

**SKILLS FOR SUSTAINABLE
GROWTH**

Consultation on the future
direction of skills policy

JULY 2010

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Introduction

1. This paper outlines our emerging vision for skills and explores some key areas where we would like to seek further views. It sets the context for the technical funding system and methodology consultation – *A Simplified Further Education and Skills Funding System and Methodology* – that is being launched in parallel.
2. We will publish a full strategy for skills after the Spending Review in October which will set out in more detail how we intend to support our learning and skills priorities. This will accompany a BIS paper setting out how we will create the conditions for sustainable growth which will be published at about the same time.
3. This consultation starts the debate about the choices we must make as we enter this Spending Review round and begin the urgent task of implementing a plan to reduce the largest deficit in Britain's peacetime history. Once our commitments to increase National Health Service spending and to honour international aid obligations are taken into account, the Budget figures imply that other departments will face an average real cut of around 25 per cent over four years.
4. This provides a challenging context for reform of the skills system, but also presents a real opportunity to focus public investment on what's most important for greater social and economic benefit. We welcome your views on the direction we set out.
5. We recognise that some choices will be hard. Therefore, we particularly welcome your views on where you think public investment is most valuable, how the skills system can be made simpler and more effective, and your ideas on how we can better support employers and individuals to invest in learning and develop the skills they and our economy need.
6. Please note that, although we are running a full 12 week consultation period, we are already discussing the right areas for investment through the Spending Review and comments received earlier are more likely to influence this process.

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Foreword by John Hayes, Minister of State for Further Education, Skills and Lifelong Learning



Skills are vital to our economy. This was clear even before Lord Leitch published his report in 2006, demonstrating the need for urgent action if we are to retain our competitiveness and make progress in the future.

Meeting this challenge necessitates building a system able to respond to the needs of a dynamic economy. We want to build a system driven by the informed choices of learners and employers. This means giving providers the flexibility they need to meet the needs of different learners and different economic sectors.

But too often in the recent past, the strength of the economic case has been portrayed as the only case for skills, creating an implicit divide between learning that is useful and learning that is useless. We emphasise the economic and overlook the social and cultural benefits of learning at our peril.

For the opportunities offered by education and training to be fully realised then learning must be embedded in our way of life. Only by seeing learning as a single whole, not a series of separate compartments, can we ensure that it takes its place at heart of both business strategy and community life.

Delivering future priorities will also involve making difficult choices about the use of public funds. I believe that we can deliver more and save money. But we will only achieve cost effectiveness by challenging the orthodox assumptions about what skills are for, how they are funded and what role Government should play. I am determined to ensure our decisions are the result of proper consultation so that policy reflects real priorities. I therefore welcome responses to the questions in this paper.

By acknowledging the value of learning we can begin the task of re-evaluating our priorities, rediscovering craft, redefining community learning, rejuvenating apprenticeships, rebalancing the economy and building a big society.

John Hayes

Executive Summary

1. Our paper, “A Strategy for Sustainable Growth”, presented to the BIS Select Committee on Tuesday 20 July 2010, clearly sets out how we intend to create the conditions needed to reduce the fiscal deficit and stimulate growth.
2. Skills and training are a central component of this, contributing to employment, productivity and economic growth. The quality of our skills gives us the freedom and opportunity to obtain rewarding jobs, providing income for our families, helping businesses grow and enabling us to invest in essential high quality public services.
3. Skills and training also help create a better society and are an important driver of social mobility. Further learning throughout our working lives helps us to progress and reach our potential, and helps to build a society founded on social mobility and social justice.
4. Learning promotes personal growth, enriches our lives, enlarges our understanding and broadens our interests. It is an asset to our cultural and community life. For some, learning in the community develops personal confidence and can be the essential stepping stone into voluntary and paid work and more formal learning.
5. Our priorities are to build an internationally competitive skills base and ensure we have a skills system that prepares people for work and then to progress. We will do this in a way that puts informed and empowered learners and employers at the heart of a responsive and flexible skills system and that supports our vision for a “Big Society”.
6. We will create stronger links between learning and the capacity of employers and individuals for enterprise and innovation. This will help employers to take action over the coming years to reduce their dependence on migrant workers, in response to Government’s commitment to limit immigration from outside the EEA, and invest in training and recruiting UK workers. Developing knowledge and skills are fundamental to our goal to rebalance our economy with a richer mix of high performing and productive business sectors and more even distribution of economic and social benefits between regions.
7. These priorities and principles will underpin our approach to the Spending Review. They will inform the strategy for skills that we will publish in the autumn after the Spending Review to set out a clear framework for further education, skills and lifelong learning policy for a five year government. We believe that employers, colleges, training organisations and individuals need this vision and the stability it will provide in order to plan and take decisions about investment.
8. It is essential that learners should gain the skills that are most useful to them, economically and socially. The previous Government did this by

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making choices for individuals which were promoted through training subsidies. The system was held to account for delivering what Government thought was needed. We think this was the wrong model.

9. Rather, employers and learners should have access to good information about the value of different types of learning and what it might help them achieve and about the quality of different providers. They then must be free to choose the training they think best suits their needs and therefore more prepared to invest in it. The training system must be easier to navigate and should be held to account by its customers rather than by Government.
10. Similarly, as we said in “Building the Big Society”, we want citizens, communities and local government to come together to solve the problems they face and build the Britain they want. We think this is the right way to rebuild the infrastructure for the kind of informal learning that enriches lives and can be a means of re-engaging with learning.
11. The tighter fiscal environment means we face some tough challenges and we have no option other than to use it as an opportunity to re-design the skills system so that it has the learner at its heart. We don't make light of the difficult choices about how more limited public funds should be used and we want your help in making them.
12. Thank you for taking the time to participate in this consultation. All views and ideas will be considered carefully as we prepare the strategy for skills.

