

Towards a National Skills Agenda

First Report of the National Skills Task Force

Foreword

“Productivity and social cohesion are key twin challenges facing the UK in ensuring our nation’s economic success in the 21st century. At the heart of both these challenges lies skills - for the competitiveness of our businesses and the employability of our people.

In establishing the Skills Task Force, David Blunkett set us a very ambitious agenda and one on which there is substantial expertise across England. Task Force members are committed to conducting their deliberations in as open a manner as is possible, and have agreed to issue this first progress report to encourage debate amongst all those organisations and individuals who have a contribution to make to the creation of a National Skills Agenda.

At this early stage, we are not seeking to provide answers to the multitude of questions with which we are faced. Rather, we are presenting our preliminary conclusions and setting out the areas on which we propose to undertake further work over the next fifteen months.

In our first three months of operation, and in addition to three formal Task Force meetings, we have already held nine regional skills summits and five sectoral/specialist consultation meetings. More will follow the publication of this report.

I would like to place on record my admiration for, and gratitude to, the members of the Task Force who have given so willingly of their time and commitment to the seventeen meetings held to date, and to the demanding future timetable that will be necessary to fulfil our terms of reference.

I hope that you, the readers of this report, will also recognise the importance of the issues we are discussing and enrich our deliberations with your views.”

Chris Humphries

Executive Summary

The Report

- We have been asked by David Blunkett to help in the creation of a National Skills Agenda. Our specific role is to advise on the main skills gaps and shortages, current and anticipated, in the labour force and how they can be addressed.
- This report represents the first phase of our work. It sets out our initial findings and proposals and identifies the issues we propose to consider in the next phase. We want to stimulate debate on our findings and proposals and we will use the report as a basis for further consultation.
- We have tried to draw on as wide a range of knowledge and experience as possible. Members of the Task Force have attended 'Skills Summits' in all the English regions and we have held 5 consultative meetings so far.
- The three key issues dealt with in the report are current skill shortages, underlying skill gaps and addressing longer term needs. Four key themes are already beginning to underpin our thinking and we intend to conduct further work on each of these:
 - ensuring a stronger focus on priority skill needs in national education and training provision, building on better information and a more responsive system;
 - better targeted help for employers, particularly SMEs, in the overall recruitment process to ensure that we make the best use of our existing skills base;
 - a renewed emphasis on raising the extent, quality and relevance of learning in the workplace as one of the most effective mechanisms to respond quickly to evolving skills needs and gaps;
 - effective strategies for responding to critical skills shortages and gaps, bringing together employers, national training organisations and public and private training providers - with an initial focus on IT skills.

Our Vision

- Our aim is the establishment of a national culture of high skills and an education and training system able to deliver appropriately and at the right time.
- We live in an age of global competition and constant change. We must seek to achieve a high skill, high value added economy as the recipe for national competitiveness. For a truly dynamic economy, we must keep the skills of our people 'ahead of the curve'.
- Everyone in the system has important responsibilities in achieving this.
 - **Individuals** must review and renew their own skills regularly to ensure their long term employability;
 - **Employers** must assess and articulate their needs effectively and maintain a strong commitment to investing in their people.
 - **Education and training providers** must understand how skill needs are changing and be responsive to the requirements of employers and individuals.
 - **Government** must ensure that its resources are directed to priority skills needs and encourage participation in productive learning by those most in need of it.

A National Skills Agenda

- We are clear that the National Skills Agenda must create a national consensus about what we need to achieve and ensure a shared sense of priorities. It should:
 - help to ensure that we get the best possible return on the large and growing investment the country is making in education and training;
 - be built around the country's longer term overall skill needs and not focus solely on current skill shortages.

Skill Shortages

- The term 'skill shortage' is often used very loosely. We have defined it as referring to a situation where there is a genuine shortage in the accessible labour market of the type of skill being sought and which leads to a difficulty in recruitment.

- Our judgement is that over the past year or so skill shortages on this definition have been limited, though still important. The most pervasive shortages have been in the market for IT specialists. Elsewhere shortages have been localised in the sense of being specific to quite narrowly defined occupations in different areas of the country.
- There have been other recruitment difficulties aside from skill shortages which have been at least equally important. There are a number of causes including the image of some industries or occupations, the way in which employers recruit (lack of 'best practice' techniques) and geographical mismatches between unemployed people and vacancies.

Addressing skills shortages

- We suggest a number of immediate measures to tackle skills shortages and recruitment difficulties, including:
 - extra help for employers, particularly SMEs trying to recruit, including a guide on effective recruitment practices and encouraging local agencies engaged in recruitment and training to work together with employers experiencing recruitment difficulties;
 - encouraging employers to look more widely for potential recruits and offer support with travel and subsistence where appropriate as part of broader action to improve workforce mobility;
 - reviewing whether more opportunities for short duration retraining of recently unemployed people could be made available within the existing structure of TEC and ES programmes.
- There should be considerable scope for combining the above measures with the New Deal including creating useful links with the New Deal employer coalitions.

Skill Gaps

- We have defined a 'skill gap' as arising where a deficiency in the skills of existing employees or new recruits reduces business performance rather than being manifested in a current recruitment difficulty.
- The Skill Needs in Britain survey for 1998 shows that 68% of employers believe the skills required of their typical employee are increasing. 15% of all employers believe there is a significant gap between the skills current employees have now and those needed to meet business objectives. But this does not reflect the skills gaps that employers have either come to accept or are simply not aware of.

- Employers repeatedly express concerns about the employability and key skills of young people entering the labour market for the first time, including graduates. These concerns are reflected in survey evidence, though the proportion of employers reporting a skills gap of this type varies from survey to survey.
- Employers also report a lack of practical skills relating to the application of technical knowledge in the working environment. This is consistent with the relative weakness of apprenticeship and other formal vocational training for young people in the UK compared to other European countries.
- IT specialists are much in demand. Some of this reflects one off factors such as the year 2000 problem, but it seems clear that demand will continue to grow in the longer term as the diffusion of ICT increases and given the rapid pace of change in hardware and software.
- The true extent and nature of any gaps in management skills and in engineering and technology is not clear and needs further investigation. We believe that this should now be undertaken as a matter of urgency.

Addressing Skills Gaps

- Much of the answer to addressing specific skills gaps lies in getting the general structure of the education and training system right. We address that issue below under the heading of meeting longer term skill needs.
- Here we limit ourselves to proposals targeted on specific gaps in skills which we regard as being of fundamental importance: employability and key skills; and IT skills.
 - There should be a national strategy for IT skills which clarifies the roles of education, private trainers and employers and which provides a better basis for careers advice. This is an example of a more general approach involving targeted strategies described below;
 - The DfEE and its partners should commission the work required to ensure that the opportunity to learn key and employability skills is found automatically within all post 16 learning and training programmes.

Meeting Longer Term Skill Needs

Planning and Improving the Working of the Market

- There must be a stronger focus on meeting skill needs in planning education and training. But detailed forecasting of future skill needs is impractical. Planning should be indicative rather than directive and supported by regular benchmarking to monitor progress.
- In addition to planning, we need to ensure that the education and training market works well and responds quickly and effectively to changes in skill needs. Key principles should be that:
 - individuals, employers and education and training providers have good information about the labour market and the availability of education and training opportunities;
 - individuals and employers have the right incentives, motivation and opportunities to undertake education and training;
 - education and training providers are able and willing to respond to the demands of individuals and employers for opportunities to acquire skills;
 - there is high quality learning in the workplace which is combined with a flexible and responsive mix of formal education and off-the-job training.
- There need to be clear roles and co-operative working between the many agencies involved in the planning and delivery of education and training, including the new RDAs. One of the objectives should be to develop targeted strategies for responding to critical skills shortages and gaps. We propose examining how this can best be achieved in the next phase of our work.

