



# House of Commons Education and Skills Committee

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## Post-16 Skills

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### Ninth Report of Session 2006–07

***Volume II***

*Oral and written evidence*

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## **The Education and Skills Committee**

The Education and Skills Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Education and Skills and its associated public bodies.

### **Membership at time Report agreed**

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Mr Douglas Carswell MP (*Conservative, Harwich*)  
Mr David Chaytor MP (*Labour, Bury North*)  
Jeff Ennis MP (*Labour, Barnsley East & Mexborough*)  
Paul Holmes MP (*Liberal Democrat, Chesterfield*)  
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Fiona Mactaggart MP (*Labour, Slough*)  
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**Taken before the Education and Skills Committee**  
**on Wednesday 21 February 2007**

Members present

Mr Barry Sheerman, in the Chair

Mr Douglas Carswell  
Mr David Chaytor  
Jeff Ennis  
Paul Holmes

Fiona Mactaggart  
Mr Gordon Marsden  
Stephen Williams  
Mr Rob Wilson

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## **Memorandum submitted by Mr Alan Wells OBE**

### **SUMMARY**

1. My evidence is primarily concerned with the needs of adults that have poor literacy and/or numeracy skills, usually referred to as “basic skills”. It is important that these adults who have benefited the least from the compulsory education system are not neglected in a strategy to improve the education and skills of the nation. At present those with significant basic skills needs are being neglected in favour of adults with marginal, if any, basic skills needs.
2. My focus is on the scale of need in respect of adults with poor basic skills and the target audience for the Government’s Skills for Life strategy, the national strategy aimed at reducing the number of adults with poor literacy and numeracy skills.
3. My concern is that the target audience for the Skills for Life strategy has been expanded to include everyone over the age of 16 years who does not have the equivalent of a GCSE A\*-C in English and mathematics [a Level 2 qualification] and that this expansion of the target audience is unhelpful and cannot be supported by the available research evidence. I would not argue with the need to increase the skills of adults or that Level 2 is not the appropriate level to aim for. However, seeing all adults without a Level 2 qualification as having poor literacy and/or numeracy skills is confusing and unhelpful. It is more about making it easier to reach targets than reducing the number of adults with significantly weak basic skills.
4. The impact of this expansion of the target audience—what has been called an aiming for the “low hanging fruit” policy—is that resources are spent on those with few if any basic skills needs to the detriment of the minority of adults that do struggle with the basic skills most take for granted.
5. Moreover, the emphasis on funding linked to qualifications gained means that the needs of those adults some way away from gaining a qualification at the appropriate level are being neglected in favour of adults with insignificant needs many of whom could acquire the appropriate qualification with little or no teaching.
6. I am also concerned that the approach to assessing the success of the Skills for Life strategy is the number of qualifications gained rather than the number of adults that have improved their literacy and/or numeracy skills to a generally acceptable standard. Clearly using qualifications gained leads to double counting. Furthermore, there is some evidence that adults who had few if any difficulties with literacy and/or numeracy but have taken the National Tests in Literacy and/or Numeracy are counted as “no longer in need” in claims made for the success of Skills for Life. I find it perverse that some basic skills teachers have actually taken the same Tests as the learners they are teaching!
7. My long held and often expressed concern is supported by the recent report by the National Audit Office [NAO] that found that the data system for assessing progress towards achieving the aim of the Strategy to “increase the number of adults with the skills required for employability and progression to higher levels of training through improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007” is “not fit for purpose”. It was one of only five Government targets of the 53 reviewed by the NAO that was awarded a “red” traffic light symbol.

## BACKGROUND

8. For many years, the UK Government returned a 1% figure to UNESCO as the best estimate of the number of “illiterate” adults in the UK. In this context, “illiterate” was taken to mean adults who could not read or write at all.

9. In the early 1970s a number of voluntary organisations became concerned about what was referred to as “functionally illiterate” adults—people over 16 years of age who did not have the reading and writing skills required to deal with modern life. In 1973, the British Association of Settlements [BAS now BASSAC] suggested that there were at least one million adults—about 3% of all adults—in the UK who could be described as “functionally illiterate”. [The BAS estimate was based on an extrapolation from the regular surveys of the literacy skills of school leavers undertaken by Start and Wells between 1948 and 1972].

10. During the 1980s and 1990s the Basic Skills Agency—then known as the Adult Literacy and Basic Skills Unit [ALBSU]—undertook a number of surveys to try to estimate the number of adults with poor literacy [and later numeracy]. Initially these surveys were based on self-report, where a sample of adults was asked about their basic skills. Self-report suggested that about 13% of adults thought that they had poor literacy skills.

11. Later surveys by the Agency were commissioned using two age cohorts, one group born in one week of 1958 and another group born in one week of 1970. Other surveys were commissioned using a representative sample of the adult population. These surveys used so called “real life” tasks to assess the basic skills of those in the survey, although self-report was also included in most of the surveys.

12. Typical examples of these “real life” self-report tasks were being:

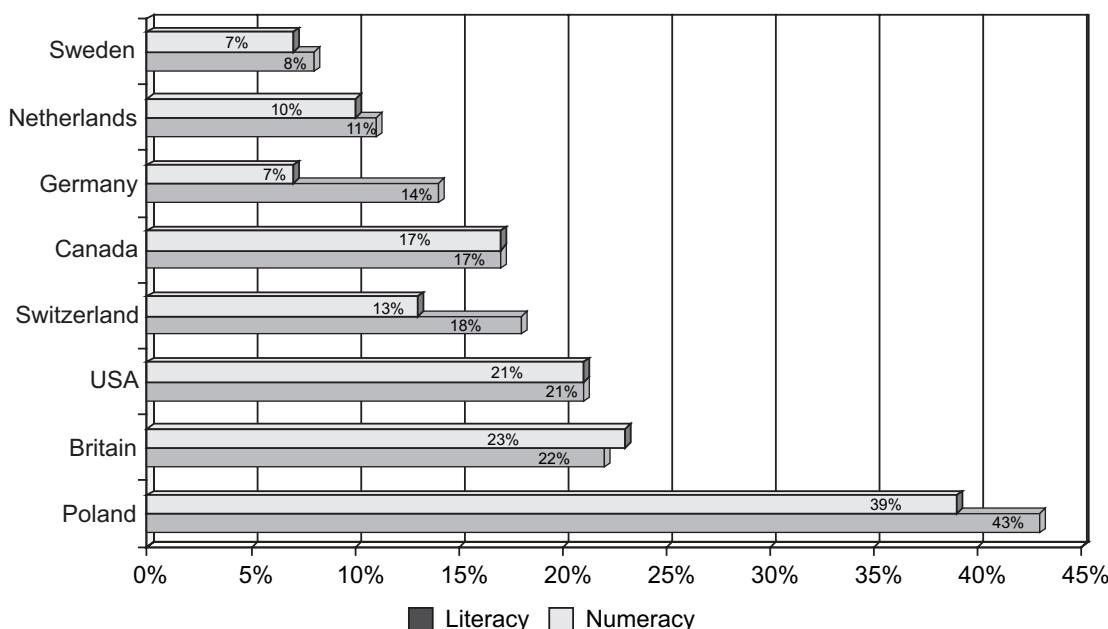
- shown a page from *Yellow Pages* listing plumbers and being asked a question such as “which plumber is available day and night”?
- shown instructions for a medicine and being asked a question such as “what dose should be given to a child”?
- asked “what change would you get from £20 if you had spent £17.89”?
- asked questions about a train or bus timetable.

13. These various surveys suggested anywhere between 15% and 19% of adults could be said to have poor basic skills, although very few were “illiterate” in the classical sense of not being able to read or write at all or “innumerate” in the sense that they could not understand or handle numbers at all.

## THE INTERNATIONAL ADULT LITERACY SURVEY [IALs]

14. In 1997, OECD commissioned a study of adult literacy and numeracy in 14 countries led by Statistics Canada. The Office of National Statistics led this work in the UK. This study, known as the International Adult Literacy Survey [IALs] used similar but different “real life” tasks to those used in earlier surveys. OECD divided adults into various levels of performance. The lowest level was identified as those adults with poor basic skills.

15. The results from a selection of countries are shown in the chart below.



16. These international surveys have to be interpreted with a measure of caution. Some languages have a greater sound/symbol relationship in comparison to English, although this does not explain the very significant differences between countries in numeracy. Of the countries included in the IALs survey only Poland had more adults with poor basic skills than us.

17. The IALs survey with its estimate that approximately seven million adults in England had poor basic skills was used to inform the work of the Moser Committee which was established under the Chairmanship of the then Sir Claus Moser in 1999. However, increasingly doubts were expressed both here and in the United States about the reliability of the IALs survey. A number of experienced commentators, of who I was one, thought that the methodology used had led to an over-estimate of the number of adults with poor basic skills.

18. This concern centres on the method used to assign adults to different performance levels and the reliability of so called “real life” tasks, particularly as many of these tasks rely heavily on prior knowledge rather than say reading skills and seemingly similar tasks are not of the same ease or difficulty. For example, use of *Yellow Pages* or a bus timetable increases significantly the chance of getting a task right.

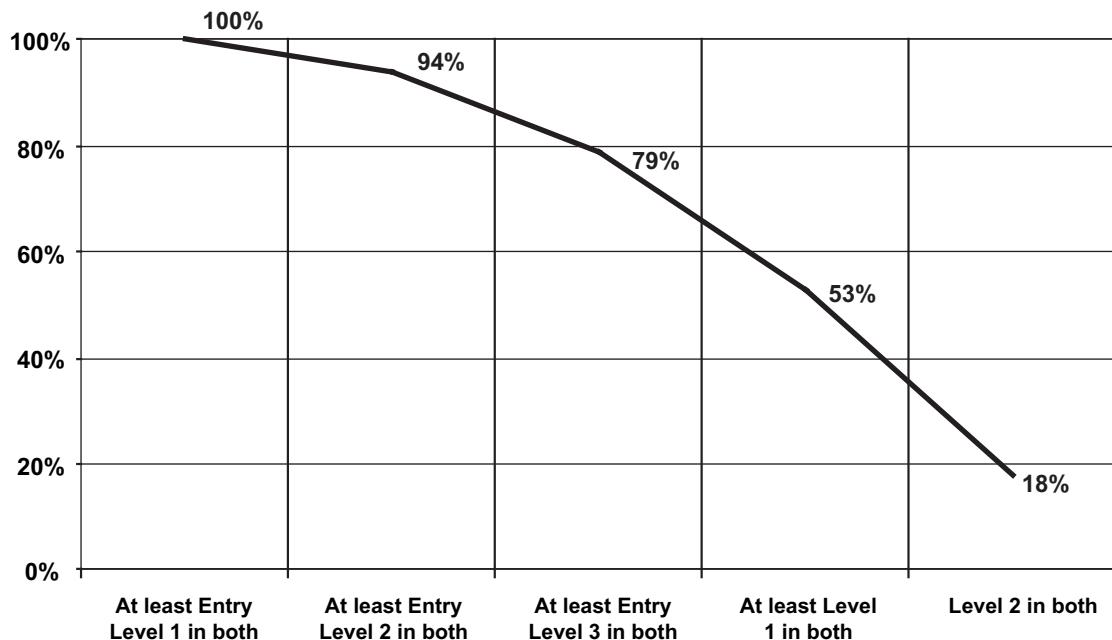
#### THE SKILLS FOR LIFE SURVEY

19. In 2003 the DfES commissioned further research into the scale of need. This research undertaken by BRMB International<sup>1</sup> came up with the results shown in the chart below.

