



PRESS RELEASE

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Addressing the income gap – a new approach

The City & Guilds Centre for Skills Development (CSD) today warned the Government that its failure to address skills supply problems was fuelling income inequality, and suggested five simple policies to help to close the gap between rich and poor. CSD's proposals followed a damning report from the Institute of Fiscal Studies last week, showing that income inequality has risen to its worst ever level, in spite of the Prime Minister's long-standing personal commitment to social justice.

In her keynote speech to the Guardian Further Education and Skills Summit, Matilda Gosling – CSD's senior manager of research and policy – argued that the Government was wrong to believe that a widening gap between rich and poor did not matter as long as incomes in general were increasing. In fact, she argued, income inequality fuelled poverty and could even lead to rising levels of crime. She identified five policy initiatives that could help the Government to reduce the growing income gap. These were:

- Greater freedom for colleges to respond to local demand for skills training.
- Financial incentives to form social partnerships between employers, training providers, unions and community groups that can help to articulate local needs.
- Greater flexibility of funding to allow for people to train at different levels according to local employer needs.
- Social support mechanisms for further education on a par with those available to higher education to encourage individuals to 'upskill' or 'reskill'.
- Research and development initiatives to enable development of skills forecasting techniques.

These, she argued, would help to ensure that the supply of skilled workers better met demand, helping to reduce inequality in earnings.



Ms Gosling pointed out that, based on simple economics, an excess of skilled workers in a given sector of the economy could suppress income for those workers, while those with less widely-available skills were likely to earn more. This, she argued, was a significant cause of income inequality, and it was essential for the Government to consider new means of delivering skills training in order to balance demand and supply. In support of her arguments, she cited OECD data showing a negative correlation between earnings and levels of supply of skills.

Speaking after addressing the Summit, Ms Gosling said: “successive governments of all political persuasions have rightly aimed to combat income inequality. We believe, however, that the approach that has been adopted to date has failed to recognise the importance of skills supply. Our findings are clear: by achieving a better skills balance, we believe that we can help to close the income gap. We urge all political parties to consider our proposals, and to replace decades of unpredictable, ideological policy with a newer, holistic approach to skills development and its effect on income equality.”

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For more information, contact Andy Wasley, PR & Communications Manager, on +44 207 294 4199, or andy.wasley@skillsdevelopment.org.

Encl: Referenced copy of speech

Notes to editors:

1. The City & Guilds Centre for Skills Development drew its conclusions based on raw data contained in the OECD's *Education at a Glance 2007* report. The full report can be accessed [here](#).
2. The Institute of Fiscal Studies last week published data indicating that the gap between the richest and poorest families in the UK is widening, and that 100,000 more children are now living below the Government's poverty threshold. The report is available through the [IFS website](#).
3. The [City & Guilds Centre for Skills Development](#) is an independent research and development body which aims to improve the policy and practice of work related education and training internationally. It works with organisations around the world – principally with policy makers, employers, training providers and learners – to help to lead the debate on policy and practice, aiming to achieve its vision of a world in which all people have access to the skills they need for economic and individual prosperity.