Improving the Information Base

- A stronger focus on priority skills needs in the planning and provision of education and training will only be possible if there is a stronger and more reliable base of information on labour market and skill needs. Amongst the specific areas we propose to review are:
 - how the plethora of national, regional and local agencies involved in the collection and use of labour market information can work together more effectively;
 - the information provided centrally by Government to ensure that it is coherent and in a form most helpful to the relevant agencies;
 - improving the data collection and skills analysis work of NTOs and TECs, and for the effective integration of their sectoral and geographical findings;

- the potential role of RDAs in developing a more coherent system of regional labour market analysis and planning arrangements;
- the way in which labour market and skill needs information is communicated to employers, careers guidance agencies, and individuals to create more informed demand;

Funding and Performance Management Systems

- The impact public funding and performance management systems have on the pattern of education and training provision should be reviewed either in the context of existing funding reviews or as a separate study. The objective should be to ensure that funding systems do not distort education and training choices away from the skills requirements of the labour market.

Learning in the Workplace

- There should be a renewed focus on how to improve the extent and quality of learning in the work place starting with a review of the further actions which might be taken to improve the status of apprenticeship training and widen participation in it. This should be followed by an examination of new measures to ensure learning in the workplace which is more effective in leveraging up the skills of adults already in employment.

Provider Responsiveness and Modular Courses

- There should be further effort to ensure existing providers are delivering education and training in forms suitable for the more demanding lifestyles and particular needs of adults. We also need to avoid unnecessary rigidities in courses and qualifications which prevent employers or individuals from pursuing the skill sets they require.

1. Introduction

- 1.1. Earlier this year we were appointed by David Blunkett, the Secretary of State for Education and Employment to advise him on the development of a National Skills Agenda. Our detailed terms of reference are set out at Annex A. The essence of our remit is that we are charged with advising on current and future skills shortages and skills gaps in the labour force and how these can best be bridged, both in the short and longer term.
- 1.2. We have been determined from the outset to consult with as wide a range of opinion as possible. We recognise that neither we, nor the Department for Education and Employment, hold all the relevant expertise about the skill needs of the economy and what can be done to meet them. We have since May 1998 held three formal Task Force meetings, nine regional skills summits and five consultation meetings covering particular issues and sectors. We are tasked to present a final report to the Secretary of State by the end of next year.
- 1.3. This first report documents our initial findings and proposals to date, and is presented in order to stimulate a wider public debate on the issues we are addressing. It sets out our underlying vision and assumptions, describes terminology and a framework for discussion, and then details our current thinking in relation to skills shortages, skills gaps and longer term needs.
- 1.4. It also takes our ongoing consultation process a stage further by setting out our preliminary views and seeking comments on:
 - a framework and some key definitions for thinking about meeting the skills needs of the economy;
 - the extent and nature of skills gaps in the labour force and current skills shortages;
 - proposals for specific action and/or pilot activity to explore new approaches to reducing the risk of unmet skills shortages and gaps; and
 - important issues in building a new and more effective approach to meeting the future skill needs of the economy.
- 1.5. The document will be circulated widely to organisations representing employers, education and training providers, labour market research organisations and others with a key role to play in the skills agenda. Its purpose is to expose our preliminary findings to outside scrutiny, stimulate debate and to invite comments on how we can improve our analysis and recommendations for the future.

2. Our Vision and Underlying Assumptions

- 2.1. The remit set for the Skills Task Force by the Secretary of State specifically charges us to provide advice on how the country can ensure that it has a more effective match between the present and future skills needs of the economy, and those available in the workforce. In developing our responses to that challenge, we quickly became aware that our answers depend inevitably on the assumptions we make about the future development of industry and the economy. We therefore felt it essential to set out our vision in this regard.
- 2.2. We live in an age of global competition and constant change. The all-pervading impact of information and communication technology, the awakening of the enormous consumer and production potential of the developing world, the increasing demand for customised and value-added products and services, and the opening up of world markets through the progressive abolition of trade barriers are all transforming the nature of businesses and industry as we know them.
- 2.3. Familiar certainties and old ways of doing things are disappearing. Many traditional industries are either evolving or dying whilst new ones arise phoenix like from their ashes. The rest of the world is not standing still - without constant review and renewal, UK businesses will lose their competitive edge and find it increasingly hard to regain lost ground. As industry changes, so too does the nature of employment, the organisation of the workplace, and the skills that individuals need to participate successfully in the new world that is evolving.
- 2.4. At the centre of this transformation lies the progression from the industrial society, based at its heart upon the physical capital of land, plant and machinery, to an information and knowledge based society built upon intellectual capital, the knowledge, imagination and creativity of our people. To compete effectively on the world stage, employers need access to the best educated and best trained workforce; to compete effectively in a dynamic labour market, individuals must acquire the skills needed; while education and training providers and Government must be responsive to those requirements. In short, we are talking about the rights and responsibilities of all of the players:
 - **Individuals** must review and renew their own skills regularly to ensure both their continuing access to employment - and their long term employability;
 - **Employers**, working together as appropriate, must recognise, assess and articulate their needs more effectively and maintain a strong commitment to investing in their people. A high level of skills is the recipe for national competitiveness;
 - **Education and training providers** must understand skills needs better and become more responsive to the requirements of employers and individuals;

- **Government** must ensure that its resources are effectively directed to priority skills needs and encourage greater participation in productive learning by those most in need of it.
- 2.5. Although we speak of these changes as inevitable, there are in fact choices to be made, by Government and businesses, about the future of the economy. If we make the right choices, then the often uncomfortable changes that we are experiencing will transform our lives for the better.
 - 2.6. Where skill levels are low, skill shortages significant, or indeed through individual company choice, it may be an option for some firms to cope by accepting what is called a 'low skill equilibrium' (producing low added value products or services which need lower skills levels). In our view, whilst this may be an acceptable option for a small number of firms or in declining sectors, it is totally unacceptable and would be economically fatal to adopt such a philosophy for the economy as a whole. The developing world will have access to far lower labour costs, and similar levels of technology to the UK for the foreseeable future. Task Force members are unanimous in believing that the only sound option for this country is to achieve a high skill, high value added economy in order to retain a significant future place for us in the global market-place.
 - 2.7. If we are to succeed, then it is essential that we raise the aspirations of both companies and individuals. In skills terms, it will not be enough to simply meet the perceived needs of our current business base - in order to achieve our aspirations for the whole economy, we must 'keep ahead of the curve' to allow and encourage innovation and growth rather than simply react to it. We must meet tomorrow's challenges, not just today's.
 - 2.8. In this overall context, skills shortages (a genuine shortfall in the availability of suitably skilled people in the labour market) and skills gaps (lower than appropriate skill levels in the existing workforce) are very damaging to our long-term economic prospects. Whilst the Task Force's remit is focused on addressing these specific issues, we are also charged to advise the Secretary of State on the development of a National Skills Agenda. We are at the early stage of our thinking on this but we are clear that the Agenda must address at least two issues:
 - it should help to ensure that we get the best possible return on the large and growing investment the country is making in education and training;
 - and be built around the country's longer term overall skill needs.
 - 2.9. We believe our vision above describes the aspirations for such an Agenda, and it underpins all aspects of our work.

3. A Framework and Vocabulary for Skills Issues

3.1. During our discussions, it has become apparent that there is a substantial lack of clarity in the language that is widely used to discuss skills issues. We feel it is vital to have a clear framework for thinking about what is an immensely complex topic, together with a shared vocabulary for talking about skills issues, both to ensure that our own deliberations are clearly understood, and so we can engage constructively with others who have a contribution to make in developing a National Skills Agenda. These definitions and an associated framework are set out below.