How to respond

1. When responding please state whether you are responding as an individual or representing the views of an organisation.
2. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation response form and, where applicable, how the views of members were assembled.
3. You can respond to this consultation through the comments boxes on the website: www.bis.gov.uk/skills-consultation. There is the opportunity to respond to each question separately, or to comment on the document as a whole.
4. Alternatively, you can download a Word document of the consultation questions from the website. If you decide to respond this way, the form can be submitted by letter or email to:

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5. A list of those organisations consulted is on page 31. We would welcome suggestions of others who may wish to be involved in this consultation process.

Territorial extent

Training is a devolved issue and this document covers England only. We will work closely with the Devolved Administrations in Northern Ireland, Scotland and Wales, recognising their particular and varying responsibilities.

Confidentiality & data protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

Help with queries

Questions about the policy issues raised in the document can be addressed to:

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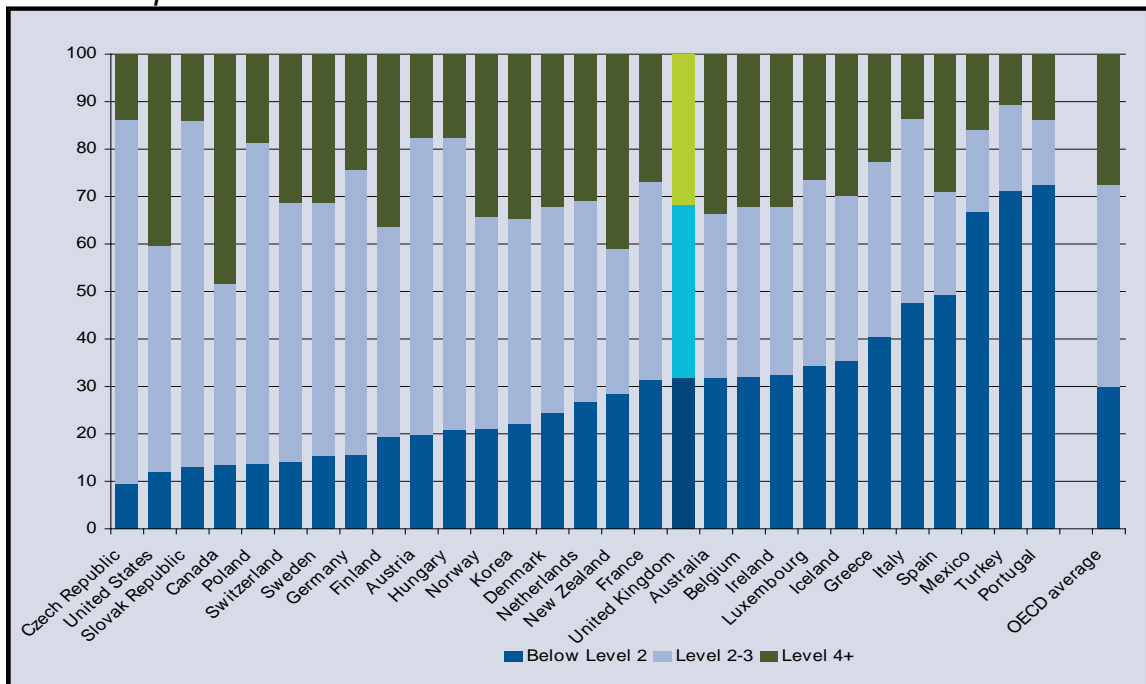
Tel: 020 7215 1910
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A copy of the Code of Practice on Consultation is on page 30.

The importance of skills

1. The UK economy is failing to develop fully and use the talent and skills of our people. While our productivity has improved in recent years we continue to underperform compared to our competitors. Our output per hour is around 22 percentage points below the US, 16 percentage points below France and 17 percentage points below Germany¹.
2. Skills are a significant factor in achieving productivity growth. One estimate shows that anywhere between 10 per cent and 29 per cent of the productivity gap with France and Germany is linked with labour quality². Technical advances since the 1980s have been the main driver in helping workers become more productive. This has been strongly biased towards those with the skills to adapt and use new technology. As a result, more highly skilled workers are in increasing demand by employers. Yet, despite this, the OECD has shown that the UK remains a middle ranking country in terms of qualifications³.

Chart 1: International comparison of percentage of population aged 25-64 at each level of qualification⁴



¹ Office for National Statistics (2010) – International Comparisons of Productivity

² Department for Business, Enterprise and Regulatory Reform (2008), 'Cross-country Productivity Performance at Sector Level: the UK compared with the US, France and Germany', BERR Occasional Paper No.1

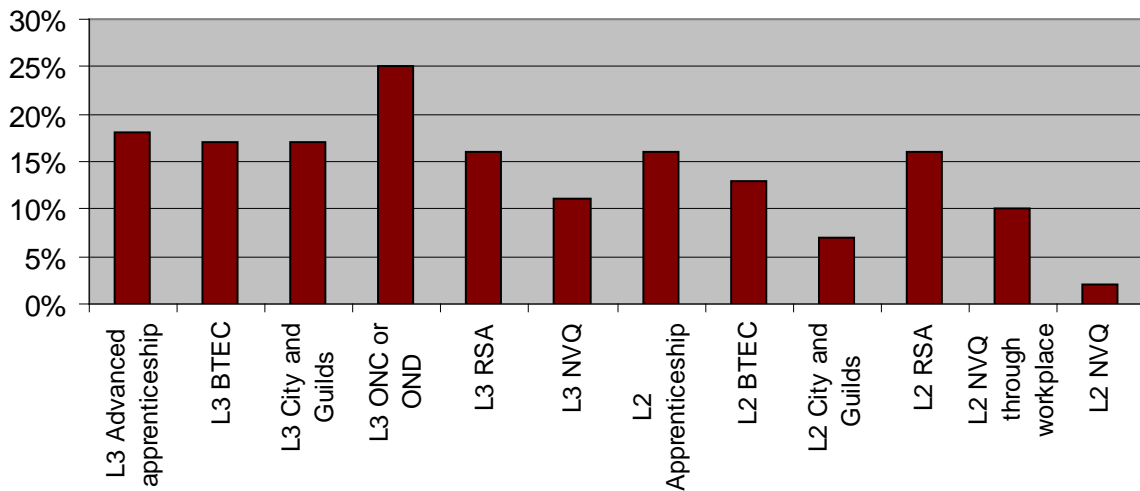
³ OECD (2009), 'Education at a Glance'