LITERACY		Numeracy			
Entry Level 1 or below	3%	1.1m	Entry Level 1 or below	5%	1.7m
Entry Level 2	3%	0.6m	Entry Level 2	16%	5.1m
Entry Level 3	11%	3.5m	Entry Level 3	25%	8.1m
All Entry level or below	[16%]	[5.2m]	All Entry level or below	[47%]	[15.0m]
Level 1	40%	12.6m	Level 1	28%	8.8m
Level 2	44%	14.1m	Level 2	25%	8.1m

20. In all of these various surveys there is considerable overlap between literacy and numeracy with a significant percentage of those with poor literacy skills having poor numeracy skills as well and vice versa. However, literacy and numeracy are very different from each other and should not be seen as the opposite sides of a “coin”.

21. The DfES survey expressed this in a chart similar to that shown below.



22. The DfES equates different levels of performance by adults in literacy and numeracy assessments with recognised terminal examinations usually gained at the conclusion of compulsory schooling. Thus, Level 2 is described as the equivalent of a GCSE Grades A\*-C and Level 1 as a GCSE Grades D-G in English and mathematics. This is at best a crude equivalence as GCSE assessment works in an entirely different way to the assessment of literacy and numeracy skills using “real life” tasks or assessment tests. In fact, it is less than helpful.

23. The Moser Report, whilst accepting the need for better research into the scale of need, recommended that the target for a national strategy to improve basic skills should be at or below Level 1 in literacy and at or below Entry Level 2 in numeracy.<sup>2</sup> Based on the most recent DfES BRMB survey this would target 16% of adults for literacy and 21% for numeracy, although there would be considerable overlap between these groups. In total this would be just under seven million people between the ages of 16 and 65 years.

<sup>1</sup> The Skills for Life Survey, DfES 2003.

<sup>2</sup> A Fresh Start, DfES, 1999.

24. The Skills for Life strategy, however, targets all adults that do not have the equivalent of a Level 2 qualification in English and mathematics. Thus the target for Skills for Life—a strategy subtitled as the “national strategy for improving adult literacy and numeracy skills” is just under 27 million adults in England. Moreover, whilst claims of progress in respect of the strategy give the impression that it relates to seven million adults it, in fact, relates to a much larger number.

*What does performance at different levels mean?*

25. It is worth summarising briefly what performing at Level 2 in literacy and numeracy actually means.<sup>3</sup>

#### LITERACY

At Level 2, the adult reads from texts of varying complexity, accurately and independently (complex books, text books, reports, training manuals etc). She/he writes to communicate information, ideas and opinions clearly and effectively, using length, format and style appropriate to purpose, content and audience (eg a complex letter, essay, report).

26. Even Entry Level 3 performance is not undemanding.

At Entry Level 3, an adult reads more accurately and independently and obtains information from everyday sources (eg popular newspaper). She/he is able to communicate in writing information and opinions with some adaptation to the intended audience (eg a short formal letter, note or form).

#### NUMERACY

##### *Level 2*

An adult can (among other things):

- Carry out calculations with numbers of any size using efficient methods.
- Calculate with money and convert between currencies.
- Find one number as a fraction/percentage of another.
- Use a calculator efficiently for any calculation (including %, brackets).
- Put numbers in formulae (words or symbols) and work out results (eg for areas, miles to kilometres, in cooking).
- Calculate with units in different systems (eg using conversion tables, approximate conversions such as 100g is a little over three ounces).
- Estimate, measure and compare length, weight, capacity (eg compare nutritional information on food labels).
- Work with scale drawings (eg scale plans, distances from maps).
- Collect and show data in tables, charts diagrams and graphs—choosing scales to fit the data (eg changes in exchange rates, baby’s weight over time).

##### *Entry Level 3*

An adult can (among other things):

- Add and subtract three digit whole numbers.
- Work with multiples (eg number of items in five crates with 16 items to a crate).
- Estimate answers to calculations (eg it doesn’t make sense—it must be bigger than that!).
- Work with fractions (eg 1/3 off, 50cm is 1/2 a metre).
- Add, subtract money using decimals (eg check a till receipt, bank statement, pay slip).
- Understand two-digit decimals in practical contexts (eg measuring in different units).
- Use scales and keys on bar charts—compare two bar charts (eg to do with work, food etc).
- Show information in different ways so it makes sense to others.

27. The “anyone below Level 2” target audience for the Government’s strategy is even more perverse when seemingly so many of these adults, of all ages, have recognised qualifications.

28. For instance, according to the DfES Skills for Life survey, almost six in 10 people with five A\*-C grades at GCSE only had Level 1 skills in literacy. [The level that would only get them a D-G at GCSE]. About one in eight of those with five A\*-Cs did not seem to have the literacy skills required to get a GCSE at any level. At A Level the picture was much the same with more than 50% of those with A Level qualifications only having the literacy skills for a D-G at GCSE. In fact, one in 10 of these adults apparently

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<sup>3</sup> The Skills for Life Survey, DfES 2003.

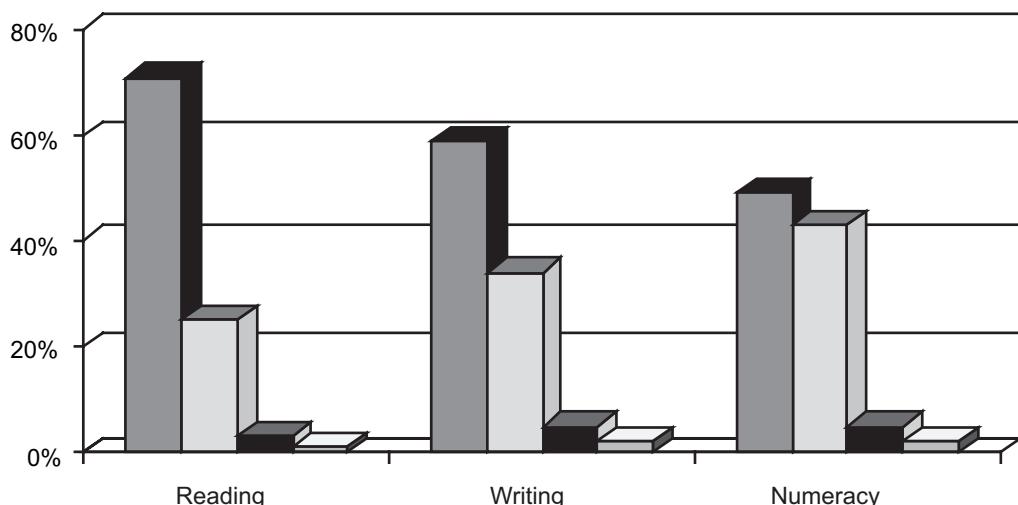
had such poor literacy skills that they would not be likely to have gained any qualifications. Furthermore, almost one in three of those that had a degree only had the literacy skills to get a D–G at GCSE. These are adults of all ages so this is unlikely to be evidence that qualifications have been made easier. It is more likely, in my view, that the Skills for Life research methodology is flawed.

#### *Why is this important?*

29. Over estimating the scale of need and expanding the target audience to include four in five adults is important for a number of reasons. Firstly it suggests that the school system has been turning out millions of young people with poor literacy and/or numeracy skills for many years when there is, in fact, little evidence that this is the case. This then becomes received wisdom with even as experienced a commentator such as Digby Jones claiming recently that “... 11 million people cannot add up” and saying this is a “disgrace”. There is no evidence that this is the case.

30. Furthermore, it goes against common sense and what adults actually think about their literacy and numeracy skills as shown below.

Very Good       Fairly Good       Below Average       Poor



31. Second a country which such a high level of people with poor basic skills is likely to deter international investors when they learn that we have a “national strategy for improving adult literacy and numeracy skills” that has as its target 82% of all adults because by implication this is the number of adults that need help.

32. Thirdly because the focus on Level 2 means that providers have to target adults able to reach the level required fairly quickly to the detriment of adults with rather more serious basic skills deficits. Yet, evidence from Bynner and Parsons suggests that disadvantage is heavily focused on adults with the very poorest basic skills.

#### *What needs to be done?*

33. In the short-term, the Skills for Life strategy needs to be refocused so that it is genuinely concerned with improving adult literacy and numeracy skills among adults. This means setting as the target for the strategy, those adults who perform below Level 1 in literacy and below Entry Level 3 in numeracy. Whilst it may be desirable to have a Level 2 target, this should be separate from a target focused on improving adult literacy and numeracy skills.

34. This re-focusing will involve some adjustment to funding mechanisms and a review of funding against qualifications as operated currently by the Learning and Skills Council. Rather funding should be linked to participation and progress but not inextricably tied to qualifications, particularly as some adults will require a considerable amount of time to reach the level required to gain a recognised qualification.

35. As recommended by the National Audit Office and by the Leitch Report, assessment of progress in respect of Skills for Life should not be assessed by using qualifications gained. The Leitch Report usefully suggests replacing assessment through qualifications gained with “a Skills for Life Survey every two years”. Leitch goes on to make the point that this is “a fundamentally different target, based on measuring outcomes in the population rather than the outputs of the skills system. Progress will be measured by tests of actual skills among adults, rather than through attainment of qualifications”.<sup>4</sup>

<sup>4</sup> The Leitch Report

36. This is a sensible recommendation but it is not without some pitfalls. In recent years there has been substantial criticism of the methodology used to assess the basic skills levels of adults both in the UK and in other industrialised countries, particularly the United States. Leaving aside where the cut-off point between good and inadequate literacy and numeracy is, the concern is centred on the difficulty of grading different real life tasks effectively and ensuring that tasks at the supposed same level are equivalent. It's also apparent that the difficulty of some types of task changes over time.

37. It is also difficult to avoid a significant margin of error in these adult population surveys unless very large numbers are used. An example of this was the supposed drop in the number of adults with poor literacy from seven million to 5.8 million between the International Adult Literacy survey [IALs] and the Skills for Life survey and claimed in a hastily withdrawn press release from the DfES that this showed that the Government's strategy was working. In fact, the two surveys had been conducted some years apart, used different tasks, with different numbers of adults. Not surprising that the results are not the same.

38. So whilst Leitch is right to suggest that adult population surveys would be a lot more reliable than using qualifications gained to assess progress, a considerable amount of work is required to ensure the reliability of adult population surveys and their comparability survey to survey. Only when this has been done will we be sure that claimed success is the same as real success.