'Recruitment Difficulties', 'Skills Shortages' and 'Skills Gaps'

3.2. The very language in which skills problems are described is itself unclear. Surveys of business views by organisations such as the Confederation of British Industry (CBI), the British Chambers of Commerce (BCC) and many National Training Organisations (NTOs), research by academic institutions, and even Government publications all use these terms inconsistently. As a result, data often appears contradictory, and comparisons and analyses based on that data become highly questionable.

3.3. In some usage's, **recruitment difficulties** includes all forms of skills problems; in others, **skills shortages** is used as the overarching phrase. Some research reports try to use each phrase separately, but often without sufficient clarity between them. For the purposes of this report, we have adopted the following vocabulary:

- **'Skills shortages'** are considered to exist where there is a genuine lack of adequately skilled individuals available in the accessible labour market - this could result from basic lack of people (when unemployment levels are very low), significant geographical imbalances in supply (sufficient skilled people in the labour market but not easily accessible to available jobs), or a genuine shortfall in the number of appropriately skilled individuals - either at new entrant level, or for higher level skilled occupations;
- **'Skills gaps'** exist where employers feel that their existing workforce have lower skill levels than necessary to meet their business objectives; or where new entrants to the labour market are apparently trained and qualified for occupations but still lack a variety of the skills required - in some cases, such skills gaps may not even be visible to the employer (see below);
- **'Other Recruitment difficulties'** is an umbrella term incorporating all other forms of employer recruitment problems, except for 'skills shortages' and 'skills gaps' as defined above. Such problems can be caused by poor recruitment practices, poor perceived image of the industry, low remuneration, or poor terms and conditions of employment, and can occur even where there are sufficient skilled individuals available and accessible for work.

- 3.4. Each of these three problems can be highly damaging to company productivity, turnover and profitability, and certainly to organisational efficiency and effectiveness (including public sector employers). Real skills shortages often mean an employer must raise salaries to attract suitable candidates, thus pushing up costs (and either raising prices or reducing profitability); or seek to poach from other firms (creating a cycle of knock-on difficulties for other firms). Similar action can follow from other recruitment difficulties. Encouragingly, survey evidence suggests that many employers do respond by seeking to train existing staff and then recruit into lower level posts - but we must also consider the extent to which better succession planning arrangements and staff development strategies might reduce the risk of skills shortages in the first place, at least for larger firms.
- 3.5. True **skills shortages** and **other recruitment difficulties** may also prevent employers from filling posts and having to carry vacancies for longer periods; or make employers accept staff with sub-optimal skills. The result will usually be that the organisation adopts sub-optimal working arrangements, and endures production cuts, lost orders, and dissatisfied customers.
- 3.6. **Skills gaps** will typically produce the same effect of sub-optimal working but carry an additional risk. It is possible that chronic skill gaps remain unidentified by an employer. History, expectations of what skills are available, adjustment of processes and products to the skills available over a long period, and management weaknesses may mean that opportunities for more productive working are not picked up so that skill gaps, in part, go unnoticed. Probably the only real pointer to unidentified skill gaps is work comparing UK skills and productivity levels with those in other countries where the overall context can be different.
- 3.7. The consequences of skills shortages, skills gaps and other recruitment difficulties can be broadly similar - but they have significant economic consequences for affected employers, and in aggregate, the potential exists for serious knock-on effects for the whole economy. However, the causes of each of these forms of skills problems can be very different, and often so must be the treatment. In thinking about how to respond to the variety of skills problems that can be faced by employers, the Task Force has realised that it is essential to understand far more deeply the underlying causes of each problem before diagnosing and testing possible solutions.

Types of Skills - Generic, Vocational, Job Specific

- 3.8. Ministers expect the Task Force's analysis "to cover general level skills as well as specific occupational and sectoral issues" (Terms of Reference, Annex A). We are currently minded to group skills under three headings - generic, vocational and job specific. By **generic skills** we mean the transferable skills which can be used across occupational groups. These include what have already been defined as Key Skills - communication, application of numbers, problem solving, team working, IT and improving own learning and performance. However, and reflecting the views of many employers, **generic skills** also covers reasoning skills (scheduling work and diagnosing work problems), work process management skills (visualising output, working backwards for planning purposes), and personal values and attitudes such as motivation, discipline, judgement, leadership and initiative.
- 3.9. By **Vocational skills** we mean the specific "technical" skills needed to work within an occupation or occupational group. They are considered essential for undertaking standard occupational tasks, and will often be those capabilities described within Occupational Standards (where they exist) developed and published by National Training Organisations. Some vocational skills included in Occupational Standards (e.g. foreign language skills, computer programming skills) may also be transferable across occupations.
- 3.10. In the provision of training, a number of **job specific skills** may also be included. These might include local functional skills (e.g. operating specific pieces of equipment) or employer wide skills (e.g. in-company quality standards or specific working methodologies).

Employability

- 3.11. The phrase employability is being increasingly used to describe the extent to which an individual is likely to find it relatively easy to obtain and keep a job within an active labour market. For our purposes, an individual's **employability** relates to the breadth and depth of their generic and vocational skills, but not their job specific skills.

The Labour Market and the Education and Training Market

- 3.12. A basic point is that the link between the demand for skills from employers and the supply of skills runs through two distinct but related markets - the **labour market** and the **education and training market**. (Given the large role played by publicly funded provision in the latter, it is not properly speaking a market, but the terminology is useful nevertheless.) In the **labour market** employers seek people with the skills they require from those already in the labour force or who might be attracted into it. In the **education and training market** individuals seek opportunities to acquire skills from education and training providers. Sometimes employers seek education and training opportunities on behalf of their employees and sometimes they provide those opportunities themselves.
- 3.13. The incentives created in the labour market in terms of earnings, employment terms and conditions, and career progression in part influence the skills which individuals want. The skills which individuals acquire through education and training determine the supply of new skills flowing into the labour market and the balance between supply and demand for different skills. The two markets are constantly interacting and any failure in one will inevitably affect the other.
- 3.14. The Task Force has received many complaints that the output of the education and training market, in terms of young people at the end of their foundation learning - including school, further or higher education - is increasingly ill-prepared for, or ill-matched to, the needs of industry. We examine the need for a better match between demand from employers and the supply from the education and training system in substantial detail below.

The Labour Market - New Entrants, Re-entrants, and Existing Workforce

3.15. In discussing the labour market and, in particular, issues around how individuals gain, update and maintain skills, it is important to distinguish between new entrants to the labour market, those re-entering the labour market after a gap in employment and those already in work. This is particularly true in relation to the issues about employers and individuals rights and responsibilities.

- **New entrants** are primarily the young entering work for the first time after initial full time education and training. Occasionally, it may also apply to adults entering work for the first time but later in life (e.g. a woman entering work after child-raising who has never worked before).
- **Re-entrants** are those individuals seeking to re-enter work after a gap in employment - where that gap could be the result of a period of unemployment, voluntary non-employment (after retraining/adult full-time education; child-rearing, illness, travel, etc.).
- The **existing workforce** are those already in a job or self employment.

4. Skills Shortages and Other Recruitment Difficulties

- 4.1. Because of their close links - in terms of their impact - we have chosen to discuss skill shortages and other recruitment difficulties together, before moving on to separate chapters on skills gaps, and the challenge of meeting the wider skills needs of the economy. This chapter looks at initial evidence on the scale and nature of skills shortages and recruitment difficulties, and then offers some initial thoughts on how we might develop both short and longer term responses to them.
- 4.2. In keeping with the rest of this document, the intention is not to present a definitive analysis; we have more work to do before we can aspire to that. Rather, our findings are presented as a basis for consultation on how the evidence and analysis can be improved, and to stimulate discussion on how we may then respond to identified challenges.