⁴ OECD International Comparison of Workforce Qualifications, 2009 (based on 2007 data): Growth in Educational Attainment from 1998 - 2006 of OECD Countries

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3. There are also wider benefits from people engaging in learning both in terms of individual development and from social and civic engagement. These benefits include reduced crime, better health and more socially tolerant attitudes to minority groups⁵. Social inclusion can be increased through providing opportunities to those who need additional help to progress such as disengaged young people, the unemployed, offenders and harder to reach learners such as people with disabilities. There is also evidence that engaging in learning once makes someone more likely to engage in learning again in the future.⁶
4. Investing in training has many economic and social benefits to employers and individuals, especially people with low skills⁷. Yet there are many reasons why employers and individuals may choose not to invest in learning and skills. These include an inability of firms to capture the benefits from investing in skills, fear of poaching of workers by other firms, credit constraints, a reliance on migrant workers, insufficient knowledge about learning opportunities, uncertainty about financial returns as well as lack of confidence of those with low skills about returning to learning.
5. On average, better qualified people have greater earning potential. However, we know that some qualifications do bring a greater rate of return than others. The wage returns at Levels 2 and 3 are particularly variable. We want to make sure that we focus on the qualifications at every level which add real value to learners and employers.

Chart 2: Estimated wage returns to Levels 2 and 3 qualifications⁸



6. Without a clear direction for learning and skills we will not achieve the

⁵ Feinstein et al (2006), 'The Wider benefits of learning: a synthesis of findings from the Centre for Research on the Wider Benefits of Learning 1999-2006'

⁶ Dearden et al (1997), 'Labour turnover and work related training'

⁷ Dearden, Reed and Van Reenan (2005), 'The Impact of Training on Productivity and Wages: Evidence from British Panel Data', CEP Discussion Paper No.674

⁸ Labour Force Survey, Q4 (2009)

economic growth and the other cultural and community benefits we are seeking.

Principles for a skills strategy

7. We have developed some key principles to guide our work as we develop our strategy for skills in England. These principles are designed to ensure the strategy will support economic growth, encourage progression, and promote learning for wider cultural and community benefit.
8. It builds on our belief that empowered, informed employers and learners should be at the heart of a training system that responds to their needs and is accountable to them. It also recognises that, in a constrained fiscal environment, we must achieve a better balance of investment in skills by Government, private individuals and employers that reflects the benefit each party receives.
9. In summary:
 - It is essential that there is a respected, credible vocational training offer that will provide people with a route into employment, help them progress in their careers or support them in starting their own business.
 - In particular, we must tackle the needs of those who have poor work prospects or a high chance of spending long periods out of work, incentivising employers, colleges and training organisations to prioritise them within mainstream learning, and ensuring we have a diverse set of colleges and training organisations which are able to engage and support them. We also want the skills system to consider properly the needs of vulnerable groups.
 - Learners and employers must have access to high quality, impartial information, including information about the value of different types of training and qualifications, so that they are able to choose the training that will best suit their needs and can see what benefits their investment will bring.
 - If we are to realise the best returns on both government investment and the increasing amount of learner and employer investment in the skills system, it is vital that training leads to real gain in skills, knowledge and understanding. Accreditation of existing competence is not enough to make a real and lasting difference to our skills base.
 - We must give greater freedom to colleges and training organisations enabling them to respond flexibly within a coherent and simplified further education system to learner and employer demand. We should focus on getting the relationship – including accountability - right between service user and service provider without unnecessary

intervention from intermediary agencies whether local, regional or national.

- We recognise that the success of this approach to skills can only be achieved if it is a joint enterprise with employers, some of whom could use the skills available to them better through, for example, promoting the creation of higher performance workplaces. We will encourage strong leadership and co-operation between employers to create highly skilled and productive workforces that will benefit whole industries and increase domestic and international competitiveness.
- We need to recognise that formal vocational training is not appropriate or needed by everyone. To help create a 'big society', we need to empower communities to develop the informal life-long learning opportunities in which they want to participate.
- In the current fiscal circumstance, we recognise that it is more important than ever that public funding is used where it is most needed and where it gives most value. We therefore need to think again about the current methods for prioritising Government money for particular learners.

- 1. We welcome views on these principles and whether there are others we should consider.**
- 2. How can we further simplify the skills system, including the number, roles and responsibilities of the many organisations working in the system?**
- 3. In view of the current fiscal deficit, what areas of public investment in skills could be reduced and where could private investment be increased? What are the main constraints on changing the balance between public and private investment and how could these be overcome?**

A respected and credible training offer

10. We believe that we will only deliver the skills the economy needs and enable everyone to achieve their potential if the confidence in, and respect given to, vocational qualifications and learning matches that given to academic qualifications.
11. In the past, the vocational route has not been strong enough. It has not been sufficiently clear to individuals what benefits a particular course might bring or how they might navigate the system to achieve their long term goals. Too often, individuals have been encouraged to take qualifications of limited value and have discovered too late that they are not equipped with the skills they need. Therefore, we want to ensure there is a clear, well-understood and credible vocational route from education or unemployment to employment or self-employment

and for people already in work to progress in their careers, built around well-respected vocational qualifications.