*February 2007*

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*Witnesses:* **Professor Ewart Keep**, Deputy Director of the ESRC Centre on Skills, Knowledge and Organisational Performance, Cardiff University, **Professor Lorna Unwin**, Professor of Vocational Education, Institute of Education and **Mr Alan Wells OBE**, Director of the Basic Skills Agency 1978 to 2006, gave evidence.

**Q1 Chairman:** Can I welcome Professor Keep, Professor Unwin and Alan Wells to our deliberations. It is very good of you to give us your time and I am sorry we had a slight delay in getting started. You will know that we are at the beginning of a very thorough look at the skills agenda. We have held off for some time, waiting for the plethora of reports which have been coming through, Foster and two instalments of Leitch and Government responses to those, and we thought it would be an appropriate thing for the Committee to try to take an overview and draw some threads together to look at this whole area. This is by way of charting the territory today and your help and guidance with this is going to be of great importance and use to the Committee. Normally we give our witnesses a couple of minutes to introduce themselves and to tell us what they think are the priorities which the Committee should be considering in our overview look at skills. If you want to do that you are welcome, or if your choice is to go straight into questions you can do that. I am going to start with Alan Wells, and you have long experience in the field, Alan. We tend to pick on people like you because, in a sense, you have been freed from the responsibility of keeping a diplomatic kind of tongue in your head, so you can say anything you like, it seems to us, when you have done an important job, or a number of jobs, like yours, for some time?

**Mr Wells:** Thank you very much. Most people who know me do not think I have kept much diplomatic silence.

**Q2 Chairman:** I was not going to say that.

**Mr Wells:** You are too kind. I always also point out that I am not the former Olympic sprint champion, so if you wanted to hear about sex and drugs at the Olympics I am afraid you have got the wrong person. My background, as you know, is that I was Director of the Basic Skills Agency, an independent

organisation but funded primarily by the DfES and the Welsh Assembly Government. My major concern, which I have set out in the memorandum I think you have circulated, is about the way that the figures, in terms of the need for help with adults with literacy and numeracy, have been exaggerated and inflated and that this has a negative effect on helping people who have significant literacy and numeracy difficulties.

**Professor Unwin:** Hello everybody. Thank you for inviting me. My interests are in vocational education and my concern is about young people in the labour market and the support structures available to them to enable them to continue with any form of further education, but also concerns about the quality of many apprenticeships.

**Professor Keep:** Thank you for inviting me. I am the Deputy Director of an Economic and Social Research Council Centre; one half is at Oxford, I run the other half which is at Cardiff University. We look at the links between skills, knowledge and performance, broadly defined, and performance includes obviously things like productivity. Something that I would like to say at the outset is that, although a great deal is hung upon our ability to use skills to drive economic success, research indicates that the links between high levels of skill and economic success are a lot less direct and a lot more conditional than sometimes is suggested, and that increasing the level of skills on its own may have a much smaller effect on productivity and economic performance than sometimes we think, unless at the same time we put in place the other factors which influence productivity, like investment in plant and equipment, like investment in R&D. Skills alone will make quite a small difference; so I think my main message would be caution about what expectations you load onto education and training.

**Q3 Chairman:** Thank you for those opening remarks. Recently we have been given a chart, it is the first instalment of charting, and I will pass one of

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21 February 2007 Professor Ewart Keep, Professor Lorna Unwin, and Mr Alan Wells OBE

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these to you. Please do not be worried about the chart, except in its complexity. Anyone who looks at this whole field of skills is amazed by the number of players, the number of organisations, the way they cross, the way they share territory. Is that a problem, when we are looking at skills, or is it just necessary because this is a very complicated area?

**Professor Keep:** At one level, I suppose the question is not so much is it complex but whether or not the tasks which these institutions have been given to do are doable and sensible. Plainly, a lot of the complexity which has come into the system in the last 10 years has been around the growing notion that you can plan, in great detail, so that you can match the supply of skills with demand for skills and that you can do it at local level, regional level, sectoral level, occupational level and national level. That in itself drives complexity because then you end up with a planning system which looks suspiciously like the old Eastern European one. I think there are issues about whether or not that kind of matching supply and demand mechanism is likely to work and the costs it imposes. You are likely to have a fairly complex institutional structure, however you organise things, but the main thing to do is try to stop overlaps and try to minimise transaction costs between the different bodies, because a lot of money is being spent co-ordinating and managing this as a system. One of the interesting questions to ask is how you manage these different bodies as a system rather than as just individual bodies. When they function together, if the architecture of the system is not clear, responsibilities are not clear, the likelihood is that the economic cost, the administrative cost of running the system, becomes quite high, and I suspect that an awful lot of time and energy, as well as money, goes into the transaction costs in that exciting matrix you have drawn.

**Professor Unwin:** I think there are two further problems. One is that what this represents is actually an industry in itself, so a lot of these boxes are agencies which have evolved over time because we have a learning and skills industry. A lot of the people involved here are working to maintain their part of the system, not necessarily to the betterment of education and training. I think the second problem is that there is a big capacity issue, because a lot of the people who work in these agencies have not really had the professional development that they need to be able to work at the level that is required to improve the system, and that has been much overlooked over the years. Quite a lot of the boxes are filled with people who have transferred from one box to another, and as the labels have changed, as the initiatives have changed, so they have moved with it. That is not to downgrade their skills and experience at all, because a lot of them are very skilled, but I think there is an army of people here that we need to look at in terms of their capacity, their capability.

**Mr Wells:** I think the answer to your question must be, yes. I think I saw a similar map to this a few years ago; in fact, this looks as if it has become more complicated rather than less complicated. An

interesting area to look at it from is the user; if you look from the user's perspective, of a person out on the street or an employer, what they would make of this is quite beyond me. It reminds you of the average football match where they plot on the television afterwards exactly how many passes were made, and if it is a team that is losing. I think it is far too complicated. I think, from a user's perspective, it must be almost impossible to understand; there is far too much overlap, far too much overlap of responsibilities, and I do not believe, in my experience, that communication is phenomenally good either. I think the answer must be, yes, this system needs to be simpler, easier to understand, with clear responsibilities for different bodies and different organisations. This is, of course, a mix of bodies as well as sectors, but certainly it needs to be clearer.

**Q4 Chairman:** The person in the NAO who produced this took three months to produce it, and it is one of five, this is only the first instalment, so we await the full picture. Here we are, a highly successful economy, one of the highest-achieving economies in the world, and we do seem to have this complex about what we do with skills. On the one hand, we hear people all the time bragging about how good our HE sector is, how wonderful it is, we have some of the best universities in the world, right up there in the rankings, people flood in from overseas, all over the world, to come here for HE experience. When it comes to skills the whole thing is turned on its head, everyone says Germany, the Nordic countries, almost anybody in the world is better than us at producing the right skills for our society, yet we are still a very successful society and many of the skilled people that we meet every day perform at very high levels. Do we work ourselves into a kind of lather about this unnecessarily?

**Mr Wells:** I do not think that we have got the balance right between doing ourselves down, consistently and constantly, and being prepared to be critical in order to improve. In my own field, if we have got as many people who have got problems with literacy and numeracy as the DfES targets then we must be the poor man of the world, let alone the poor man of Europe, frankly. Who would want to invest in a country where the constant rhetoric is that 80% of people cannot read or write or add up properly: one, it is not true, and, two, if it were true we might want to try to keep it secret rather than keep publicising it in that way. It does worry me that we have ended up exaggerating problems to such a level that, fundamentally, we are doing ourselves down. You are quite right, Leitch starts off by saying how well the economy is doing, how well we are doing in terms of low unemployment, and those things, and then suggests, on the other hand, that we need to do much more. Of course, we may need to do much more for the future, there is no doubt about that, but I think that we have ended up doing ourselves down in a way that most countries, it seems to me, do not.

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**Q5 Chairman:** Dons: would you go along with that?

**Professor Unwin:** To some extent. One of the problems is that part of having a successful economy is based on a lot of low-grade jobs. I think one of our issues is we have a much more polarised skill base than some other countries, and that is interesting because that links to the point you made about the success of the higher education system. Where countries like Germany and the Nordic countries seem to be more effective is in terms of that intermediate layer of skills, and that links to the quality of their vocational education system. We have to take a careful look at that and decide exactly what our economic success is based on, and does it mean that we have far too many people, including a lot of young people, in low-grade jobs which are producing good profits but are not necessarily going to be very good for them as individuals.

**Professor Keep:** I think one of the problems, and certainly it is a problem which strikes me when I look at the Leitch final report, is that we obsess about the sort of battleship-building race model of looking at other countries' stocks of qualifications, and I think we need to be very cautious about that. Firstly, because it is not at all clear to me that the qualifications measure skills all that well, or a vast raft of skills that are not measured by qualifications. Obviously, there is a vast raft of learning which takes place in the workplace once people leave the education and training system; it is formal parts that they acquire. I have reflected on how much of my skills are certified and I do not believe it is more than 40%. The vast bulk of what I have learned since I finished doing my PhD I have no certification for; it does not mean that I have not learned anything. I think counting qualifications is dangerous, and looking at other countries' stocks of qualifications is dangerous. I think the other reason why it is dangerous is that in some of those countries the stocks of qualifications are simply a reflection of the way the labour market is regulated. In Germany, if you want to practise in a particular trade you must have the appropriate Level 3 qualification. Therefore, it is not terribly surprising that an awful lot of people in Germany have a Level 3, because if they do not have it they cannot be employed. In countries where there is substantial "licence to practise" regulation in the labour market you would be very surprised not to find high levels of qualification because that qualification allows you to do the job. Our labour market, for good or ill, is structured completely differently. Unless we want to move towards a regulated labour market, which I suspect some members of your Committee might like, others might not, then trying to match other people's qualification levels without considering the structure of the labour market, or known as the structure of demand for jobs in the economy, may not make much sense, it may be a very good way of wasting a lot of money and effort.

**Chairman:** Thank you for that. Let us move on to look at Leitch in more detail.

**Q6 Jeff Ennis:** The first question is to Professor Unwin. I see from your CV, Lorna, that you are a Professor of Vocational Education. Do we know

how many professors of vocational education we have got in the country?

**Professor Unwin:** You see her before you.

**Q7 Jeff Ennis:** That is it; we have got one, have we not? Does not that say exactly what is wrong with the system at the present time, that in the whole of the country we have got one Professor of Vocational Education, and what we need to change?

