

Rebalancing the UK economy - the importance of the skills dimension

In November 2010 the UK Commission for Employment and Skills started research on rebalancing the UK economy, sectorally and spatially to identify the possible role of, and implications for, skills and employment policy. The project also covered the rationale for government intervention to build a strong and sustainable economy, balanced geographically and sectorally. The results were published in August 2011 in two volumes available here. <http://www.ukces.org.uk/publications/er33-rebalancing-the-economy>.



'Rebalancing' has become a key word in the political and economic goals of the Coalition. It covers a number of different issues - the economy has become unbalanced because there has been too much borrowing for consumption and not enough saving for investment. The balance of trade is out of kilter because the deficit in trade in manufactured goods may not be reliably covered in future by a surplus in services especially if the excessive reliance on financial services is rectified. The balance in growth rates and levels between regions of the UK has not been ameliorated sufficiently by Regional Development Agencies given that the OECD found that the UK had in 2005 the highest level of regional GDP variation in the countries considered. The

energy sector must be rebalanced towards low carbon and renewable generation.

The UKCES reviewed a number of international case studies of rebalancing and settled on five in particular - Korea, Finland, Sweden, Germany and the Netherlands - which they presented in detail in the evidence volume.

For example since the 1990s, Finland has recovered from the global economic downturn with a more 'balanced' fiscal position and competitive, high technology economy. In Germany close collaboration between employers and the state (at national and sub-national scales) helps match the supply and demand for skills thanks partly to a vocational training system which integrates theoretical learning in vocational schools and practical workplace training. The Korean government has sustained a strong commitment to regional innovation centres. The Northern Dutch provinces have shown potential for bottom up mobilisation finding partners in other parts of Europe to take advantage of EU programmes. In Sweden sectoral and regional rebalancing led to demand for new occupations and skills and the local education



Business Excellence Through Inspired People

November 2011

system had a major role to play in increasing the supply of relevant skills through new courses.

The study reviewed the familiar economic objections to state intervention but concluded that recent thinking about economic or functional geographies where spatial differences persist long-term because of agglomeration economies made the case for action. Economic development policy now focuses on the adaptive capacity, productivity and utilisation of resources in specific places. The evidence review found that the rationale for specific government intervention in support of 'rebalancing' activity is now based on the need to address the underutilisation of resources and improve the competitiveness of places.

According to this project, success in rebalancing is most likely with:

- 'Packages' of interventions that span policy areas have better chances of success than single silo actions.
- Interventions that go with the sectoral and cultural grain.
- Certainty and predictability going forward.
- Autonomy at the 'right' spatial level.
- Capable and competent governance and oversight.
- Dialogue between employers, unions, workers and other organisations.

In terms of the role of employment and skills policy in 'rebalancing' the key messages emerging from the study are:

- Interventions supporting the development of the educational infrastructure and hybrid people and skills interventions have provided some of the highest returns of any human capital and skills interventions in the UK and abroad.
- The expansion of higher education, including specific targeting of applied sciences in some regions, has provided skills of value for sector 'rebalancing'.
- Intermediary organisations can play useful roles in working with employers and education and training providers to ensure employers' demand for skills are met, particularly as an economy rebalances sectorally.
- Skills development and investment in training to aid the 'rebalancing' process needs to be shared between employers, individuals, and government.
- Emphasising lifelong learning and the skills for sustaining and progressing in work, can yield positive outcomes for individuals and can assist in the 'rebalancing' process between sectors. Anticipating skills change is crucial.



Industry Forum has embraced the skills dimension of building process improvement capability for at least ten years and this year has opened a Learning Centre at its headquarters on the Birmingham Business Park. Its

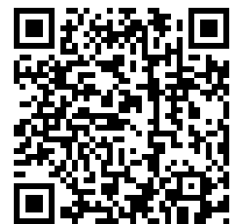
Business Excellence Through Inspired People

November 2011



Learning and Development offering is extensive and includes global management systems, study tours, leadership and management, operational excellence and apprenticeships. IF have delivered learning and development programmes in Automotive, Aerospace, Food manufacturing and FMCG.

Author: Iain Cameron, SMMT Industry Forum



scan with smartphone