The General Position

- 4.3. Our judgement is that skill shortages caused by a genuine shortfall in the accessible labour market of the type of skill being sought are relatively limited, though still important. The most pervasive skill shortages are in the IT sector. Elsewhere shortages are localised in the sense of being specific to quite narrowly defined occupations in particular areas of the country. Many skill shortages reported in the press and in surveys are often what we have defined as 'other recruitment difficulties' that are not directly related to problems of the availability of skills.
- 4.4. One of these problems is the inflexibility of some employers' recruitment practices, reflecting a lack of information and support to employers on how to recruit effectively. In the IT sector for example we have been told that employers are demanding staff with very specific programme knowledge which severely restricts the pool of labour from which they can fill vacancies. We have also been told of employers in construction expecting to fill vacancies within 24 hours from the same limited recruitment channels which they used when unemployment was higher.
- 4.5. Another important factor is the geographical distribution of unemployment. In 72 travel to work areas unemployment is below 3%, though it is important to note that these areas still only account for 25% of the labour force. Inevitably, employers in these areas will have more difficulty in recruiting unskilled as well as skilled labour. Such local 'hotspots' co-exist with areas of high unemployment - 31 travel to work areas, accounting for 13% of the employed labour force, with unemployment rates above 6%. While there continues to be a regional divide as regards unemployment, there are in fact some areas of high unemployment which are quite close to areas of low unemployment. For example, Workington and Whitehaven have unemployment rates in the top ten in the country, but neighbouring Keswick has the second lowest unemployment rate (and the second highest vacancy rate). Examples of the apparent lack of mobility tend to be most stark in "isolated rural areas".

- 4.6. Having declared our general judgement about skill shortages, it is incumbent upon us to say a little about the statistical and other evidence. As noted in Chapter 2, interpretation of statistical surveys covering skill shortages and recruitment difficulties is bedevilled by differences in terminology. There are also differences in the survey methods and coverage of different types of employers. More fundamentally, however, in none of the surveys is it possible to distinguish between skill shortages and other recruitment difficulties. We are therefore of the view that there is very little useful information to be gained from the standard regular surveys such as the BCC Quarterly Economic Survey and the CBI Industrial Trends Survey about skill shortages as we define them here.
- 4.7. The primary usefulness of these surveys is in indicating the trend in recruitment difficulties generally. But even here there are problems. In principle, it would be useful to know whether recruitment difficulties generally are higher or lower at this point in this economic cycle compared with a similar point in the last. If they are lower this would be at least prima facie evidence of an improvement in the workings of the labour market. However, the main surveys do not give a consistent picture. Both the BCC survey and the DfEE's own Skill Needs in Britain survey suggest that recruitment difficulties in 1998 are at roughly the same level as in 1990. The CBI survey on the other hand suggests some improvement. (See charts 1, 2 and 3).
- 4.8. A more revealing picture of skill shortages comes from some of the finer detail in the Skill Needs in Britain Survey coupled with special surveys of their constituent organisations undertaken by the TEC National Council (TEC NC) and the NTO National Council (NTONC).
- 4.9. The 1998 SNIB survey shows that 23% of employers with 25 or more employees had at least one hard to fill vacancy at the time of the survey, 42% had had at least one in the previous 12 months. In total, employers reported 203,000 hard to fill vacancies at the time of the survey. But this was only 53% of the total number of vacancies they had. About 44% were in relatively low skill jobs in personal services or as machine operatives. Further, employers quoted a variety of other reasons for vacancies being filled besides a lack of suitably skilled people. Finally, 60% of employers did not say that their hard to fill vacancies had an adverse effect on running costs when they were given the opportunity to do so. Similarly, 65% of employers reported no loss of quality in the service given to customers.
- 4.10. Neither the TECNC or NTONC surveys are statistical in nature and, we understand, there were gaps in responses from member organisations. However, they do at least have the advantage of being based on the views of people who are working closely with industry on skills matters. Both surveys suggest a similar general picture which is best summed up by quoting from the summary of the NTONC survey report:

“Only rarely was it suggested that real difficulties occurred across a wide range of skills in the sector or that the problem was geographically widespread. In fact it seems that most problems are relatively localised and are hardest felt where employment levels are high and there is consequent competition for potential recruits. ...The most commonly perceived shortages are for specialised craft, technical, professional and IT skills”.