**Professor Unwin:** I am not sure that having more professors helps.

**Q8 Jeff Ennis:** I am not advocating that everybody should be a professor.

**Professor Unwin:** Although it is very kind of you to suggest it might.

**Q9 Jeff Ennis:** No, it is the difference between academia and vocational education and driving that, basically?

**Professor Unwin:** There is a long-standing academic/vocational divide, which other countries have certainly, but it is nothing like as intense as it is here; at the heart of it is a devaluing of ordinary jobs. I think what makes us different from many other European countries, and it links to Ewart's point about licence to practise, they have a much more developed system of valuing all sorts of jobs, not just professional jobs. We tend here to separate not only the academic and vocational but we separate out the professional from the vocational, and that is not a distinction you find as great in other countries. It is a continuing problem. At the same time, however, a great part of our system, including higher education, is highly vocational, and the higher education system is changing quite dramatically. If you look at the Specialised Diplomas, which are vocational education and an attempt in this country to develop the vocational education system, the DfES dare not speak its name so we are told they are not vocational, and I think we need to take this much more seriously.

**Q10 Jeff Ennis:** As you say, we have been getting conflicting messages from the Government about the Diplomas, and I think all the members of the Select Committee are very excited about the implementation of the Diplomas. Will this actually get a better handle on issues to do with employability and in terms of taking on board the attitude of employers more directly than we do at the present time?

**Professor Keep:** It is very difficult to answer the question because the Diplomas change from week to week and there is still a very empty box. This is one of the most interesting, if slightly alarming, things about their development. In a sense, we know that there are different levels, we know the 14 learning streams which have been identified, but what actually will go in the box, in each individual level, in terms of content, still seems to change on a weekly basis. Also, the way in which it will be assessed seems to change quite frequently. It is quite difficult to judge. My fear is that the Diplomas will work quite well in those sectors where employers have clear

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demand for intermediate, say Level 3, skills in substantial numbers, so you can see the ICT stream working reasonably well. Where I have much greater concern is those sectors of the economy where there is very little demand for Level 3, where there is actually very little demand for qualifications for school-leavers entering jobs and where I have a nasty suspicion that therefore the Diplomas will fail to engage with employers, because employers are not terribly concerned with qualifications to begin with. My suspicion is that, in the long term, the future for a lot of the Diplomas will become like GNVQs, a back-door route into higher education; if you like, they will be the parallel stream to A Levels, and their main function will be to get the kids into higher education by a non-A Level route. I think they will find it much harder to engage with employers in some sectors.

**Q11 Jeff Ennis:** That is interesting. Do you share that vision, Alan, from your perspective?

**Mr Wells:** On the Diplomas, if we are constantly going to change the qualifications system, at some point we need to get it right, because the number of changes there have been in the qualifications system just confuses. The problem with that confusion is that nobody, amongst people whom perhaps we need to reach, actually understands what the qualifications represent or do not represent any more. When we were looking, in the Moser Inquiry, into basic skills, we discovered, I think, 60 qualifications in literacy and numeracy for adults alone, most entirely worthless, actually; they are good for putting on the walls to cover up a stain, but not much use for anything else. The issue there is, because it takes so long to establish in people's minds what a qualification is, you still meet employers who talk about O Levels, probably some of you can remember them, and so can I, but who still talk about O Levels. One, it needs to be clear and simple. Already I find the whole industry of the Diploma so confusing that this chart looks quite simple compared with much of what I have heard about the Diplomas. In principle, I think it is right, but there is a need to get it right, established and to put a stop on further changes, year on year, because I think that just confuses people, certainly the kinds of people I have been dealing with for most of my career.

**Q12 Jeff Ennis:** Referring to the Leitch Report specifically, is the Leitch Report making a useful contribution to the skills debate, and has it identified the key skills challenges which we might face, as a country?

**Professor Keep:** I must confess that I think the analysis which Leitch provides actually takes us backwards. I think it is a big step backwards. The analysis of the problem which was provided by the Cabinet Office PIU report on what was developed was a much more sophisticated, much more useful starting-point for thinking where, as a country, we might take our skills policies in the long term. I think where Leitch gets it wrong, it gets it wrong in a lot of areas but just two, I think, I would highlight. The

first is this idea that we simply benchmark ourselves against the world's best and then try to emulate the world's best stocks of qualifications, without thinking about how those skills get used in other countries and why the other countries have the stocks of skills that they do have. The only thing that is missing completely from Leitch is anything to do with economic development and tying upskilling and economic development together. It is very interesting, in the Leitch final report, in 195 pages, that the RDAs get a single mention, and that single mention is to do with skills forecasting, it is not to do with economic development. It is interesting, looking at your chart, that the DTI, Regional Development Agencies, Small Business Service and Business Link, are all on the side, they are not at the centre alongside DfES. I think that one of the biggest weaknesses we have is our inability to get skills policies aligned more closely with how we think about economic development, because until we do a lot of the money we invest in upskilling probably will be wasted, because it will not be used properly in the workplace. I think Leitch actually is quite misleading and an awful lot of effort will go into chasing targets, which we can meet but will not transform the economy necessarily.

**Professor Unwin:** What struck me about Leitch was how old-fashioned it is and it is slightly as if it has been written by a Martian.

**Chairman:** An old Martian.

**Jeff Ennis:** So there is life on Mars.

**Q13 Mr Marsden:** Is that a seventies Martian?

**Professor Unwin:** It is stuffed full of DfES targets. It is somewhat dishonest because it promotes Train to Gain when the evaluations of Train to Gain were extremely critical; and a clue to Leitch's bizarreness is the half a million apprenticeships target. Certainly, as one of the people who contributed research evidence to Leitch, as did Ewart, most of that research evidence was ignored. I think, in this day and age, in this country, to produce a major report from the Treasury which ignores serious research evidence is atrocious.

**Q14 Chairman:** That is pretty unequivocal. Alan?

**Mr Wells:** I am not quite as negative about it, as perhaps I have not read as many reports as you have, and I am too young to remember the seventies so I cannot tell you about that. In the area I am concerned with, in certain directions I think Leitch has been helpful. I think the involvement of employers, for instance, in improving basic skills; the suggestion of a pledge is a good suggestion and it has been introduced in Wales. I rather like it because it was my idea, but it was rejected outright by the DfES directly after Moser was published. Actually it works quite well in Wales because it signals that an employer is pledged to help people who have not got great literacy and numeracy skills. By having that on the wall, it seems to me to make it easier for somebody to say, "Well, actually, I wouldn't mind a bit of help," than otherwise, and it is simple assistance. I think the other area where Leitch is positive, is that the judgment of the success

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of Skills for Life has been largely through the acquisition of qualifications, and this is not a reliable way of assessing whether you have got fewer people with poor literacy and numeracy or more people with poor literacy and numeracy. Leitch suggests there should be population surveys every two years. I think that is too frequent, frankly. I think two years is just too often; after you have finished one you are starting another one. There are some difficulties with those kinds of surveys, technical difficulties. In Canada, for instance, where they have had surveys conducted over a 10-year period, there has been an enormous improvement, but not related to any Government action, it is just that the surveys seem to suggest that fewer people have got poor basic skills than they had 10 years before. I suspect that is because of the difference in the two surveys, not because of Government action. Where I think Leitch is unhelpful is that it constantly confuses poor basic skills and lack of Level 2; lack of Level 2 is lack of a GCSE A\*-C in English and Maths. Eighty-two per cent of people do not have that qualification, therefore the target for Skills for Life, a literacy and numeracy improvement programme, is 26 million, four out of five adults, quite a lot of us in this room, I guess; now that is futile and stupid, basically. Where Leitch is confusing, I think, unfortunately, is in saying that everybody who does not have the gold star A\*-C GCSE has literacy and numeracy problems; that is just not true.

**Q15 Mr Carswell:** Qualifications, training, skills, are they a cause, in your opinion, of economic development, or are they a symptom of it, bluntly?

**Professor Keep:** They can be both simultaneously, and sometimes one will lead and sometimes the other. There is certainly some truth in the idea, at some moments in time, with particular skills, if you supply more of them the economy will pick them up, find a use for them and economic growth will result. In other cases, you can supply additional skills and they simply do not get used because the other things which are needed to pick them up and use them are missing. It is just a more complex and conditional story than often is portrayed. I think one of the really interesting facts is that, when you look at the labour productivity gap, in other words, the amount of productivity per hour worked, which is the one the Treasury usually obsesses about, 99% of our gap with the USA is nothing to do with skills, 80% of our gap with Germany is nothing to do with skills, as far as we can tell, and 88% of our gap with France is nothing to do with skills, it is to do with other things. The other things tend to be, to some extent, the structure of the labour market and labour market regulation, but the main things are R&D investment, where we are appallingly outside of a couple of sectors, a lamentable record in investment in everything else, plant, equipment, transport infrastructure, across the piece, for the last 30 years, and the strange thing, total factor productivity, which is simply how well people are managed and deployed. I suspect that comes back to the way in which we organise work and design jobs in this country, where we have quite a lot of evidence that

we do it in very bad ways, which actually cannot use enhanced skills, wherever the work is: you can upskill people; they cannot use it.

**Chairman:** I do not want to get too deep into productivity because we are going to come back to that in a moment.

**Q16 Mr Marsden:** I want to ask some questions in more detail about what Leitch does or does not cover, but I was intrigued by what you said about that. I think you said there was only one reference to the RDAs in however many pages it was. In Leitch's interim report, he talked about variations in skills and qualifications between regions; that does not seem to have developed a great deal in the final report. I wonder if you have any comments on that and I wonder if you have any thoughts as to whether, in fact, and I am not talking about structures but I talking about focus, we need to have a more regionalised focus on the sorts of skills that we have than appears to be the case at the moment?

**Professor Keep:** You have actually lighted on a very interesting point about Leitch. The Leitch interim report and the Leitch final report are two completely different documents and this final report makes very few references back to the interim report. It is almost as if they got bored with what the interim report had to say and started again. Many of the things that they have pointed out about regional skill variations, which are massive, then get lost and what you get is a set of blanket targets. I think one of the biggest problems Leitch will cause for many RDAs and local government and business leaders in some of the English regions is they just will not look real. Once you move beyond London and the greater South East a lot of those targets bear no relationship either to what the existing economy needs or what any likely future economy needs, unless things change radically. I think there is a very big difficulty that, structurally, in terms of the mix of industries, the mix of occupations, in the UK, and particularly in England, there are enormous variations, not only between regions but also even bigger variations within regions. Cornwall is not a particularly vibrant economy, if you measure it in terms of the kind of money people earn in Cornwall or the kind of productivity they achieve. Obviously, within the same region, Bristol looks very different. I think there is a huge problem about a country which, although geographically fairly small by world standards, has got a much dispersed economy. The other thing that is very worrying, and which research shows quite clearly, is that there appears to be a polarisation of the geographical dispersion of good and bad jobs in this country, so more and more of the high-earning jobs are tending to cluster together in particular localities and more-and-more of the rotten, low-paid jobs, that you would not want to be doing, also seem to be clustering, so whole communities are getting locked into low-paid employment. I think that is a very worrying trend, which again national targets will not helpfully address necessarily; so I think there is a real issue about what geographical unit of analysis you apply,

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but I think trying to take England, or, worse still, the whole UK, as a single unit is very problematic indeed.