Apprenticeships

12. We believe Apprenticeships should be the primary work-based learning route. Their blend of theoretical and practical learning qualifies people for a wide range of technician, associate professional and advanced craft jobs that are vital to growth in the UK economy. We believe that too few Apprenticeships are available.
13. Apprenticeships are good for learners. A cost-benefit analysis in 2007 showed that people who had completed a Level 3 Apprenticeship earn £105,000 more over their working life than similar individuals qualified only to Level 2⁹.
14. They are also good for the employer. Research into the net benefits to employer investment in Apprenticeships in 2008 showed that employers recoup their investment rapidly, within two to three years in most cases¹⁰.
15. We therefore fully support Apprenticeships – but believe the current programme could be improved in two areas. First, we want to create a clearer ladder of progression in the Apprenticeships Programme. Apprentices should move through levels of provision where it meets the needs of their employer and their sector.
16. Apprenticeships at Level 2 are a valuable stand alone opportunity to improve skills. However, there should be greater emphasis on progression to Level 3, where the benefits to both employer and learner are greater than Level 2. This will help create the skilled workforce needed in key parts of the economy and increase the pool of apprentices ready to progress to Level 4 Apprenticeships and other Higher Level provision.
17. We would welcome views on how best to strengthen the Level 3 Apprenticeship Frameworks to ensure they offer high quality, economically relevant and industry ready provision. One idea we are considering is that there could be a role for employer-led bodies to lead work on ensuring that the frameworks meet the criteria of the relevant trade or occupation, have the unequivocal support of employers, and can be developed swiftly for new and growing occupations.
18. Second, we are clear that employers benefit from Apprenticeships. Independent research shows that employers recoup their investment

⁹ McIntosh (2007), 'A Cost-Benefit Analysis of Apprenticeships and other Vocational Qualifications'

¹⁰ Hasluck, Hogarth, Baldauf and Briscoe (2008), 'The Net Benefit to Employer Investment in Apprenticeship Training'

within 2 to 3 years. Therefore, we wish to establish more firmly the principle that employers should make a contribution to Apprenticeships. This may mean employers having to pay more than they do at present.

19. We are aware that there are people who are clear about their career direction and have the potential to benefit from an Apprenticeship but lack the skills needed to secure a place with an employer immediately. They may, for example, need to improve literacy and numeracy skills or to demonstrate that they can manage the disciplines and routines of a workplace. Therefore, we would welcome views on what pre-apprenticeship training might be appropriate and how we could ensure it was a first step towards ongoing learning.
20. But it is also important that there are routes of progression beyond Level 3. At the moment there is only a small number of Higher Apprenticeships available at Level 4 and existing frameworks only cover a limited number of occupations. We would also welcome views on how we could improve progression routes from Level 3 Apprenticeships to higher-level skills.
21. We are aware of concern by training organisations about the removal of Key Skills from Apprenticeship Frameworks and their replacement with Functional Skills. It is important we get this right and have therefore decided that the use of Key Skills in Apprenticeship Frameworks will be extended on a temporary basis until March next year. Training organisations will have the choice of offering either Key Skills or Functional Skills in the interim.

- 4. How could the Apprenticeship programme be improved? What can be done to increase the proportion of apprentices progressing to Level 3 and beyond? What and how should employers contribute to Apprenticeships?**
- 5. We welcome views on how to support people who might benefit from an Apprenticeship but who do not yet have the skills to begin one.**
- 6. We welcome views about progression from Level 3 Apprenticeships into higher education, including whether there is demand for Higher Apprenticeships at Levels 4 and 5.**

Other work-based training

22. An Apprenticeship is not the right option for everyone. However, we recognise that a vocational qualification gained in the workplace on average leads to higher earnings for an individual than a qualification delivered in a college¹¹. Most individuals value qualifications gained in this way and a large majority of employers report benefits in improved

¹¹ Learning and Skills Council (2009), Train to Gain employer evaluation sweep

performance including product or service quality and productivity¹². The reasons for this are likely to include the more direct relevance of learning to the workplace and that new skills can be put into practice immediately.

23. Therefore, we want to ensure that training in the workplace as well as through college based routes continues. However, a key issue is how to ensure training genuinely adds value for the learner in terms of new skill and capability and therefore also adds value for the employer. This means not just accrediting skills that people already have. We are interested in exploring how employers can best be incentivised to support work-based training.

7. How can we ensure that training leads to real gains in skills, knowledge and competence and not just the accreditation of existing skills?

Training for people who are out of work or at risk of becoming unemployed

24. People who are out of work sometimes need to gain specific skills to enter work and progress in employment and training. There should also be appropriate support for people who are at risk of unemployment to support them in their transition to another job or sector. We think that any offer for these people must be simple, bring together the various training options available within our mainstream training offer for adults and facilitate the flexibility to continue training once in work. In this way, people progress in both learning and employment and help form a valued and productive workforce.

25. Any training offered would need to be flexible, responsive and relevant to the labour market. Training providers need to make the most of alternative sources of funding, such as the European Social Fund, to supplement mainstream provision with additional training in employability skills.

8. How can we incentivise colleges and training organisations to offer a flexible and cost-effective 'needs-led' offer for people who are out of work or at risk of becoming unemployed?

9. How can we encourage colleges and training organisations to make the transition from learning to work as smooth as possible, enabling progression in the workplace, as well as to further learning?

College-based routes

¹² Jenkins (2007) 'The Returns to Qualifications in England: Updating the Evidence Base on Level 2 and Level 3 Vocational Qualifications'

26. We recognise that colleges and training organisations also provide a wide range of vocational learning and development opportunities outside of the workplace. Courses range from basic skills to higher education, often tailored to meet the needs of individuals, employers and local communities.
27. Colleges have strong roots in their communities with a long history of reaching out to support local people and businesses and many people value having direct access to training within their local area.
28. Colleges also have an important role in the delivery of enterprise education. There are strong arguments, both economic and social, for developing qualities that enable individuals to be enterprising, either in the workplace as employees or in setting up their own businesses and to succeed in doing so.