Chart 1

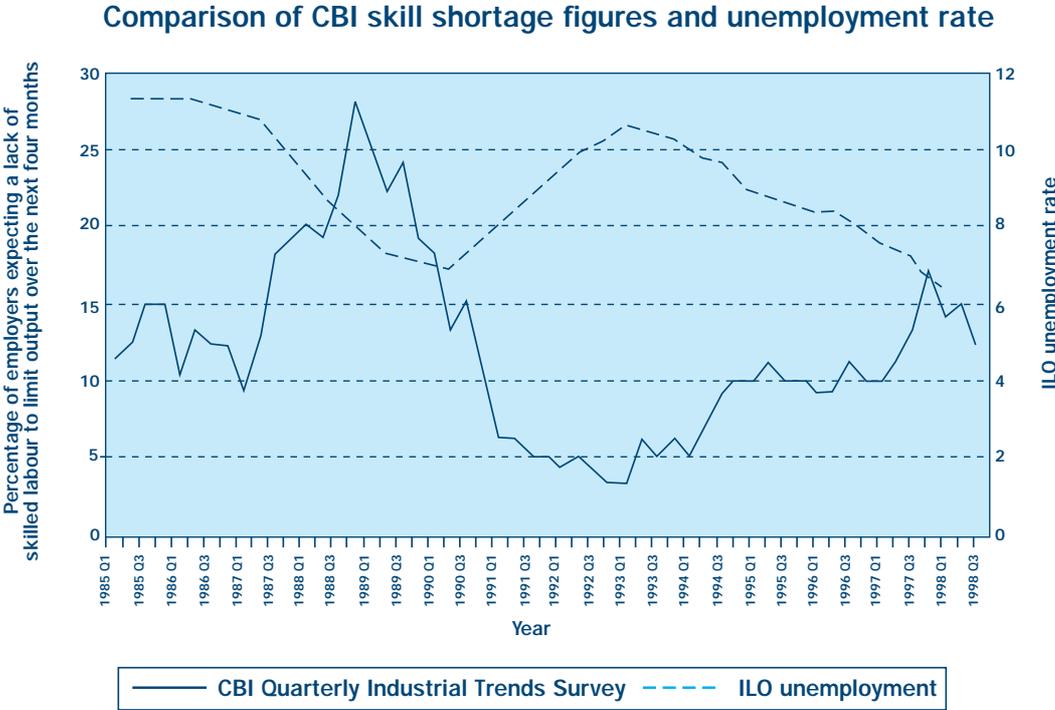


Chart 2

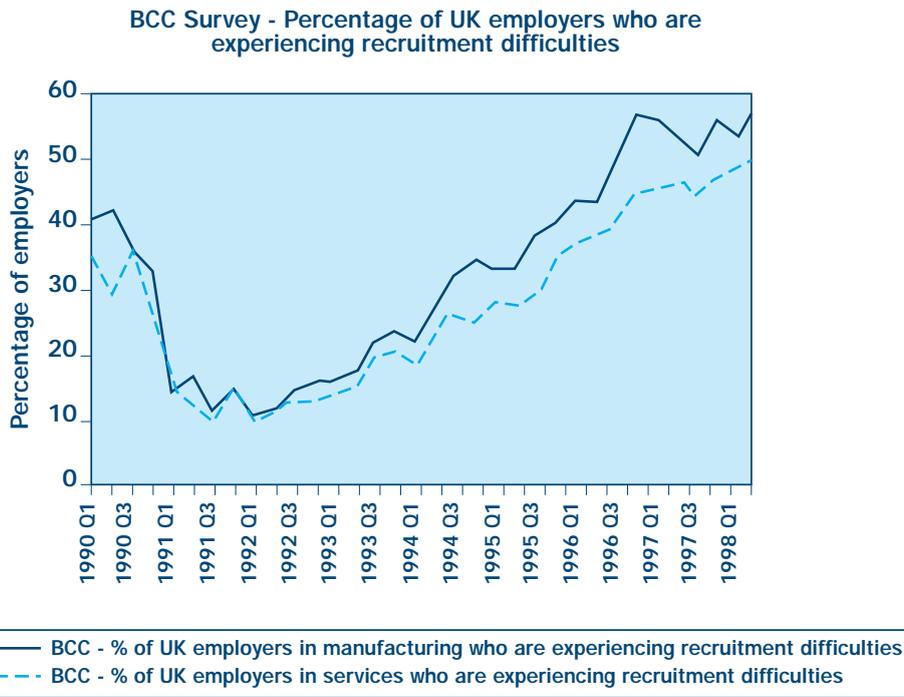
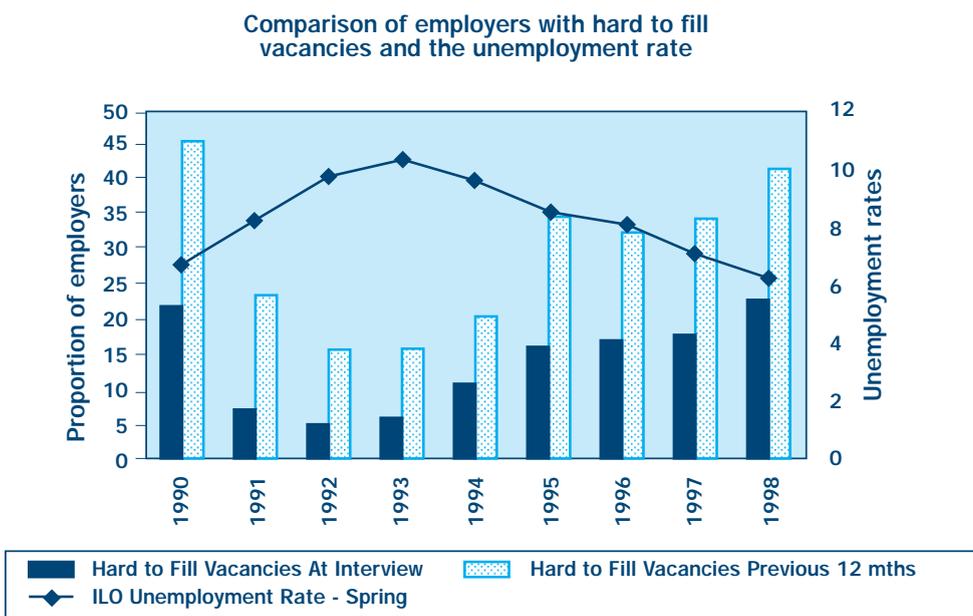


Chart 3



- 4.11. Among the sectors commonly reported to be encountering skill shortages are Engineering, Construction, Information Technology and Finance. (IT is not solely an industry sector as IT specialists are employed in a variety of industries). The Task Force has held special meetings with representatives of the first three of these sectors and plans to look at others in due course.

Engineering

- 4.12. Skill shortages and recruitment difficulties in engineering can be highly volatile and very "localised", both geographically and in terms of particular skills - although problems in engineering generally do seem to be more acute than in many other parts of manufacturing. The CBI Industrial Trends Survey for April this year showed that 19% of engineering firms expect a shortage of skilled labour to limit output compared to 15% of manufacturing firms as a whole. The National Expenditure Survey (NES) shows pay increases in skilled engineering occupations to have been above the national average in the last 12-18 months. Many employers report that graduate engineers can obtain higher pay and/or better terms and conditions from the City or consultancy firms than by staying in the industry, while some also believe that the number of graduate engineers in training is adequate but that many then choose not to work in the profession.
- 4.13. Shortages seem to be primarily at the skilled technician and craft level, particularly in the quantity and quality of vocational skills. Over 20% of engineering firms in a recent survey by the Engineering and Marine Training Agency (EMTA) said they had experienced difficulties in recruiting craft level labour with a further 5% having problems with professional engineer and technician occupations. Nearly 20% of respondents also said that their existing workforce lacked practical skills, with a further 10% saying that their craftsmen lacked the skills needed. There is also a growing demand for generic skills in the industry reflecting, for example, the move to cellular working and the emphasis on skills such as teamworking. The lack of young people with appropriate numeracy and science skills is also a problem for engineering.
- 4.14. Engineering industry representatives also told us that they have a major problem attracting new entrants into the industry (particularly the young). A number of possible reasons are put forward for this: perceptions of the "dirty" image of engineering; lower remuneration than available in other sectors; insecurity of employment in engineering (the numbers employed in the sector are still below the levels of the early 1990s¹); and also perceptions of a poor training record, particularly among SMEs (according to a recent survey by EMTA, well under half of SMEs offered off-the-job training to any of their employees in the past 12 months - and few employees actually received any).

¹ Employees employed in engineering was just over 1.5 million in June 1990, just under 1.3 million at the end of 1996 and currently stands at just over 1.3 million.

Construction

- 4.15. The regular survey undertaken by the Construction Confederation shows a rapid increase in the number of firms reporting difficulties in recruiting skilled manual workers last year (1997). As yet there is little clear evidence of a substantial effect on costs or output. Pay rises in construction have averaged less than those for the whole economy between 1990 and 1997. There have been reports of significant pay increases for construction workers in recent months but most of these deals are staged over a number of years with most 1997/8 rises being between 5-6%.
- 4.16. Current recruitment difficulties here may well have been exacerbated by the depth of the downturn in construction and its slowness in coming out of the last recession when investment in training by the sector was severely cut back. The longer term trend towards self employment in construction has also contributed to a sector where for a number of years few trainees have been taken on, and many of those who left the industry in the early 1990s have been reluctant to return because of perceived extremely low job security. Current expansion in employment is happening in a sector with little "new blood" and where some of those who have left the industry are reluctant to come back - while the unemployment rate for construction workers has fallen, it is still higher than average. There also seem to be some questions over how long this expansion will last as order books are already beginning to tail off.

Information Technology

- 4.17. There is clear evidence of a shortfall of IT specialists. Surveys of the IT sector suggest that recruitment and retention problems have become much more acute over the last 12-18 months². Press reports suggest that earnings for highly skilled computer professionals are running at double the national average. The NES suggests that between 1996 and 1997 pay for all computer analysts and programmers increased by 25% more than the national average - although increases have been at or below the average for a number of years before that.
- 4.18. This may mean that current shortages are largely because of short term problems such as the Millennium Bug and introduction of EMU. However, there is nevertheless a clear long term upward demand for IT skills, with forecasts predicting a growth in demand of 30% for IT specialists by 2002.
- 4.19. There is also a significant demand for systems development staff, fourth-generation language programmers and networking specialists for work which is more oriented towards longer term business development. The expansion in the economy and the reduced costs of IT equipment are also driving higher demand for IT skills. This suggests a more fundamental problem in meeting IT skill needs.

² See IT Skills Survey; Microsoft, January 1998 and Survey of Fringe Benefits, Additional Payments and Contracts Staff 1998; Computer Economic Ltd.

4.20. Representatives of the IT industry also surprised the Task Force by telling us that they too had significant problems attracting new entrants to the sector because of the image of the industry. They argued that IT jobs can provide a clear career path into general corporate management or growth areas such as the City but that the image of the industry amongst many young people was of narrow, technology dominated jobs and limited career paths, populated by what they often describe as 'nerds'.