**Q17 Mr Marsden:** Lorna, perhaps, picking up on that, if you agree entirely with what Ewart has said or not, if the demand for skills is so diverse, not just in terms of the various levels but in terms of the geographies that Ewart was talking about, is it possible to formulate a national skills strategy which will work for all sectors of industry?

**Professor Unwin:** I think it is very difficult. I can see that you would want a national, aspirational set of targets perhaps, or broader goals which, as a country, you want to keep your eye on, but I think there needs to be a much more localised system, which they have in other European countries, where you have, at regional and even county level, if I can use that analogy, a much closer relationship between employers, the education and training providers, at local level, determining provision around the needs of industry and I think we need more of that. That links to, I think, an issue which is of concern to me, because I do quite a lot of research with employers, that a lot of employers themselves, and particularly in the areas which Ewart mentioned where there are lots of low-grade jobs, need a great deal of help in terms of learning how to improve their businesses. That does not really figure in Leitch. Leitch tends to treat employers as if they are all leading members of big companies. Actually, on the ground, a lot of our employers themselves have low levels of educational attainment.

**Q18 Mr Marsden:** Lorna, your own area of expertise, or your own area of concern, obviously looking at higher education as well, does Leitch say enough about the importance of skills in higher education and are you convinced that higher education institutions are looking closely enough at the skills agenda?

**Professor Unwin:** Higher education itself is now, as you know, a very diverse sector, but I think, at local level, a lot more needs to be done to link higher education into the rest of education and training provision, locally, particularly at the FE/HE interface.

**Q19 Mr Marsden:** Is that going to be regional or more localised than that?

**Professor Unwin:** I think it needs to be even more localised. Something like the Centres of Vocational Excellence in FE colleges, for example, could be developed closely with local universities in a much more advanced way.

**Q20 Mr Marsden:** Alan, can I ask you about other things which Leitch touches on but maybe does not focus on to a great degree. One of the issues, which has been raised by a large number of people, for example, City and Guilds, and various others as well, is obviously the demographic changes which are going to take place over the next few years. Does Leitch give enough attention to the issues of training and retraining and skilling of an older workforce?

**Mr Wells:** I do not think so. One of the problems is, if you look at all of the statistics on literacy and numeracy, in fact, more people who are older have problems than younger. There are, I think, technical reasons for this, in the way the testing is done, to be absolutely frank. I think testing is often not of literacy and numeracy skills but of short-term memory, and, frankly, most of us who have got older have worse short-term memories, and I think that is an international problem in the way that the testing is done. There does not seem to be much incentive built into the systems suggested in Leitch for people who are perhaps out of the workforce, not likely to be back in the workforce, particularly people who are "early retired", ie are not looking for jobs, who may have worked for a long while, or cannot get jobs, frankly. Again, Leitch tends to look quite like a report written in the South East of England and in London, which is rather different from parts of the North East of England, as you well know. Because it is, and I can understand this, very economically-driven, with work, really, fundamentally, as its rationale, then it is weak on what you are doing for both older workers who are reaching towards the end perhaps of their career, or are hoping to, or people who are not in the workforce but may have a significant role to play in the skills of the next generation of people coming up. We know the link between parenting and grandparenting and the skills of the younger generation, not least their aspiration, and it seems to me to be extremely weak on that; it is a model driven largely by the interests of a youngish workforce.

**Q21 Mr Marsden:** On that particular issue, enabling skills, soft skills, call them what you will, the sorts of things which enable people potentially to get back into the workforce, is Leitch valuing those enough; does the current Government strategy value those enough?

**Mr Wells:** No. I do not think it does. I think the strategy is so top-driven, basically, and so narrowly economically-focused, in that sense, I think one economic focus, that it does not value those other skills enough, and it does not, I think, therefore relate to the lives of lots of older workers, in or out of work, basically, probably not living in the South East of England. It seems to me to lack enough vision in that area.

**Q22 Chairman:** Professor Keep, you are nodding energetically there?

**Professor Keep:** I am sorry. I tend to do that, when I agree.

**Q23 Chairman:** Is there anything you want to add; you must agree with that?

**Professor Keep:** The one thing I would agree with, it was emphasised, is that one of the other ways in which Leitch, yet again, takes us somewhat backwards from where once we thought we were heading is the way in which everything is about skills which are economically useful, and it is a very narrow, utilitarian definition of economically useful. There are huge rafts of evidence, yet again, that there

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are many economic benefits from people learning things which are nothing to do with their work; things to do with parenting, things to do with hobbies, voluntary activities, citizenship activities and duties, cultural activities. I fear that we are moving towards a vision of adult learning, adult education, that is based so narrowly on the economy, the workplace and utilitarian values that we are in awful danger of throwing out a very large baby with the bathwater, and I think that would be a huge loss.

**Chairman:** Let us move on and we want to go back to productivity.

**Q24 Mr Chaytor:** If I can pick up the point which Ewart made earlier, about the higher proportion of people with Level 3 qualifications in Germany; is not that why BMW took over Rover and not the other way round?

**Professor Keep:** It is; but you have got to remember that licence to practise runs right across the German economy, so you need to have done an appropriate apprenticeship to become a sales assistant in a retail store. It runs right across the economy. It is a form of labour market regulation which is more common than people think. It exists in the Australian States, not across all occupations but across many more than is the case here. It exists in America, but again on an individual State basis, rather than a federal basis. Quite a lot of countries have far more extensive licence to practise than we have; we do not have it, on the whole, except for a few, very safety-critical and professional occupations, and I think it does help skew the level of qualification when you tot up the totals. Your point though about Germany having a more skilled workforce in manufacturing certainly is true; but, again, we have some studies which suggest that the reason for it is because the German organisations are producing high quality goods in a different market niche from our own. Many of our producers produce things which require lower levels of skill to produce them, because they are further down the value chain. Changing the skills of the workforce may not change the product market strategy of the organisation, on its own.

**Q25 Mr Chaytor:** In the long term, is not the German approach to these things more likely to deliver prosperity over a long period of time, because they have got a bigger share of high value manufactured goods?

**Professor Keep:** That certainly is true, and Germany has a massively better balance of payments than we have and a massively greater, certainly physical, exporting record than we have. The catch is that, as Leitch suggests, simply supplying more skills, of itself, will not help us. We can have a German-level qualified workforce and many British employers would not know what to do with it; it would not give us a German economy. Their economy now is so different from ours, structurally, in terms of its continuing dependence on high skill, high value added manufacturing; our economy is dependent upon other things. We have to be cautious about

saying simply "If we had as many as Germany, we would be like Germany." There are a lot of other things which make Germany different from us.

**Q26 Mr Chaytor:** It is the relationship between cause and effect which you are questioning?

**Professor Keep:** Yes.

**Q27 Mr Chaytor:** Can I come back to the other point you made about the organisation of work; you made the point that maybe other countries are better at organising the level of skills they have, whatever that level is, but surely is not that a critique of management skills? Are you saying that really the British disease is paying insufficient attention to the quality of management and training of people for management in organisational ways?

**Professor Keep:** Certainly in part it is a critique of British management, but you could argue that the problems go beyond that, because very often British managers know what they should be doing but then choose not to do it. I think that a lot of the things British managers do, in actual fact, are a rational response to the economic incentive structures which, as managers, they face, at a personal level, in terms of what they will get rewarded with through their pay packet, what the stock market will reward their company for doing, and so on. It is a mixture of both. Yes, sometimes our managers do not have the right skills, but also they have in their heads, sometimes for a very good reason, a different model of what a well-functioning organisation should look like. I think one of the most interesting developments of the last 20 years is the way in which, just as the production line, routine jobs have declined in manufacturing, they have expanded in the service sector, so you go into cheque-clearing factories, you go into call centres, you go into large retail organisations, where the organisation tries to script the interaction between a sales assistant and the customer. If you upskilled massively the people doing those jobs, they could not use the extra level of skill, unless the job changed. It is getting the job to change which is so hard.

**Q28 Mr Chaytor:** In our evidence session on Monday of this week, we had some documentation which suggested that the productivity gap between Britain and France, Germany, the USA, was in the order of 15%, but that Britain was about 6% more productive than Japan. I think the score for Britain was 100. Japan was 94, as I recall it. How do you explain that, given that half the goods in our shops are Japanese?

**Professor Keep:** First of all, the Japanese service sector is monumentally heavily staffed; it has staffing levels which just make your jaw drop. Secondly, you have got to remember that there are lots and lots of different measures of productivity, and this is one of the huge confusions. There is productivity per hour worked, which is the one that a lot of labour economists think is the best measure, but there are lots of other, different measures and, depending on which measure you choose, the number of hours people work can skew them enormously. If you take

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just output per worker and you do not compensate for the number of hours they work then countries zoom up and down the league table. Japan is a story of two halves: massively efficient, lean manufacturing organisations, and then still, though it is less the case than it used to be, service sector organisations, like retail and catering, which have levels of staffing at which UK employers would go green with terror when they saw them. In that sense, it is explicable.

**Q29 Mr Chaytor:** The productivity indicator is not necessarily an accurate guide to the overall health of the economy or the sense of well-being of a nation; is that what you are saying?

**Professor Keep:** It is one indicator, but there are lots of different ways you can measure productivity, and different economies, particularly because the amount of hours that people work in different countries varies enormously; unless you compensate for that you get a very skewed picture. The best measure of productivity, because it is regarded as the most accurate, is the one which compensates for hours worked, so that you get the genuine product. In any given hour, a British worker will produce X, a French worker will produce Y, and because they have got a short working week in France they use their people very productively in the short working week they have got. Labour market regulation comes back in there again. Productivity is only one measure. Balance of payments, which when I was growing up used to be something which was on the news every time it was announced, now no-one seems to care that we have a huge current account deficit, which I find intriguing. There are lots of different measures of well-being, and, again, last week, or was it this week, it blurs, the UNICEF league table on the well-being of children suggests another way in which you can view the well-being of society, and one which might be important.

**Q30 Mr Chaytor:** Would the introduction of a French-style, 35-hour working week immediately increase Britain's productivity indices?

**Professor Keep:** No; because British employers would not know how to cope.

**Q31 Mr Chaytor:** It is the skills gap of British employers which is the problem?

**Professor Keep:** It would be a real shock. That would be a very interesting experiment, but I think a rather dangerous one; the French moved there in steps. Certainly there is some evidence that if you cap the working week it is one way, one incentive structure, which then forces managers to say, "Okay, if X can work only 40 hours this week, max, then, my goodness, I've got to make sure they work productively." If you think, "Right; well we can force them to do as much unpaid overtime as we like until they drop," then you will not worry too much about whether they are very efficient in any given hour. There are lots of different ways in which you can change productivity but it is best to think about doing it gradually.

**Q32 Chairman:** Before Ewart moves away from the UNICEF analysis, there have been some severe criticisms of that thought, in terms of the age of its data and the accuracy of its measurement?