10. How can we better promote enterprise education in further education colleges and throughout the training system?

Funding and entitlements

29. Currently there is a legal entitlement for people to receive free tuition for certain basic literacy and numeracy skills, a first full Level 2 qualification and, for people under 25, a first full Level 3 qualification.
30. We have concerns that the current system of entitlements acts against colleges' freedom to respond to what employers and learners really want and discourages private investment. We therefore want to ensure that tuition paid for by the Government is focused on those who need it most so that limited public funds are used in the most effective way.
31. We know that individuals with no or low-level qualifications are more likely to face credit constraints, and are also more likely to lack motivation and self-confidence to learn¹³. Investing in lower level skills also produces high social returns and may have knock on effects for future generations¹⁴.
32. There is also a good case for supporting young people to make the transition from education to work. Individuals gaining qualifications at a younger age will have greater opportunity to realise the benefits as they have more of their working life in which to maximise the return on investment.

11. Should the Government continue with an entitlements based

¹³ National Adult Learner Survey (2005)

¹⁴ Dearden et al (1997) Labour turnover and work related training; Desforges, C., (2003) The Impact of Parental Involvement, Parental Support and Family Education on Pupil Achievements and Adjustment: A Literature Review.

approach? How can we ensure that Government money is targeted where it is needed most and where it will achieve most value?

Helping individuals and employers choose the learning they want

33. We want to ensure that learners, employers, colleges and training organisations can successfully work together within a well-functioning market for learning. At the heart of this market should be high quality, impartial information about the training opportunities available and the colleges and training organisations who can best meet each individual's and employer's specific skills needs.
34. Current arrangements are complex and difficult for learners and employers to navigate. Addressing these shortcomings will make it simpler and easier for individuals and employers to find what they need. It will also create greater competition between colleges and training organisations, based on the value they add, leading to better quality and service.
35. The new Qualifications and Credit Framework means that new unitised vocational qualifications are being developed. These new qualifications are empowering learners by giving them flexibility to progress with their learning and development. As each qualification is quality assured by employer-led bodies, they should also drive provision of economically valuable skills.
36. However, we recognise that it can be difficult for colleges and training organisations to structure training quickly to meet specific skills needs. We want to transform the system to make it more flexible and able to respond quickly to demand from learners and employers.

12. How can the learning market be made to work more efficiently, effectively and economically and to be more responsive and accountable to demand by individuals and employers while delivering value for money?

Employer leadership

37. It is important that employers are able to shape the skills system to meet their needs and are able to access high quality labour market information about their sectors. This helps to ensure their investment in skills is directed to where it is most economically valuable.
38. Currently, employers are able to shape provision through the work employer-led bodies carry out to quality assure qualifications before they are placed on the Qualifications and Credit Framework. A strong

emphasis on work-based learning, particularly Apprenticeships, also enables employers to shape training.

39. While we believe it is right for Government to facilitate and promote collaboration between employers in different sectors, it will seldom be appropriate for Government to become party to a skills strategy for any one part of the economy or country. One test for a well-functioning skills system is that it is capable of meeting the needs of individuals and employers in a range of contexts. Attempts by policy makers to achieve skills objectives for individual parts of the economy will undermine our ambition for a simple system that responds to well-informed choice.

13. We welcome views on how best to ensure employers are able to shape the skills system to meet their needs.

14. We are interested in views on what more might be needed to make the system responsive to employer needs.

15. Which qualifications have most value for employers and learners? Which do not have value? How do we evolve the Qualifications and Credit Framework so that it focuses on the former and removes the latter?

Independent careers guidance

40. We are committed to improving the accessibility and quality of careers information, advice and guidance for individuals. Good information, advice and guidance is an essential part of a well functioning market. As a first step, from August we will be integrating web-based, telephone and face-to-face careers services for adults under the new Next Step brand. Next Step will offer a range of tools to help people assess their skills, develop learning and careers plans and make more effective choices.

Lifelong learning accounts

41. We are considering how to build on the Next Step service by creating a national system of Lifelong Learning Accounts to encourage all adults to engage in learning, and to build learning into life.
42. Every adult would be given a Lifelong Learning Account when beginning any new learning. This would promote the benefits of learning and provide a gateway to a range of careers and learning information, advice and guidance services, including details of funding support such as help with the costs of childcare. Accounts would also be used by colleges and training organisations to help engage people in learning, particularly the disadvantaged who experience barriers to learning and progression.

43. Over time the account could be used to simplify enrolment on courses, help learners form groups using social media and help signal demand for new courses.

16. How can we improve the accessibility and quality of careers information, advice and guidance services for adults?

17. We welcome views on the vision for lifelong learning accounts and their potential usefulness.

Informed learner and employer choice

44. We believe that learners, employers and the general public should have access to good information about the quality of colleges and training organisations and the courses they offer, in order to help them make choices about what and where they wish to learn. This information should be easily accessible and in a clear, simple, user friendly format.
45. We want to develop a new approach to presenting this information. We look to the further education sector to lead this work in consultation with employers and individual users of this information.
46. We envisage that this work will focus on use of the Framework for Excellence as a tool for gathering, comparing and publishing information about the sector and could involve each college publishing its business plan. It could also include the introduction of a quality labelling system for colleges and training organisations and the courses they offer to help employers and individuals to choose the right course and provider for them.

18. We welcome views on approaches to informing learners and employers including how better information can be made available while reducing bureaucracy.

