition 2020 the Commissioners believe there are four broad policy principles for driving economic growth through skills and jobs:

1. support businesses to create **more jobs** and **more high skilled jobs**

The UK has too few businesses adopting high performance working practices, too few treating skills as a long term investment and too few being ambitious about competing in high value markets. Leadership and management performance in this country also lags behind international best practice.

We have to create a “fierce urgency of now” and reaffirm our world class ambitions in skills and jobs by sustaining a supportive business environment, raising business ambition and business leadership which in turn will create more jobs and more high skilled jobs.

2. invest in the **right skills**

Simply investing in skills is not enough. Currently in England there are 1.7 million people in work who are not fully proficient in their role i.e. skills gaps, whilst at the same time 2.8 million who are estimated to be underemployed. It is therefore about investing in the right skills. These are the skills which achieve business success and create opportunities for individuals. These are the skills which effectively meet the changing needs of the labour market.

3. use **information** and **incentives** as the key levers for raising investment in skills

Experience over many years in many countries has shown that it is impossible to plan skills investment. But well-presented, quality information can be used to encourage businesses, individuals and providers to change their behaviour in a rapidly changing world. We need to provide high quality information reinforced by targeted incentives for business, individuals and providers which give clear signals to both shape and raise the levels of skills investment to achieve our world class ambitions.

4. **empower** customers, **focus** on outcomes and place greater **trust** in providers in the delivery of skills and jobs services, in order to achieve more and better for less.

As leading business people and stakeholders, Commissioners fully recognise the strain on public services, not only fiscal, but the ever rising expectations that business and society places upon them. As the UK Commission set out in *‘Towards Ambition 2020: Skills, Jobs, Growth’ (Oct 2009)*, there are three key areas of reform which will bring a transformation:

- businesses and individuals as customers given the power of choice;
- service delivery commissioned on the basis of real world outcomes; and
- colleges, universities and trainers trusted to serve their communities and markets.

These four principles have been used to develop our more detailed recommendations for action. Commissioners believe that only with substantial, sustained and serious action taken on all these fronts, will the UK achieve the transformational change required.

The full report can be found on our website at: [www.ukces.org.uk](http://www.ukces.org.uk)