**Professor Keep:** It is like everything, it is a dip-stick.

**Q33 Mr Chaytor:** Back to skills and productivity; what is your view then? You are saying, first of all, skills are related only remotely to productivity; secondly, productivity itself is a pretty nebulous concept because there are different ways of measuring it; and, thirdly, productivity itself is not related directly to the health of the economy or the welfare of the nation. What is your recommendation as to the way forward, in the context of Leitch and the Government's intentions: do nothing, or are there certain areas of skills that we do need to invest in more?

**Professor Keep:** Skills are important but they are, as Leitch admits and as the PIU report suggested, a derived demand; so, in a sense, they are dependent on other first order decisions. If enough of our employers decide to move up market to produce goods and services which require high levels of skill and simultaneously we supply that skill then we have a recipe for economic growth and success. My fear about Leitch is that Leitch says basically that skills is the, as he put it, in capital letters, THE main lever we can pull. I do not think it is. It is one of a number of levers which we have to pull simultaneously and pull in quite crafty and complex ways. Simply pumping more people with paper qualifications into the economy, of itself, will not be enough. Therefore, I think we need to be very cautious about chasing blanket targets for qualification levels, unless we are clear what economic development strategies we have in place to ensure that those skills get used once they are created.

**Q34 Mr Chaytor:** Accepting your point about the economic development strategy being the prime driver, is there not a value to the nation and to the individual and to the wider community in generally raising the level of skills, in the same way there is in generally increasing the number of graduates?

**Professor Keep:** Yes, there is, but again then you might beg the question, if it is general benefit, in terms of the well-being of society, you might not obsess quite so much as Leitch does about economically valuable skills as the sole arbiter; because it is very difficult to judge what is economically beneficial. Many high-end employers say that what they value is creativity and they are not the least concerned about what degree people did; they want someone who happens to have a creative turn of mind and who has been educated in a way which stimulates that creativity. I think a very narrow definition can lead you down something of a blind alley and we need to be slightly more liberal in thinking about what might be economically and societally beneficial. I am not against increasing levels of learning, I am not against increasing levels of education, but I worry about the simplistic assumptions about increasing the levels of skill.

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**Q35 Chairman:** Do you agree with the drift of that, Alan?

**Mr Wells:** Yes, I think I do. I think the problem will be, if we are not careful, that we will have very, very well-educated people in very, very tedious, low-skill jobs; very highly skilled but actually frustrated by that. There is a danger with that. I have always felt that the overall health of our nation, in a sense, is much more complex than just a narrow skills-driven agenda. I am in favour of more education and people being educated better, because I think things like citizenship, and good citizenship, and all of those things, are just as important as the economic drivers. If you look at, and it is not very well explored, the number of young men in prison who cannot read and write or use numbers properly, and it is a very difficult area and it is a chicken and egg area, you have a good reason for thinking that maybe education has a part to play in stopping young men going into prison. Generally I do agree that there is a danger of giving people the idea that more and more skills, more and more certificates, basically, will mean that somehow or another they are going to be in better, more interesting jobs and better off; because unless we can guarantee that then people are going to be in for a sad shock.

**Q36 Mr Chaytor:** Let me pursue that point. Your scenario of increasing numbers of people being over-qualified for the jobs they are doing, is not that a very effective way of (a) ensuring either they get out of that job and get a better one quickly, or (b) they bring something to that job and their employer which increases the overall level of the operation, and it moves the employer up the value chain, which was what Ewart was arguing earlier?

**Mr Wells:** I think that is right, in theory, but the practice of it is that I think quite often people look at, the quite short term, what is going to be the benefit for them, if the benefit for them is that they are better qualified—and there is a difference, I think, and Ewart has made this point, between skills and qualifications—but they end up still being in a job which does not need those qualifications. I remember, years and years ago, I advertised for somebody who basically was in charge of a stock cupboard; everybody who applied was a graduate. Therefore, did I make the job more interesting by developing more stock cupboards? No, I did not. What I tried to deal with was a whole load of people who were frustrated because they were in a job which did not need the kind of educational background that they had. I am in favour of aspiration, there is no doubt about that, and I am always conscious of the vocational/academic divide, because I want people from working-class communities, who have not had the great advantages, to become doctors and lawyers. I think there is a danger in promising and then not delivering, and then thinking that somehow or other it is down to the individual to demonstrate their wonderful creativity which suddenly will see them promoted up in organisations. Ewart made the point, and I always think, when you are talking about skills, about the person working in the local café, where there are only three employees, and

whether they are going to be able to show their creativity in order to be promoted in the business or go into another business. I think it is just a bit more complex perhaps than thinking that, somehow or other, higher skills will drive it in such a way that everybody will move up to jobs which are eminently satisfying for them.

**Q37 Chairman:** Surely, if you stretch people, in terms of their skills and training, it gives them more opportunity; they do not have to stay in the same job, in the same occupation? One of the things that I have seen in my own part of Yorkshire is that my population, compared with perhaps Barnsley, or Jeff Ennis', is much more mobile and willing to switch jobs and move quite regularly in order to seek and find a better job. Surely, increasing skills gives the possibility of mobility?

**Mr Wells:** To an extent, of course, it does give the possibility of mobility, but the idea that, somehow or other, we are all a mobile population, or that high mobility in jobs is a good thing, is not my experience. As a former employer, I wanted a few people who might stay in the job for a while, because the idea of mobility was costly and disruption. In times of high employment people came into jobs and they were looking at the paper for the next job directly they came. To an extent, of course mobility is a good thing, but we cannot have a whole population of people moving from job to job; lots of people do stay in jobs for a rather long period of time. I am not against ensuring they have the education to make absolutely the most contribution they can in that job, but making the best contribution they can to the life of their community as well is just as important to me.

**Q38 Stephen Williams:** Chairman, just to stick to this comparison we have had, between this country and Germany and other countries, about our productivity gap and our skills gap, if you look at what this country is good at, say, the City of London, if you compare it with Frankfurt or Paris, or whatever, everyone working in the City of London, or in Edinburgh or Bristol, in corporate and financial services will have at least Level 4 and more likely Level 5 qualifications and we beat all of our competitors hands down in that area. If you look at manufacturing, is not that where our skills gap is, as well as our productivity gap, so does not that imply that we need more skills in the manufacturing area? What I am trying to say is where we have got high-level skills we do extraordinarily well; where we have not, that is where our productivity gap is?

**Professor Keep:** One half is right and one half is wrong, I suppose would be my response. Certainly the economy is quite efficient at allocating the most talented; and you could say that, because of the kinds of salaries that the City and allied business services firms are willing to pay, they take their pick of the brightest graduates. You could say, given that is now one of our major export sectors, the driving force of large chunks of our economy, that is a very efficient allocation of talent. Those manufacturing firms which we have, which have survived this long,

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on the whole are actually quite productive, it is just that we do not have quite so many of them as we used to have. The biggest productivity problems, and they vary enormously by sector, a lot of them are in the service sector but they are in the bits of the service sector which you might guess have got problems, things like hotels, catering, parts of the transport industry, wholesaling, and so on. Those also tend to be the parts of the economy where the qualifications demanded by employers of large chunks of their workforce are the lowest, often zero, in the sense that employers simply do not use qualifications very much in the recruitment and selection process. It is not clear that simply supplying more skills will change the way those employers conceive of those jobs, or that necessarily it will impact significantly on their productivity, unless they make other changes as well. That is not to say that probably we should not be trying to force those employers in those industries to think harder about skill creation and utilisation, and that is what the Sector Skills Councils are there for, but on its own it may not be enough.

**Q39 Stephen Williams:** To quote from the Leitch report: “qualifications are the most common measures of skills.” I would guess, from earlier answers, from Mr Wells and Professor Keep, that you are rather sceptical about it. I wonder if Professor Unwin could say whether she is sceptical about that as well?

**Professor Unwin:** I am not sure that “sceptical” is the right word. I think qualifications are a measure of skills, to some extent, yes. As Ewart pointed out before, what they do not capture though are large numbers of skills, including soft skills, which people use and develop in the workplace. I would raise though a different issue about qualifications, which I do not think we have touched on yet, and that is, there is a big assumption in Leitch, and in most Government policy, that our qualifications system is sound. We have a very complex qualifications system, particularly on the vocational side, and the key qualification which is used in Government targets is the National Vocational Qualification, the competence-based qualification, which was introduced in the late 1980s. One of the issues which I think is of great concern is the quality of that qualification and the fact that it differs so considerably between sectors, between occupational areas, so we have a notional system of levels, and Leitch uses the notion of the Level 2 as being the key target. The problem with our system of levels is that it varies so enormously from sector to sector, so a Level 2 in parts of the service sector can be achieved very quickly and often through accreditation of existing skills, whereas a Level 2 in areas like engineering, for example, demands a much higher level of general education and takes much longer to acquire. Obviously, qualifications need to be fit for purpose and skills in, say, retailing differ from skills in engineering, but I think we need to have a serious look at whether, in a lot of our occupational areas,

the use of Level 2 qualification, and Level 3, in some instances, the notion of this level actually measures what we presume is the quality of skills.

**Mr Wells:** Can I make a point, just to clarify. I am certainly not against qualifications, because I think generally people who are against qualifications are people who have got lots of them and I think most people recognise that getting qualifications is important. The point I was making, similar to Ewart, was that qualifications do not capture absolutely everything about knowledge and skills. What I think is important is that the qualifications are real and meaningful. One of my concerns has been the drawing of equivalence between, for instance, Level 2 qualifications and GCSE qualifications. By the nature of it, that is an incredibly crude measure; yet it has now become accepted. These qualification are assessed in entirely different ways. A GCSE in English is totally different, in the way that it is assessed, from a Level 2 qualification through the national test in literacy, and I suspect that no employer will think that they are the same as each other, that their worth has the same value. I think it is quite important that we encourage people to get qualifications but that those qualifications do not turn out to be a con, in the end, that they are worthless, but that they are meaningful. Personally I think that there needs to be a look at the way that equivalence has been drawn between qualifications for adults and what are effectively qualifications at the end of a compulsory schooling period.

**Q40 Stephen Williams:** Do you think that anybody in the real world of employers knows what a Level 2 qualification is? I spent 17 years as a business consultant before I became an MP; no employer ever said to me “The big problem in my business is that my employees don’t have Level 2.” I did not know what Level 2 was until I became a member of this Committee.

**Mr Wells:** It goes back slightly to what Lorna said. I remember once speaking at a conference and saying “Who would like their children to get NVQ Level 2?” and nobody put up their hand, and then they realised they should so they stuck up their hands, and I said, “I’m sorry; too late,” because actually what people recognised as valuable was a GCSE, that is what they wanted their children to get, and that is the problem with the vocational divide. One is very, very well established, there are all sorts of criticisms of it, but most people in the general public know what it is, or think they know what it is; and the others are, in a sense, a myriad of acronyms, of one kind or another. I think, not just employers, a lot of people in the general public have not got a clue what that is.

**Q41 Stephen Williams:** Leitch has got these two sort of headline targets, 95% of functional literacy and numeracy and 90% Level 2; which one do you think is more useful, or achievable even?