Finance

4.21. We have not looked at the financial sector in much detail at this stage and our analysis should be seen as preliminary. Parts of the financial services sector appear to be suffering from skills problems although it is difficult to be precise about particular areas (and there are problems of short/long term needs as for IT). The 1997 SNIB survey found a higher incidence of hard to fill vacancies in Insurance (26%) than in the economy as a whole (18%) - though problems were less in banking. A recent CBI survey of the Financial and Business Services sector found that one in three respondents cited a shortage of skill as likely to impact on their business performance over the next 12 months. Problems were highest for professional and managerial staff and much lower for clerical staff.

4.22. Data from the NES shows that earnings for higher skilled workers in finance and business service occupations have been growing much faster than average throughout the 1990s. This is consistent with skill problems in these areas. Between 1996-97 pay for associate professional business and financial service occupations was double the national average.

Responding to Skills Shortages

4.23. Chapter 6 sets a general strategy for meeting the skill needs of the economy which would reduce the potential for skill shortages in the longer term. In the remainder of this chapter we outline proposals for some short to medium term actions which could be taken to respond to skill shortages as they occur. These are divided between those mainly directed at recruitment difficulties generally and those directed at skill shortages though inevitably there is some overlap.

Recruitment Difficulties

- 4.24. Employer and selection practices are a critical part of the process which ensures skills are secured for the jobs for which they are most needed. They also have an important role to play in ensuring that the widest range of suitable individuals are aware of the opportunities which exist and that those with the necessary skills are considered for selection. If certain groups, for example, those aged over 50 and those on the fringes of the labour market, are automatically excluded at the outset from the recruitment process, this will lead to unnecessary recruitment difficulties and the under-utilisation of the skills and aptitudes of the population.
- 4.25. As noted earlier in this chapter, we have come across evidence that some employers are not as flexible in their recruitment practices as they might be and that they use relatively narrow recruitment channels. We are also concerned that many SMEs do not have access to good guidance on recruitment, do not have access to more expensive recruitment methods and find it difficult to understand and access the variety of recruitment help available. With these considerations in mind, we have already proposed that the DfEE commission the Institute of Personnel and Development to develop an easily accessible guide for employers on best practice in recruitment and the sources of help available on recruitment.
- 4.26. However, in addition, we believe that there are a number of other actions which could be taken. Effective collaboration should be encouraged between public and private training and employment agencies in local areas to work with employers experiencing recruitment difficulties. This could offer the opportunity to integrate recruitment and training more effectively and might include the provision of rapid and intensive top-up training where the skills of some applicants were rusty or out of date. Eventually, local collaboration might lead to a 'one-stop shop' recruitment service to SMEs. We propose the DfEE consider how existing programmes might contribute to projects of this sort and the scope for integration with New Deal provision.
- 4.27. There is another small action which could be taken to help the efficiency of the recruitment process. SMEs can find it difficult to set salaries at an appropriate level for recruitment purposes, and would welcome access to even such simple data as comparable local pay data. We propose that DfEE consider the possibilities for making data from the New Earnings Survey more widely available.

4.28. Finally, we have noted that there are some imbalances between the geographical location of vacancies and the availability of labour. Some of these imbalances are within fairly limited geographical areas in the sense that areas of high unemployment are sometimes quite close to areas of low unemployment. In some industries, e.g. construction, it has been traditional for employers to assist or even lay on transport for workers coming from further afield. We propose that employers be encouraged to explore the suitability of these examples for their own circumstances as part of an effort to look more widely for recruits.

Skills Shortages

4.29. The first step in dealing with skill shortages is to help employers to make more effective use of the existing skills available to them - either already in the firm, or in the local labour market. There is evidence that many employers do respond to recruitment difficulties by attempting to train existing staff to fill posts and recruiting behind them. But the viability and effectiveness of this approach depends on the availability of customised training which can quickly add to the skills base of existing employees and new recruits.

4.30. We propose that DfEE consider with its partners whether more opportunities for short duration training of recently unemployed people could be made available within the existing structure of TEC and ES programmes. Also, in parallel, encouragement should be given to TECs to work with local training providers to promote local customised training provision which responds quickly to employers' needs.

5. Skills Gaps

Qualifications of the Labour Force

- 5.1. The existence of people with qualifications is not necessarily the same as the availability of skills in the workplace - but can be used as a key indicator. The UK has made significant progress in the qualification levels of its workforce in recent years, particularly among young people. The proportion of the workforce holding any qualification has risen substantially from 60% in 1985 to 87% in 1997. The proportion of 16 year olds gaining 5 or more GCSEs at grades A*-C is now 45% compared to under 35% in 1989/90. Progress in the number of young people entering HE has been even more dramatic with a doubling in numbers since 1979 - almost one in three young people now goes into HE compared to one in eight in 1979.
- 5.2. The growth in HE participation is reflected in the UK's favourable comparison with our major international competitors in terms of higher level skills (Table 1). However, as Tables 2 and 3 show, the UK compares less well at intermediate levels with France and Germany. A much smaller proportion of both the total UK population and young people (new entrants) hold qualifications at level 2 and level 3 than in Germany. The same is true at level 2 when compared to France. While the total UK population at level 3 matches France, a smaller proportion of our new entrants hold this level of qualification suggesting that we will begin to fall behind France at this level in the future.

*Table 1
Proportion of the population with higher level skills (1994)*

| | UK | France | Germany | USA |
|--|------------|------------|------------|------------|
| Higher/First Degree - new entrants | 14% | 13% | 7% | 23% |
| Higher/First Degree - total population | 11% | 8% | 9% | 22% |
| Sub-degree - new entrants | 9% | 15% | 6% | 0% |
| Sub-degree - total population | 8% | 8% | 5% | 0% |
| Total - new entrants | 23% | 27% | 13% | 23% |
| Total - total population | 19% | 16% | 15% | 22% |

Source: Skills Audit

Intermediate Level Vocational Skills

- 5.3. There is evidence that a major skills deficiency in the UK is the low numbers holding intermediate level vocational qualifications - particularly in comparison to countries such as Germany (see Tables 2 and 3) and the Netherlands. Many more of the UK workforce working in craft, technician and foreman jobs lack any formal qualifications compared to these countries. Large numbers of the UK labour force in craft occupations hold no qualifications at all (17% overall - and even higher in construction, 22%; food preparation, 27%; and textiles and garments, 42%).

Table 2
Proportion of the population qualified to level 2 and above (1994)

| | UK | France | Germany |
|--------------------------------------|------------|---------------|----------------|
| General education - new entrants | 37% | 55% | 34% |
| General education - total population | 23% | 31% | 20% |
| Vocational - new entrants | 21% | 23% | 32% |
| Vocational - total population | 22% | 34% | 51% |
| Total - new entrants | 58% | 78% | 66% |
| Total - total population | 45% | 65% | 70% |

US figure is only available for total new entrants at level 2 (30-55%) and for total population at level 2 (50%)

Table 3
Proportion of the population qualified to level 3 and above (1994)

| | UK | France | Germany |
|--------------------------------------|------------|---------------|----------------|
| General education - new entrants | 20% | 28% | 26% |
| General education - total population | 16% | 21% | 17% |
| Vocational - new entrants | 16% | 15% | 48% |
| Vocational - total population | 14% | 8% | 46% |
| Total - new entrants | 36% | 42% | 75% |
| Total - total population | 30% | 30% | 62% |

US figure is only available for total new entrants at level 3 (32%) and for total population at level 3 (29%)

- 5.4. The argument that Germany's higher proportion of labour qualified to intermediate vocational level enables them to achieve higher productivity is fairly convincing. The formal training which leads to these qualifications allows employees to undertake a wider range of tasks and to respond more quickly and effectively to new work demands. Equally, it is possible that low levels of vocational qualifications among the UK workforce do not necessarily mean that UK workers lack relevant skills - simply that these skills are uncertified. However, the counter to this is that the uncertified route often involves less formal training which does not emphasise the broader understanding and technical knowledge which is a feature of formal vocational qualifications.
- 5.5. The UK has made some improvements in the numbers holding vocational qualifications in recent years. The Labour Force Survey suggests that the proportion of people of working age who hold vocational qualifications at level 2, 3 or a Trade Apprenticeship has increased from 16% in 1984 to just over 21% in 1997. However, this is still low by continental European standards. Furthermore, recent research by Hilary Steedman suggests that the supply of qualified craft level labour into engineering and construction may have worsened since the mid-1980s.³