Giving Colleges and training organisations the freedom to respond

47. All colleges and training organisations must focus on delivering for learners and employers. In the past, the further education sector has been burdened by increasing bureaucracy from Government. This has taken many forms including central regulation, audit, financial monitoring, inspection, data collection and structural divisions. This has encouraged responsiveness and accountability to Government rather than to service users.
48. We want to reduce the accountability of colleges and training organisations to Government. Removing regulatory requirements will

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take time but we are already making a start. Key elements of this work include:

- Simplifying the further education and skills system so there are fewer national bodies imposing burdens, more sector ownership of its own improvement and a commitment to go further in terms of removing other structures operating at different spatial levels;
- Consulting with the sector on simplifying the funding system and audit, including the removal of targets;
- Tackling complex and burdensome systems supporting performance management, inspection and performance management so that it is more proportionate. We want the sector to lead on driving forward this aspect of simplification and look to the sector itself to act collaboratively through peer review and assessment to address weak performance;
- Simplifying the development and delivery of qualifications;
- Promoting collaboration and sharing models which enable colleges and training organisations to work together to meet the needs of their areas; to secure savings through more efficient procurement of goods and services; and the use of benchmarking to improve services.

49. Instead, we want accountability to service users. In return for greater freedom, the sector will be expected to:

- Ensure that there is publicly available information on quality standards and performance of the sector, including learner destinations and employer and learner satisfaction as well as success rates;
- Develop arrangements that ensure that service users have clear information about the levels of service that they can expect. These arrangements should be reinforced by information about costs and a clear complaints and remedies process. We will investigate whether there might be a role for an independent ombudsman to investigate concerns about service quality.
- Organise itself so that colleges and training organisations can engage together effectively and efficiently with local partners to influence local economic strategies, drawing on the sector's expertise and knowledge of local employer and learner needs;
- Develop strengthened peer review arrangements to address poor performance in the sector that could undermine its reputation and freedoms;
- Free up resources for front-line delivery by being more efficient. For example, reducing administration costs by greater take-up of shared services in areas such as procurement and information management.

50. As part of this, we are encouraging the development of new local enterprise partnerships between business and local government to lead the transformation of local economies. Colleges and local

enterprise partnerships will work together and decide at the local level what each needs to do for their mutual benefit. However, it will be important to ensure that this relationship is based on a mutual interest in serving the local economy, and to avoid any additional burdens on colleges and training organisations that could interfere with their primary relationship with their customers – learners and employers.

- 19. We welcome views on our planned measures for simplification and freeing colleges and training organisations.**
- 20. How can we enable colleges and training organisations to be more efficient and responsive to the needs of employers, learners and their community but without adding new layers of control by local bodies?**
- 21. What mechanisms could we use to hold colleges and other training organisations to account for their performance in responding to employers' needs and for prioritising training that adds real economic value?**

Incentives to train in priority areas

51. Developing the skills needed for new and expanding parts of the economy is important to supporting economic growth. An efficient and effective skills system must be able to respond quickly and effectively to new skills needs. However, market failures can occur, leaving important gaps in the labour market that may inhibit growth.
52. A recent survey of employers showed that only 3 per cent reported having vacancies that were hard to fill because of a shortage of applicants with the right skills or experience¹⁵. This is the lowest reported level since surveys began, but may reflect the current economic climate. A higher proportion of employers (around 19 per cent) reported having staff not fully proficient in their jobs¹⁶.
53. While many of these skills gaps and shortages will be met through training or recruitment, others are persistent and highlight specific and critical weaknesses in the economy. These weaknesses include poor working conditions or employment terms and negative public perceptions of particular occupations. Employers must take action over the coming years to tackle these issues and reduce their reliance on migrant workers.
54. More generic problems persist in areas such as basic literacy and numeracy, general employability skills, leadership and management and customer service.

¹⁵ National Employer Skills Survey (2009)

¹⁶ National Employer Skills Survey (2009)

55. We are considering how best to promote growth and innovation particularly in those areas where employers are unable to access the provision they need. For example, in rapidly-changing or wholly new areas of the economy, such as low carbon, where it is not possible for providers in the absence of mature market signals to take on the risks of new provision. We will work with colleagues at DECC, Defra and across Whitehall to consider the responses to the joint DECC:BIS consultation on low carbon and resource efficiency skills when developing our strategy for the skills system.
56. We would welcome views on how we can improve the flow of information for employers and learners about current and emerging skills needs, both across the economy and in particular sectors.

Reducing reliance on migrant workers

57. Growing the skills of our workers will also help the UK – and our employers – to reduce their reliance on migrant workers. The Government is committed to introducing limits on non-EU economic migration. The UK Border Agency’s (UKBA) consultation on limits on non-EU economic migrants, published on 28 June, specifically asks what action employers will take to train and source labour from the domestic market. We recognise that it also sets a challenge to employers – to source the skills they need much closer to home. Additionally employers will need to take action over the coming years to invest in training and tackle the issues that deter resident workers from working in certain occupations or sectors, including marketing certain occupations as attractive career choices. Employers and providers will need to work together to agree appropriate provision to ensure over time that employers aren’t disadvantaged by restrictions on immigration.

- 22. Do we need a framework that will enable and encourage employers and individuals to invest in training in priority areas and for colleges and other training organisations to provide appropriate courses?**
- 23. Should we promote training innovation particularly in rapidly changing or wholly new areas of the economy? If so, how might we do this?**
- 24. How can we ensure employers can access high quality labour market information?**

Encouraging a more productive workforce

58. Investment in skills for the workplace offers best value for money when those skills are utilised well. The UK’s productivity performance

suggests that the overall demand for skills in the UK economy reflects a general tendency by many employers to compete in lower value and less intense markets requiring lower level skills. Although UK enterprises are more likely to provide some form of continuing vocational training to their employees than other EU countries, one third of employers do not train their employees at all believing they are sufficiently skilled for the organisation's needs¹⁷. Training that is done is often minimal, on-the-job and informal. Small businesses in particular are less likely to invest in training their workforce¹⁸.