**Mr Wells:** I think the first. I am not against people getting Level 2 qualifications. If the Government, or anybody else, thinks it is a good idea everybody is

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educated to a minimum Level 2, if that is equivalent to an A\*-C GCSE in English and Maths, we have got a pretty long way to go, let me say, because that is the gold standard, that is what we hope all our children will get. It is not something I achieved at school. I think the percentage of the population with adequate literacy and numeracy, there is a clear definition problem with that, is really important; in an industrialised country as wealthy as we are, we should not have a significant problem with poor literacy and numeracy among adults.

**Professor Unwin:** The 95% notion of everybody to a Level 2 can be achieved very easily by a credit, and that is what is happening, particularly through Train to Gain, people are having boxes ticked against what they can do already, and that tells you a lot about the quality of the Level 2 qualifications.

**Chairman:** Let us move on to look at policy priorities and funding.

**Q42 Fiona Mactaggart:** Alan, I thought you were very convincing, in the evidence which you submitted to us, that the framework of the Government's strategy is one which enables the low-hanging fruit to be picked off and it does not reach those people with the most significant learning needs specifically in literacy and numeracy. In answer to an earlier question, you mentioned the number of people in prison who have poor literacy; so, assuming not including educating people in prison, what other things could we do which really could reach those parts which we are failing to reach at present, in terms of literacy and numeracy? What strategies have you used, in your long career here, to get those people without the skills that they need through the door and able to achieve?

**Mr Wells:** I will make two points. The first, which I think I have made in the written memorandum which I submitted, is that we have got to redefine the audience. If we judged people as fit if they could run 10-second 100 metres, we would have a lot of unfit people, basically, or if they were a pound overweight they were obese. We draw on such a huge number of people as the target audience as to make a nonsense of it, either through ignorance or because it is a lot easier to reach targets if you have a very big target audience of people, who have not got any literacy problems, that you can give certificates to, to demonstrate they have not got any literacy or numeracy problems. I think one need is to redefine the target; there is no doubt about that. Then, in my experience of what motivates people, there are a limited number of factors which motivate people. One which is often overlooked is the desire in people who really have got problems with basic skills to be like me or you. They are the people who will not ask you if they cannot spell a word. They will not say "How do you spell X, or Y?" as I might ask you, or you might ask me, because they think that would pick them out as somebody who cannot spell, for instance. The desire quite often is that they want to succeed at something which they feel they have failed at through the school system. Schools have improved enormously in the last 20 years, I think, and it is rather different for older adults than

younger adults. Clearly, work is a big motivator, we have discussed older people, but work is a big motivator, particularly for younger people. Family is an enormous motivator. I have never yet met anybody, however badly educated they were themselves, however bad their skills were, who did not want their children to do well. Somewhere in our education system we drive that out of them, as the children get older; and that is a great motivator as well. In order to do that, you have got to provide opportunities that are wider-ranging, in terms of choice. Driving everybody into further education colleges, for instance, and thinking that everybody will go there; they will not. Often FE colleges look like they are for young people rather than for older people. Fundamentally, that will not work. There has got to be more choice in the system, more incentive in the system, I think you have got to try to encourage people to improve their skills and use a lot of those kinds of motivations in order to encourage them, so more family programmes, less ticking of boxes. That is not to say that I am not in favour of rigorous systems with high-quality teaching; certainly you need that, and certainly you need to feel that you are making an impact. However, I do not think that can be judged just purely by the number of qualifications gained and by the boxes ticked.

**Q43 Fiona Mactaggart:** I was struck by something, reading your evidence, and it is not really a criticism, because I thought it was helpful in illuminating. I represent a constituency which has a shockingly high level of illiteracy, much higher than Peckham, where I used to teach, and the reason for that is that the first language of many people in Slough is not English and they are not particularly literate in their own first language. I was struck that there was very little about speaking, in the evidence about literacy, and I wondered, about this, should we be brigading the speaking of English more closely with some of these other basic skills than we have so far, and what is your view about English for speakers of other languages?

**Mr Wells:** I could write you a different memorandum on that, obviously. It is a different but allied problem. My own feeling, looking back over the years, is that, in relation to people who came here to settle who could not speak English, we should be ashamed of our record. There are people who settled here 30, 40, 50 years ago who still cannot speak very much English and who have had precious few opportunities to learn English, in any way that would suit them. They have learned more English probably from working with other people than ever they have learned in any other way. I think also that because of a desire not to offend we did all sorts of things which actually have turned out not to be terribly sensible. We did a lot of translation, for instance, into Urdu, which made people feel good but they could not read or write Urdu so it did not help their understanding of what we were trying to communicate to them. If you go to settle in Canada, there is a different history, of course, and they want people, they have very intensive English language courses before you get

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Canadian citizenship, but let me say you are encouraged and there is a lot of support for you and a lot of help for you in order to get through a minimum English language qualification in order to get Canadian citizenship. Certainly I think we should have done much more, and should continue to do much more, in terms of encouraging people. It is not just speaking, it has got to be speaking, reading and writing, for people who are coming to settle in this country; otherwise they find it very difficult to make any really significant contribution to the country because they are barred from the thing which we need most, which is communication.

**Q44 Fiona Mactaggart:** Do we pay for skills training in the right way? Is the contribution right, from the state, from the employer, from the individual?

**Professor Keep:** It is a huge question, because it varies, at level, for occupation, in different circumstances, and, of course, hugely at different ages, so it is very difficult to give a blanket answer to a blanket question which will make a lot of sense. We have had very limited dialogue about this. To be fair, although I am not a great fan of Leitch, I think at least Leitch actually surfaces this issue and says "We really need to sort it out." I am not sure, however, that what Leitch suggests goes far enough, because I think there is a process to be had of some quite open dialogue with employers and their representatives about what it is that they want to pay for, what it is they ought to pay for and what it is they imagine that the individual and the state will pay for. We have not really had that discussion, with cards on the table, as much as would be the case in many other developed countries. I think there is a degree to which employers are quite crafty, but probably it is at an unconscious level, and they have learned that if they do not do something which the Government desires, sooner or later, and usually sooner, the Government will step in and subsidise them to do it. Therefore, in a sense, there is a built-in incentive to be inactive and see what the Government will come up with, and one of the things it has come up with is Train to Gain. I do worry about the degree to which the public purse may end up spending on things which either employers would have done anyway or employers perhaps ought to have done. I think a genuine public debate would be a profoundly useful thing to have. The other thing about having a public debate is that people would come away with a clearer understanding of who pays for what currently, because I think most people have not got a clue who is paying for what. The system is opaque, not in just the way your chart suggests, though plainly that is true, the average small business person has no understanding of the system, but I suspect also they have no understanding of how it is paid for, or by whom.

**Professor Unwin:** What is interesting about a lot of the Government-supported training, and if we take something like apprenticeship, actually a lot of employers are not involved in the funding side at all because it is channelled through the training providers, and the employers provide the work placement but the bulk of the money goes to the

providers. Again, it links back to this complexity that employers are not necessarily paying in the sense that you would expect, and certainly in the sense that they are paying in some other European countries.

**Q45 Fiona Mactaggart:** Basically, you are saying, nicely, it implies that in Britain they are getting it on the cheap? I am sorry. I am turning this into a headline.

**Professor Keep:** Sometimes certainly they get heavy levels of subsidy. Obviously, if you are in the engineering industry and you are offering apprenticeship, you, the employer, will be putting in very substantial sums of money. In retailing, you could be making a profit out of it, or certainly putting in zero, in effect. It varies enormously. I think the other thing to bear in mind is, one thing that the employers have learned is that it is much easier and quicker to get the education system to do it for you, because the state will step in and force them to, than to do it for yourselves. You could argue that one of the reasons that we have never evolved, well, we have not in the last 20 years, a coherent and high-quality apprenticeship route is because the state has said, "Okay, you're not performing; we'll expand higher education," which, from an employer's point of view, is a cost-free action.

**Q46 Mr Chaytor:** Accepting the reservations about the relationships between schools and productivity, could I ask, and I think perhaps this is a question for Alan, where should the priorities be really for our schools' improvement; what levels of skills, what sectors and what age groups?

*In the absence of the Chairman, Jeff Ennis was called to the Chair.*

**Mr Wells:** I do not think probably it is a question for me, but I am happy to answer. You would expect me to say that my major priority has been the area I have been concerned with. I think that the long tail in the education system, fundamentally, 15 to 20% of people probably who have been very poorly educated. I suspect that what has happened over the years is that, although there may be fewer in the long tail, as the schools have improved, which genuinely I believe they have, the tail is further away, in all sorts of terms, in terms of social, economic poverty, in the wider terms of those. I think that is a high priority. I think that should be paid for by the state, because I think, in this day and age, people should expect that their children leave school with those kinds of basic skills. I would put a high priority on that, not just for economic reasons, although Leitch makes the point that, in fact, the investment in that level is more productive, in terms of its return, than at almost any other level. I would argue that, in a wider sense, it is more of a problem for our society, having such a long tail of people largely disillusioned with education, poorly educated. My priority certainly would be there. In terms of age groups, of course you can take the view that some part of this problem will die off as people get older. I think that is a slightly dangerous

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assumption, largely because of the impact of parents and grandparents on their children's education and aspirations. I would not want to distinguish particularly in terms of age groups.

**Q47 Mr Chaytor:** Lorna, in terms perhaps of the higher-level skills and the sectors?

*The Chairman resumed the Chair*

**Professor Unwin:** I think it goes back to much more localised planning around that, to look at the extent to which you might want to be investing in certain sectors, in certain areas, more than others, to do with the nature of the local economy. The further education/higher education interface needs some serious attention, in terms of the extent to which our FE colleges, for example, I think could be boosted much more to take on part of that higher-skill responsibility.

**Q48 Mr Chaytor:** Is there logic any more in having a separate further education and higher education sector? Does the principle underlying your argument, really that there needs to be a continuum post-16 or post-18, serve any purpose in dividing HE from FE in this rigorous way, and in having separate Funding Council arrangements?

**Professor Unwin:** I think it makes less and less sense. In Scotland, they have one Funding Council, and indeed 40% of higher education takes place in FE. I think it makes less sense. That relates to my earlier point about things like the Centres of Vocational Excellence, if we enabled FE and HE, particularly in terms of staff, I think FE staff would gain a great deal by having a much closer relationship with their cognate departments in higher education.

**Q49 Mr Chaytor:** Could I ask Ewart about the balance of funding and the responsibility of the state as against the employer; how do you see those respective responsibilities?

