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Train in vain? Skills, tasks and training in the UK labour market

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*Chancellor Jeremy Hunt pledged that measures in the budget would help break down barriers that stop people working. One issue is how to ensure we have the skills the economy needs. The UK has faced – and is facing – a change in the nature of work. **Nye Cominetti, Rui Costa, Andrew Eyles, Kathleen Henehan and Sandra McNally** present an analysis of how the skills needed in the labour market have changed over the past decades and how well placed our system of training and particularly on-the-job training is to help us adapt to these changes.*

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Human capital – by which we mean the skills, knowledge and experience of the workforce – should form part of any attempt to assess the strengths and weaknesses of the UK economy, and so it is a key consideration for the **Economy 2030 project**.

It is well-known that the UK has an unequal distribution of human capital, in the sense that there is a relatively large proportion of adults with higher-level qualifications but also a higher proportion of adults with very low qualification levels than in comparable countries.

According to OECD data, 38 per cent of working-age adults in England are qualified to tertiary level (above the OECD average of 34 per cent), while 25 per cent have below upper secondary level qualifications (slightly higher than the OECD average of 24 per cent). England stands out for having relatively few adults with middle-level qualifications; recent work has found that this gap is related to the lack of funding for advanced vocational qualifications, leaving UK adults **a quarter as likely** as adults from the US to have undertaken an advanced vocational qualification.

There are at least two reasons why a desire to end the recent stagnation and inequality that has characterised the UK economy should cause policy makers to focus on human capital. One is that it can make an important contribution to economic growth, alongside other inputs. An increase in educational quality is **strongly associated** with economic growth, even when taking account of initial levels of GDP and years of schooling. Another reason is the important role that human capital plays in shaping individuals' life outcomes. In the labour market, an individual's highest qualification has a strong impact on employment and earnings over their working life. For example, among today's 40-year-olds, those with at most GCSE-level qualifications have

an employment rate 15 percentage points lower – and, if in work, earn 40 per cent less – than those with a degree or an equivalent level qualification.

An increasing need for social skills and abstract skills

Like many developed countries, the UK has undergone structural change in recent decades. Not only has there been a secular decline in manufacturing, but the increased use of information technology and offshoring have meant that the **tasks performed, and skills utilised**, by the labour force have also changed. In particular, over the past 25 years, the need for social skills and abstract skills in the workplace has increased at the same time as the employment shares of occupations that are intensive in routine and manual skills have fallen. For example, occupations that use social skills intensively (such as directorial positions in marketing and sales, human resources, and customer services) have become a larger part of the set of jobs done in the UK, whereas those that have little need for social skills have declined in importance. Conversely, occupations that use routine skills intensively (such as metal workers, assemblers, and plastic process operatives) have declined, whereas those that have little need for manual skills have become more important.

Alongside these changes, wages have grown particularly strongly for jobs that require a significant amount of abstract reasoning: occupations that use abstract skills intensively (i.e. at the 90th percentile of abstract-skill-intensity across all occupations) have seen average wage growth of 30 per cent since 1994, compared with wage growth of below 15 per cent for occupations that involve below-median levels of abstract skills. In general, these shifts are relatively good news for workers with high levels of education and those in high-paying

occupations, as they are most likely to utilise social and abstract skills while in the workplace.

The volume of workplace training has been falling

Training, whether it be on-the-job or done outside of work, is the most salient pathway by which one can acquire skills while in the labour market. But training is in decline: the proportion of workers who report that they have received work-related training in the past three months has fallen from 29 per cent in 2002 to 24 per cent in 2020, and has fallen the most for workers aged under 25. The number of days training received per employee or per trainee is lower than a decade ago, as are the proportion of employers who report they are providing training, and the amount of money spent on training by employers. The most-educated workers train more, with an average of over 40 per cent reporting having received some form of training in the previous quarter, twice as high a rate as those with below secondary level education. Among adults who are out-of-work (both those who are inactive and unemployed, but excluding those on parental leave), training rates are very low: only 13 per cent received any training (in a 12-month period), less than half the rate at which employees are trained. Fewer than one-in-ten out-of-work adults received longer or qualification-bearing forms of training.

These low rates of training among the least educated are troubling, given international evidence showing that there are higher returns to adult education for these individuals. And the difficulty of acquiring new skills once one is already in the labour force is borne out by worrying labour market trends. The UK has seen falling rates of job mobility in recent decades, with much of the changing patterns of occupational structure driven by entry and exit of workers as opposed to employed workers transitioning from declining to expanding sectors.

Most forms of training do not drastically increase the odds of moving to a different industry

Recent research highlights a certain paralysis in the UK labour market whereby workers in declining sectors **struggle to move into expanding sectors of the economy**. What role might training play in reskilling workers and enabling them to progress in their careers? We find most forms of training have a small association with making a significant job move, (in terms of moving industry). In particular, among workers who received no training in the previous 12 months, roughly 12 per cent move industry each year, but 15 per cent of those who had longer forms of training (excluding training that was reported as a hobby or for health and safety purposes) switch industry over a given 12-month period. This rate is largely unchanged (14 per cent) if we focus on training leading to a qualification. The form of training that is most strongly associated with making a significant job move is full-time education. Full-time education increases these odds (to 23 per cent), but very few adults partake in full-time education to begin with: just under 1 per cent of employees and the self-employed do so, no doubt reflecting the challenges in terms of forgone earnings – and indeed tuition costs – of returning to full-time study as an adult.

Education and training can help people back into work

Another important role of training is to provide a pathway back into employment. For example, 13 per cent of those not in work take part in training in any given year. Training is positively associated with returning to employment within two years of becoming workless: of those who do no training, 54 per cent return within that timeframe, and this proportion rises to between 69 and 71 per cent (depending upon the form of training) for those who have had training. This suggests that training may be effective for helping workless people improve their job

prospects, but it should be remembered that relatively few workless individuals receive training. Understanding why this is would require a more in-depth analysis, focusing not only the prospect of finding work but also the costs of training and what kind of jobs training leads to (for example, whether individuals move into a better paid, higher-quality job than their previous one).

In a world of stagnant productivity growth and with an increasing need for wages to keep pace with prices, improving the UK's system of training and skills provision could have an enormously beneficial impact. Fortunately, there is a wealth of international evidence that can be drawn upon to design a system that would make post-school training provision work for more of the UK's labour force. Phase 2 of the Economy 2030 project will advance policy recommendations in this field that can ultimately contribute to higher and more inclusive economic growth for the UK.



Notes:

- *This blog post summarises [Train in Vain? Skills, tasks, and training in the UK labour market](#), a report of The Economy 2030 Inquiry. The Economy 2030 Inquiry is a collaboration between the Resolution Foundation and the Centre for Economic Performance at LSE. It is funded by the Nuffield Foundation.*
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