59. Our growth agenda sets out the steps we are planning to take to create a better environment in which to run a business. Investment in skills is a crucial component in creating a workforce able to help businesses to succeed.

25. What would enable businesses to use skills as a real driver of productivity and business improvement?
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Leadership and management

60. Good leadership and management is a key driver of business performance. A recent survey by McKinsey and Company confirmed that respondents thought that this capability contributes most to performance and yet only around one third said they focus on it¹⁹. Other evidence has shown that the quality of leadership and management directly affects a firm's ability to overcome problems and achieve its full potential²⁰.
61. Underinvestment in leadership and management skills is particularly prevalent in small firms, which comprise 99.9 per cent of all UK businesses and employ over 13.7 million people – 59.4 per cent of all private sector employment²¹.
62. For a business or employee, the incentives to invest in skills and training are closely linked to individual business models and the structure of sectors, economic networks and supply chains. They form part of the wider workplace environment, rights and responsibilities. Therefore, we are also reviewing work in a range of other areas to assess its value in promoting a more productive workforce:

¹⁷National Employer Skills Survey (2009)

¹⁸ This training is shorter than in other countries – with an average of 20 hours undertaken by each participant, the UK was ranked last and well below the EU average of 27 hours (Continuing Vocational Training Survey 4 2009)

¹⁹ McKinsey and Company and Centre for Economic Performance (2007) 'Index of Management Capability based on a study of the management practices of 4,000 medium sized firms in the US, Europe and Asia'

²⁰ Bosworth (2006) 'Management skills, strategy and performance', chapter 4.2 of Skills and Economic Performance, SEDA

²¹ BIS Statistical Press Release URN 09/92 14 October 2009 - these figures refer to 2008 - the latest data available.

- Information, advice and guidance on business development for employers, including how this can support the development of small businesses with growth potential;
- Business standards, in particular Investors in People, which has for many years promoted the link between training and bottom line performance;
- Better employee engagement, including the important role of Trade Unions in supporting investment in skills through initiatives such as Unionlearn, and the future of the 'right to request time to train' which we must consider in the light of our commitment to reduce regulation;
- Voluntary actions, working across sectors or groups of employers. We have no plans to introduce statutory industry levies, or specific occupational licences to practise.

26. We welcome views and ideas on ways in which businesses can be encouraged to increase the UK's leadership and management capability to create better run and more highly performing businesses.

Public procurement and regulation

63. Public procurement was worth around £220 billion in 2008/09. While public procurement will reduce as part of our deficit reduction plan, it will still offer a major opportunity for promoting investment in skills and Apprenticeships by organisations. Recent evidence produced for the Government has shown that these contractors recognise the benefits from their investment in skills and Apprenticeships.

64. We are considering how this approach could be extended beyond public procurement. For example, we are examining how regulatory frameworks and the role of industry regulators can be used to promote investment in skills without introducing new bureaucracy.

Reinvigorating adult and community learning

65. Through the Big Society programme, the Prime Minister and Deputy Prime Minister have shown their support for giving citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want. They want society - the families, networks, neighbourhoods and communities that form the fabric of so much of our everyday lives - to be bigger and stronger than ever before²².

²² Cabinet Office (2009), 'Building the Big Society'

66. Learning is not just about developing skills for employment – learning also helps create a better society. There is a wealth of evidence that engaging in learning brings a wider range of benefits in enriching our lives and developing our communities. It also brings health benefits and promotes well-being and is instrumental in helping parents and children to learn together to improve their reading, writing and numeracy skills.
67. Participation in adult education and community learning supports the creation of more positive attitudes towards communities bringing confidence, particularly to those whose earlier experience of education may have been negative, in trying new ideas and experiences and in accessing services. Participation may also help in re-engaging young people, including those who have been looking after children full-time, ex-offenders or disabled people.
68. Colleges provide or host a wide variety of adult and community learning opportunities which enrich their local communities. They work with local partners across the private, voluntary and community sectors to provide learning for pleasure and for personal and community development.
69. Many open up their buildings and facilities for the community to use. They offer spaces for local self-organised and volunteering activities (University of the Third Age groups, reading groups, amateur arts groups, voluntary association meetings, self-help groups and lots more) and offer communities different kinds of support to help them weather the current economic downturn.
70. We must use our plans to reinvigorate adult and community learning, to help individual, families and communities to establish the Big Society, and create the local services they want.
71. It is the Government's role to create the right conditions so that charities, voluntary organisations and social enterprises can play their part in these services and work effectively alongside government and other public services. The freedoms and flexibilities we are giving to colleges will enable them to work with their communities to enable this to happen ensuring we have the most diverse range of learning available, and not just that funded by the state.
72. We therefore propose to help strengthen the relationships between colleges, local authorities, charities, voluntary organisations and social enterprises by encouraging local leadership.

28. How could we encourage the development of productive partnerships with third sector organisations?

29. We welcome views on new ways that colleges could be used to support the community.

30. How could adult and community learning be reinvigorated? We especially welcome ideas for how businesses and others could be encouraged to engage in supporting local community learning to help create local ownership and momentum.

Measuring success

73. We are committed to publishing open and transparent data to enable the public to hold the skills system to account. We would therefore like to develop a set of indicators to show how well employers and the skills system are progressing in meeting priorities.

74. We propose to use the following principles in developing these indicators. They should:

- Be sufficiently robust and accessible that employers and learners can use them to hold colleges to account;
- Reflect results rather than process;
- Support broad aims rather than setting specific targets;
- Minimise the burden on colleges and training organisations by using existing data where possible;
- Be at the right level to provide information on the skills system as a whole, supported by other forms of local area, provider level and business sector data to support local decision making.