Higher Level Technical Skills

- 5.6. We have only been able to devote a very limited amount of time so far to higher level science and engineering skills of the sort usually requiring at least a first degree. We recognise, of course, the very important role of these skills in the development and production of high technology goods and services and in expanding the knowledge base.
- 5.7. Figures compiled by the OECD show that the UK compares favourably with both the US and Germany in terms of the annual output of science and engineering graduates. Germany produces more engineers and fewer scientists, but this may well reflect the greater importance of manufacturing in the German economy. In reality international comparisons are of limited value without further detailed investigation. For example, we have been told that the longer courses in engineering on the continent produce graduates with a greater depth of technical knowledge.
- 5.8. While, there has been a recurring debate in this country about the number and quality of our engineering graduates we can find little evidence of a general shortfall at this stage. The number of new graduates in engineering and technology has increased, though not as fast as the number of graduates in all subjects. There is very little evidence of pay for professional engineers accelerating above the average for the economy as a whole. Figures from the Engineering Council show earnings for chartered engineers growing at 3.7% per annum between 1992 and 1997, though the earnings of incorporated and technician engineers have grown significantly faster.

³ Steedman, H., "A Decade of Skill Formation in Britain and Germany"; Journal of Education and Work, Volume 11, No 1, 1998.

- 5.9. This does not mean that there are not problems with the quality of engineering graduates and/or the mix between different engineering specialisms. We have heard concerns expressed about the qualifications of some of the additional students now entering engineering, though this may in part reflect a switch into higher education of people who formerly would have undertaken technician level training. We also understand that there are concerns about the levelling off in the number of electronics graduates.
- 5.10. Clearly there is much further work to be done to clarify what, if any, are the major problems in the supply of engineering and science graduates.

Generic Skills

- 5.11. The demand for generic skills and personal competencies has increased in recent years, fuelled by the increased emphasis on customer care and the complexity of the production process. These skills, particularly communication, customer care, teamworking and computer literacy, together with personal values and attitudes such as motivation, discipline, judgement and initiative are, employers say, lacking in their employees and particularly in younger people.
- 5.12. Employers are also concerned, often about graduates, that whilst new recruits may have the expected knowledge and understanding, they display a serious inability to apply that knowledge effectively to real workplace situations. This reported lack of practical skills is supported by research over the last two decades which confirms the relative weakness of apprenticeships and other work-based training in the UK compared to other European countries. In our Regional Skills Summits, many employers praised the recently established Modern Apprenticeship programme, but called for the volume of supported provision to be substantially increased.
- 5.13. One major manufacturer indicated that they were so concerned about the inability of many graduate engineers to apply their knowledge to real workplace problems, that they were reversing their previous practice of graduate recruitment followed by practical training, to start trainees on Modern Apprenticeships to provide the practical skills, and then sending them to university to gain the theoretical underpinning.

5.14. In 1997 the annual Skills Needs in Britain (SNIB) Survey found that 1 in 5 employers (employing 25 people or more) thought that there was a skills gap in their employees as defined above. The most commonly cited gap was in computer literacy where 55% of those saying they had a gap mentioned this skill. Other generic skills such as customer handling, general communication, practical and management skills also figured prominently. Significant numbers of employers also said their employees lacked basic literacy and numeracy skills. The low levels of basic skills in the UK population have also been demonstrated in the International Adult Literacy Survey. The UK is ranked ninth out of twelve industrial countries reporting so far, in terms of the proportion of the adult population with low literacy skills.

Management Skills

5.15. There is a considerable tradition of citing the failure of British industry to achieve comparable levels of productivity to those attained in other countries because of deficiencies in management. In the 1960s and 1970s particularly, the supposedly amateurish approach of British managers was contrasted with the 'scientific' management approach in large corporations in the US. The link with productivity was essentially made by attributing to management, the gap which remained with other countries after accounting for other factors. The weakness in this approach of course is that it relies on the accurate identification of the role of these other factors.

5.16. In principle, there are at least three aspects of British managers' skills and background which could be significant: (i) their level of general education; (ii) their training in specific management skills; and (iii) the technical skills they have which are relevant to the particular activities they manage. Our impression is that much remains to be done to identify which, if any, of these aspects of British managers, are causing the greatest problem and which types of managers are most affected.

5.17. It is difficult to analyse the qualifications of managers, primarily because of concerns over how accurately people describe and classify their own occupations. However, from our limited survey of the evidence so far, some points are clear. First, the general education level of managers has improved. Four out of 10 jobs classified as 'corporate managers and administrators' are now filled by people who hold a formal qualification above A level and only 4% have no qualifications. Nevertheless, this does appear to leave a substantial number with only middling or low level qualifications. It is likely that many of these are older managers and that younger managers are much more likely to hold higher qualifications.

5.18. Second, most UK managers in larger companies now receive some sort of formal management training. Only 4% of larger companies report doing no management development training - whereas 10 years ago, over half of all UK companies made no formal provision for the training of their managers.

Addressing the Skills Gaps

- 5.19. We have defined skills gaps as existing where the skills of current employees are insufficient to meet fully the needs of the business. Through our discussions at the Skills Summits, at our consultation meetings and elsewhere, we have listed a number of steps which we believe should now be considered as potential means of tackling skill gaps.
- 5.20. Much of the answer to addressing specific skills gaps lies in getting the general structure of the education and training system right. We address that issue more fully in the next chapter on meeting longer term skill needs. Here we limit ourselves to proposals targeted on specific gaps in skills which we regard as being of fundamental importance - employability and key skills and IT skills.
- 5.21. Many of our discussions, both within and outside the Task Force, have centred around the issues of employability and Key Skills. We propose to look further and critically at these. We believe that thinking will not progress without a much clearer understanding of the difficulties in teaching and assessing the 'softer' skills and the practical ways in which these might be overcome. The DfEE and its partners should commission the work required to ensure that the opportunity to learn these 'softer' skills is found automatically within all post-16 learning and training programmes.
- 5.22. Although there may be a number of skill gap needs, we believe that we must look urgently at the most needy area - IT. The pressure points in the IT skills market and the relative roles of education, private trainers, National Training Organisations and employers in the development of IT skills are less well understood than in other sectors. Given the importance of IT, there should be a national strategy for IT skills which clarifies the roles and which provides a better basis for careers advice.

6. Meeting Longer Term Needs of the Economy

- 6.1. The phrase 'meeting the longer term needs of the economy' begs a number of questions. How do we define what these needs are? Can the needs of the economy be different from the skills employers and individuals think they need? There is no easy answer to the first question. However, we are clear that we must do more than ensure that businesses have the skills required for their current operations. The economy is dynamic and the skills of the workforce need to encourage innovation and growth rather than simply react to it.
- 6.2. On the second question, we think it would be a mistake to treat the current demands of employers and individuals for skills as coterminous with the needs of the economy (we have already alluded to this problem in our definition of the term skill gap). This is partly for the reason set out above, that the economy is dynamic and future needs are not the same as present needs. But also the demand from individuals and employers is conditioned by the current structure of the incentives they face and the information they have about education and training opportunities and their economic benefits. It cannot be assumed that these necessarily reflect the wider needs of the economy for economic growth and stability.
- 6.3. The remainder of this chapter sets out our thoughts on how we should set about creating an education and training system which is effective in meeting the longer term skill needs of the country. It covers both the principles which ought to underlie our approach and the more specific actions which might be taken. It is not an attempt to deal with every aspect of the education and training system nor to pull it up by the roots. That is not necessary and would be counterproductive. What we have attempted to do is pick out particular aspects of the system which are critical to its effectiveness in meeting skill needs.