75. We will work with key users of the indicators and the suppliers of data as we develop the indicators to ensure that they are both reliable and fit for purpose.

31. We welcome views and ideas on those indicators that would be most useful to you or your organisation.

Conclusion

76. The Spending Review will provide an opportunity to transform the skills system so that informed and empowered learners are placed at the heart of provision. We want to ensure that our strategy for skills supports economic growth, encourages progression and promotes learning for wider cultural and community benefit, and that public funding is used where it is most needed.

77. We welcome your views on how we can best achieve this. Thank you for taking the time to participate in this consultation.

Consultation questions

Principles for a skills strategy

1. We welcome views on these principles and whether there are others we should consider.
2. How can we further simplify the skills system, including the number, roles and responsibilities of the many organisations working in the system?
3. In view of the current fiscal deficit, what areas of public investment in skills could be reduced and where could private investment be increased? What are the main constraints on changing the balance between public and private investment and how could these be overcome?

A respected and credible training offer

4. How could the Apprenticeship programme be improved? What can be done to increase the proportion of apprentices progressing to Level 3 and beyond? What and how should employers contribute to Apprenticeships?
5. We welcome views on how best to support people who might in time benefit from an Apprenticeship but who do not currently have the skills to begin one.
6. We welcome views about progression from Level 3 Apprenticeships into higher education, including whether there is demand for Higher Apprenticeships at Levels 4 and 5.
7. How should we ensure that training leads to real gains in skills, knowledge and competence and not just the accreditation of existing skills?
8. How can we incentivise colleges and training organisations to offer a flexible and cost-effective 'needs-led' offer for people who are out of work or at risk of becoming unemployed?
9. How can we encourage colleges and training organisations to make the transition from learning to work as smooth as possible, enabling progression in the workplace, as well as to further learning?
10. How can we better promote enterprise education in further education colleges and throughout the training system?

Funding and entitlements

11. Should Government continue with an entitlements based approach? How can we ensure that Government money is targeted where it is needed most and where it will achieve most value?

Helping individuals and employers choose the learning they want

12. How can the learning market be made to work more efficiently, effectively and economically and to be more responsive and accountable to demand by individuals and employers, while also delivering value for money?
13. We welcome views on how best to ensure employers are able to shape the skills system to meet their needs.
14. We are interested in views on what more might be needed to make the system responsive to employer needs.
15. Which qualifications have most value for employers and learners? Which do not have value? How do we evolve the Qualifications and Credit Framework so that it focuses on the former and removes the latter?
16. How can we improve the accessibility and quality of careers information, advice and guidance services for adults?
17. We welcome views on the vision for lifelong learning accounts, and their potential usefulness.
18. We welcome views on approaches to informing learners and employers including how better information can be made available while reducing bureaucracy.

Giving colleges and training organisations the freedom to respond

19. We welcome views on our planned measures for simplification and freeing colleges and training organisations.
20. How can we enable colleges and training organisations to be more efficient and responsive to the needs of employers, learners and their community but without adding new layers of control by local bodies?
21. What mechanisms could we use to hold colleges and other training organisations to account for their performance in responding to employers' needs and for prioritising training that adds real economic value?

Incentives to train in priority areas

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Encouraging a more productive workforce

25. What would enable businesses to use skills as a driver of productivity and business improvement?
26. We welcome views on ways in which businesses can be encouraged to increase the UK's leadership and management capability to create better run and more highly performing businesses.

Reinvigorating adult and community learning

27. How could we encourage the development of productive partnerships with third sector organisations?
28. We welcome views on new ways that colleges could be used to support the community.
29. How could adult and community learning be reinvigorated? We especially welcome ideas for how businesses and others could be encouraged to engage in supporting local community learning to help create local ownership and momentum.

Measuring success

30. We welcome views on those indicators of success would be most useful to you or your organisation.

What happens next?

Responses to this consultation will be considered closely and will inform the continuing development of our strategy for skills. We will publish a full strategy after the Spending Review in October. The strategy publication will form the official response to the consultation.

The Consultation Code of Practice Criteria

1. Formal consultation should take place at a stage when there is scope to influence policy outcome.
2. Consultation should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.
3. Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.
4. Consultation exercise should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.
5. Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
6. Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.
7. Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

Comments or complaints

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

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List of Organisations to be consulted

157 Group
3SC
Action with Communities in Rural England
Age UK
Alliance of Sector Skills Councils
Association of Chief Executives of Voluntary Organisations
Association of Colleges
Association for Education and Ageing
Association of Learning Providers
British Chambers of Commerce
Business in the Community
Cabinet Office - Office for Civil Society
Campaign for Learning
Confederation of British Industry
Co-operatives UK
The Chartered Institute of Personnel and Development
The Development Trusts Association
FE colleges
Federation of Awarding Bodies
Federation for Community Development Learning
Federation of Small Businesses
Industry Training Boards
Institute of Directors
Institute for Learning
Joint Council for Qualifications
Learning and Skills Improvement Service
Local Education Authorities' Forum for the Education of Adults
Local Government Association
London Language and Literacy Unit
Museums, Libraries and Archives Council
National Apprenticeship Service
National Association for Teaching English & Community Languages to Adults
National Association for Voluntary and Community Action
National Employer Service
National Federation of Women's Institutes
National Institute for Adult Continuing Education
National Skills Academies
Office for Disability Issues
Private training organisations
Regional Development Agencies
Sector Skills Councils
Social Enterprise Coalition
Skills Funding Agency
The Third Sector National Learning Alliance
The Homeless Link network of providers
Trades Union Congress
Unionlearn
UK Commission for Employment and Skills

Skills for Sustainable Growth

UK Skills / WorldSkills
Workers Educational Association

All other parties or individuals interested are also welcome to submit responses to this consultation.