Planning and Improving the Working of the Market

- 6.4. There must be a stronger focus on meeting skill needs in planning education and training provision. But we should recognise the impracticality of forecasting future skill needs in any detail. Fine detail manpower planning has never worked effectively. Planning should be indicative rather than directive and supported by regular benchmarking to monitor progress.

- 6.5. In addition to planning, we need to ensure that the education and training market works well and responds quickly and effectively to changes in skill needs. Key principles should be that:
- individuals, employers and education and training providers have good information about the labour market and the availability of education and training opportunities;
 - individuals and employers have the right incentives, motivation and opportunities to undertake education and training;
 - education and training providers are able and willing to respond to the demands of individuals and employers for opportunities to acquire skills;
 - work based training is combined holistically with a flexible and responsive mix of formal education and off-the-job training.

Establishing the Roles of Different Agencies

- 6.6. Many agencies become involved in the complex process of the planning and delivery of education and training, particularly that which is publicly funded, and in the provision of information, advice and guidance to employers and individuals. As well as national Government and its funding agencies, NTOs, TECs, ES, careers services, colleges and private training providers are just some of the bodies that operate at the local level. RDAs will become operative from April 1999 with a remit to develop regional skills strategies
- 6.7. If these different agencies are to be effective in supporting a National Skills Agenda, there needs to be a clear view of how they work together and one of the key focuses of the next stage of our work will be the roles of the different agencies and how they do and should interact.

Improving the Information Base

- 6.8. A stronger focus on priority skills needs in the planning and provision of education and training will only be possible if there is a stronger and more reliable base of information on labour market and skill needs.
- 6.9. It is already clear from our early deliberations that the most useful labour market information derives from the integration of both the sectoral and local/sub-regional base - what is less clear at this stage, is the most effective way of achieving this integration and formalising the provision and communication of information. We will be looking in the next phase of our work at how the plethora of national, regional and local organisations can work more effectively together to achieve a better and sustained match between skills demand and supply.

6.10. Amongst the other specific areas we propose to review are:

- the information provided centrally by government to ensure that it is coherent and in a form most helpful to the relevant agencies;
- improving the data collection and skills analysis work of NTOs and TECs, and for the effective integration of their sectoral and geographical findings;
- the potential role of RDAs in developing a more coherent system of regional labour market analysis and planning arrangements;
- the way in which labour market and skill needs information is communicated to employers, careers guidance agencies, and individuals to create more informed demand;
- the way in which labour market and skill needs information is used by education and training providers, and their national funding agencies, to ensure a more effective match between skills demand and supply.

Funding and Performance Management Systems

6.11. The funding and performance management systems for publicly funded education and training create a set of incentives for providers which is complex and little understood. Their impact on the pattern of education and training provision should be reviewed either in the context of existing funding reviews or as a separate study. The objective should be to ensure that funding systems do not distort education and training choices away from the skills requirements of the labour market.

Learning in the Workplace

6.12. There should be a renewed focus on how to improve the extent and quality of work based training and to ensure it links better with education outside the workplace. We need to see a more flexible and responsive combination of on and off-the-job training with formal education. This should start with a review of the further actions which might be taken to improve the status of apprenticeship training and widen participation in it, including possible changes in the qualifications available through this route. It should be followed by an examination of how, for example, the Ufl and other existing initiatives might be combined with new measures to create a more coherent approach to learning in the workplace which is more effective in leveraging up the skills of adults already in employment.

6.13. As part of a general drive to improve learning in or connected to the workplace, we think there should be further practical encouragement to employers to help their staff upgrade their skills and take responsibility for their own learning. This should not be a role primarily for Government and we should expect employers' organisations, trade unions, NTOs, TECs, education and training providers and the emerging RDAs to play a full part. We have not yet discussed how this might work in detail but further emphasis on the value and application of the Investors in People Standard might be a suitable starting point.

Provider Responsiveness

6.14. Adult learners increasingly require to be able to access learning at times and places of their own choosing, in a flexible mix of units or products and via modes of learning - distance, small groups, electronics and combinations of these - that fit in with complex and demanding life styles. While the Ufl is intended to increase the availability of such flexible learning opportunities, there is still a need for existing providers of education and training to become far more responsive to employers and individuals requirements.

Modular Courses and Qualification

6.15. Not only providers need to be more flexible and responsive. Our course and qualification structures can themselves constrain participation in further learning by adults. We have received many reports of qualifications that are too narrowly bounded, that fail to keep up with the pace of industrial and occupational change, and of inflexible course structures that prevent employers or individuals from pursuing the skill sets they require. We must tackle these issues.

SKILLS TASK FORCE

Terms of Reference

To assist the Secretary of State in developing a National Skills Agenda which will ensure that Britain has the skills needed to sustain high levels of employment, compete in the global market place and provide opportunity for all. The Task Force will provide advice on:

- the nature, extent and geographical and industrial pattern of skill needs and shortages (together with associated recruitment difficulties) and how the UK can monitor these effectively on an ongoing basis,
- practical measures to ease skills and recruitment difficulties, and help raise the level of sustainable employment, both in the short and longer term,
- the likely changes in the longer term skill needs of the economy and the extent to which these needs will be met on the basis of existing trends,
- how best to ensure that the education and training system responds effectively to the needs identified.

The analysis provided by the Task Force will cover general skill levels as well as specific occupational and sectoral issues. It will include factors affecting the longer term skill needs of the economy such as new forms of work organisation, changes in patterns of employment, new communications and information technology and increased international trade.

SKILLS TASK FORCE

Members

| Name | Organisation | Position |
|---------------------|--|---|
| Chris Humphries CBE | Skill Task Force British Chambers of Commerce | Chairman Director General |
| Llew Aviss | Siemens Microelectronics Limited, Newcastle | Personnel Director Chairs the BCC Task Force on Skills |
| Rita Britton | Pollyanna (Barnsley) Limited | Director |
| Tony Dubbins | Graphical, Paper & Media Union, Bedford | General Secretary |
| John Edmonds | GMB, London | General Secretary |
| Denise Hall | Education & Training, BT plc, London | General Manager |
| Ken Jackson | AEEU, Kent | General Secretary |
| Dr DeAnne Julius | Bank of England, London | Member Monetary Policy Committee |
| Eddie MacIntyre | College of Food, Tourism and Creative Studies in Birmingham | Principal |
| Ashwin Mistry | Brett & Randall Insurance Brokers, Leicester | Managing Director Board Member Leicestershire TEC |
| John V Palmer | Steel Training Ltd (Steel Industry's NTO) | Chairman |
| Peter Rainbird | Rainbird Group, Essex | Chairman/Chief Executive Chairman, Essex TEC |
| Iain Roxburgh | Coventry City Council | Chief Executive & Town Clerk |
| Sharon Studer | 3 COM Corporation, USA | Vice President |
| Julia Tinsley | Pitman Training Centre, Sheffield | Director |
| Adair Turner | Confederation of British Industry, London | Director-General |
| Prof Leslie Wagner | Leeds Metropolitan University | Vice Chancellor |
| Anne Weinstock | Rathbone CI, Manchester | Chief Executive |

Further Work

This report sets out our first thoughts. Over the coming months we will be consulting key organisations to discuss the practicability and desirability of these suggestions; the broader underlying issues needed to develop a National Skills Agenda; and the appropriate timescales. Partner organisations are also invited to contribute in writing by the 31st December 1998 at the latest to any of the issues and questions in this report at any stage.

Written comments can be sent to:

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