**Professor Keep:** I think it is very important, in the long term, that we arrive at a situation where employers are seen to be paying for things from which they reasonably benefit and that the state pays for things which employers cannot reasonably be expected to pay for. I think, unless you have that fairness, there is an awful danger that, in the future, you could argue the state has become more and more generous with employers, in many ways, there will be a change, people will get fed up with it and we will find ourselves in the situation where a lot of learning collapses because the state withdraws subsidy. I think a much more sustainable position is one where we see the employers making a reasonable contribution and, as I say, I think a debate about that is really quite important. I think there is also a major issue about what we can expect individuals to contribute, and we are having that debate now in quite vigorous ways about higher education. It seems to me that we need at least to think about it, in terms of other areas of provision, particularly adult provision, because it is hinted at in Leitch but then it is sort of left hanging. I do think we need to be clear

what we are expecting, or what we might want to expect adults to contribute, particularly adults perhaps who are earning relatively well, and how we can create a system where everyone is very clear about what they are meant to be paying for, because at the moment it is all amazingly opaque and I think most people have not got a clue about either what they are entitled to receive or are expected to pay.

**Q50 Mr Chaytor:** In the DfES submission to the Committee, it talks about the reform, relicensing and the empowering of Sector Skills Councils, and suggests they should consider the introduction of collective measures, such as levies. We abolished the employer levies 40 years ago; do you think it is time to bring them back?

**Professor Keep:** No. I think it would be a real distraction. The relicensing of the Sector Skills Councils I think is one of the most grotesque things I have ever seen; they have just barely been set up and we are already saying "Let's get a little ball with the snowflakes in and give it a shake and see if we get something prettier." We really have to stick with this. If you want to set up employer organisations which are genuinely representative, have a real handle on their members and real contact with their members and can function as genuine employer bodies, you have to give it time; it is not something you set up in three years. I think the biggest problem that policy-makers have generally in this area is their impatience, their desire for quick results. It is a 10-year project to set up a network of Sector Skills Councils, all of which will be capable of functioning well and in the way you want. Simply changing them round again after three years will not get you to where you want to be. I think levies is a huge distraction, because it is perfectly possible now to introduce a levy if employers in the sector want it, voluntarily, and of course there are a couple of examples where that has happened, like the film industry; great. You try imposing it on a group of small employers, like the retail sector, you try to impose a levy on them, and the sheer political fallout and the amount of energy that will be absorbed fighting about this will outweigh any possible benefits, short- or long-term.

**Q51 Chairman:** Only in the five big supermarkets?

**Professor Keep:** That might be interesting.

**Q52 Paul Holmes:** Can I go back to something that Alan said, because I think it is fairly earth-shattering and it seems to have been skated over. Twice now you have said that schools are doing a much better job in the last 20 years than they did before, and in the written evidence you have submitted you said that the idea about the failing of the system "becomes received wisdom with even as experienced a commentator such as Digby Jones claiming recently that '... 11 million people cannot add up' and saying this is a 'disgrace'." You say: "There is no evidence that this is the case." You go into a lot of detail about why. I taught from 1979 to 2001. I agree with you that schools are doing a much, much better job than they did when I was at school, for example,

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as a pupil, but that is not the received wisdom, and most politicians and the media, and so forth, tell us that schools are an absolute failure, we should go back to the good old days of grammars and secondary moderns, and so forth. Why are you saying the opposite?

**Mr Wells:** Somebody wrote the other day, I think, that charities and organisations like my former organisation, have done a good job at exaggerating the problems so that they could benefit from it. The point I made was I have found that the DfES alone can exaggerate the problem; they do not need any help from charities or people like me. This is what has happened now. You get someone like Digby Jones, an experienced commentator, saying 11 million people cannot add up; there is not a shred of evidence to prove that. It depends what you are talking about. If you are saying 11 million people cannot do quadratic equations, I bet that is probably true. The danger of this is that it becomes received wisdom that 11 million people cannot add up. In the last five years that I worked in Basic Skills Agency I visited between 4,000 and 5,000 schools, all throughout England and Wales. Schools would not recognise this as being the case. If four out of five people leaving school, not just last year but in the last 50 years, had left school with poor literacy and numeracy, then we have had a real problem with the education system, whether we had a grammar school system or whether we had a comprehensive system. It would not be recognised by people in schools. It is the definition and the headline which has become the problem. If you look at the actual number of people who cannot add up, of course there are some people who cannot add up, but it is a very small number. These figures are plucked out of the air, unsupported by any evidence whatsoever, and become received wisdom, and we need to stop doing this, because it is bad for the country and it is bad for truth and honesty.

**Q53 Paul Holmes:** Why do you think schools are doing so much better now; because the question of should employers pay for the training, and so forth, what are their defences?—If we pay our taxes and the schools are not doing the job, why should we make it up?—but your argument is that the schools are doing the job?

**Mr Wells:** If you talk to people in their 40s and 50s and you ask them what their school experience was, they will almost always tell you that they sat at the back and nobody took any notice of them, and you do wonder how they managed to get through school in this way. You cannot get through school like that any more. Schools are not all perfect. I am Chair of Governors of a school in very challenging circumstances. They are not all perfect, by any means, and I do not want to say just that schools always are, but the identification of children slipping behind is much earlier, the interventions are much greater, the national strategies, not every aspect of them but generally, I think, have been positive, they have had a much greater impact. Even in secondary schools, the identification of children coming into secondary school at 11 and the interventions which

are put in place from 11, 12, 13, that kind of age, are much more extensive than they were when I was teaching, which is probably at about the same time as you. We should see, gradually, a reduction in the number of young people leaving with real literacy and numeracy problems, outside of those who have got significant special needs, and that is why the 11 million makes no sense whatsoever.

**Q54 Mr Chaytor:** In the Government's White Paper and in the Leitch report, there are a lot of references to making the system more demand-led: what does that mean?

**Professor Keep:** You can try asking Lord Leitch, because I am not at all clear what it means. What it seems to mean, in the Leitch report, is, in fact, more subsidy-led, in that large chunks of government money which currently go through the Learning and Skills Council to FE colleges are given either to individuals, to spend through these new Learning Accounts, the details of which are not available, or are going to be given to Train to Gain brokers to parcel out to employers then to pay for FE, which was funded in a different way in the past. It is a refocusing, a rechannelling of FE funding which seems to be the main way in which this is supposed to happen. I have serious practical doubts about the wisdom of this. I think the potential for what economists like to call moral hazard problems is going to be quite significant with Train to Gain brokers, who are a slightly anonymous and amorphous group. They are going to have very powerful people, all of a sudden with large chunks of public money to spend; how this is going to be monitored will be interesting to discover, but more generally I think it does create huge problems. For me, demand is when employers put their hands in their pockets and pay for it themselves; that is real demand. This is re-diverted government money, and I am not sure that it is not actually a dangerous attempt to create a sort of proxy economy.

**Professor Unwin:** I think it is clear what demand-led means. I think the Leitch report means, as did the Foster review of FE, that we want employers and individuals to demand what they want by way of education and training courses. Parallel to that, it means that it is this ongoing, and we have had it for 30-odd years now, criticism of education and training providers, that they are not being responsive; so in the 1980s there was a whole initiative called The Responsive College, which was about trying to get FE colleges to be more responsive to local employers. Actually, if you visit further education colleges and other types of providers locally, huge amounts of what they are doing is responsive; and, in fact, that is how our system grew up. We have FE colleges because they were formed at the end of the last century, end of the 19th century, in response to employer demand. I think there is rhetoric about non-responsiveness which you do not see at local level. What you do see at local level though is providers being prevented from being responsive by DfES regulations around funding. What we need to do is facilitate much more the dialogue between employers at local level and their

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providers and get them working together, without centralised restriction on what they can do. Obviously, there have to be quality standards, and so on, but it needs to be more flexible.

**Q55 Mr Chaytor:** The key relationship is between the individual employer and the local provider, not necessarily between the Sector Skills Council and different providers?

**Professor Unwin:** Yes.

**Q56 Mr Chaytor:** In terms of the brokers and the other part of the new package, what is your observation on the brokers?

**Professor Unwin:** We have had this before, in that the brokers' key mission is to deliver the targets, so their mission in life is to go out and raise this Level 2 target. I am not sure that will mean they are that interested in raising relevant skill levels at local level. It will be more a case of can we persuade employers to let their staff do a Level 2, or be accredited for skills they have got; it is not going to raise capacity.

**Mr Wells:** One point on demand-led. I think I understand what Leitch means by demand-led. I have always had a problem with demand-led, in that the people I spent my career working for do not demand much, fundamentally; they are not all queuing up now trying to get into education, largely they are queuing up trying to get out of it. If you have a demand-led system, they are the very people who get neglected in that system, because for employers they are a bad investment, basically, because they have not got the basic skills. I have always thought that alongside demand you need to look at need and, in a sense, it is a government's job to look at need, rather than just demand, otherwise you have this kind of false market-place situation, with the least articulate, the least powerful, left out of the equation because they are not demanding. It is true in every industrialised country, there is not a massive demand for people to improve their literacy and numeracy; they do not want to do it, often.

**Q57 Mr Chaytor:** Linking Lorna's point about the incentives for the brokers to meet the Level 2 targets with, Alan, your earlier point about the inaccuracy of the assessment of the people who did not have the Level 2, does that mean that what we are going to see is the priorities addressed to raising the level of skills for people who do not actually have Level 2 but nevertheless may have acquired a significant level of skill throughout their lifetime at the expense of other, more pressing areas of the economy? Is that a fair comment?

**Professor Unwin:** I would say, yes. In addition to that, the Level 2s that they will be acquiring, probably, in the main, will have done nothing to raise their literacy and numeracy either.

**Q58 Mr Chaytor:** The quickest way to hit the targets would be to target older workers who happen not to get the Level 2 but nevertheless who have spent 30 years in acquiring huge amounts of informal skills?

**Professor Unwin:** Indeed; yes.

**Mr Wells:** Can I say, the way that you get the target in literacy and numeracy is you get lots of young people in colleges who are already doing GCSE and when they get a GCSE you tick the box and say they have no longer got literacy or numeracy problems. Fundamentally, that is probably what has happened. Or you have what has been called embedded basic skills, where you give young people a bit of brushing-up while they are doing a course of catering, or something similar, and then you give them another certificate which says they have no longer got literacy or numeracy problems. They may never have had any literacy and numeracy problems in the first place.

**Q59 Chairman:** You were saying that demand should be balanced by need; what about the element of compulsion? Some people argue that it should not be the case that a 16-year-old, who is still a child, should be allowed to drop into worklessness at 16, or should not go into employment without some form of training. What is your view on that?

**Mr Wells:** There has been a lot of work done, particularly in the United States, on compulsion, aimed particularly at people on benefits, for instance. Quite a lot of people actually feel rather good about being compelled; they don't mind being compelled. I suppose, morally, I am just not very comfortable with it, I never have been. I have never been very comfortable with stopping people's benefits because they will not do literacy and numeracy courses; largely because you do not punish just them, you punish their children who depend on those benefits. I am driven much more by incentives and I would rather incentivise people, for instance, people in prison or people on benefits, to take literacy and numeracy courses, to improve their skills, than punish them. The only thing I would say is that there is some evidence from elsewhere that people do not dislike it as much as I do, that actually the people on the ground do not mind a bit of compulsion.

**Q60 Chairman:** The 16–18-years-olds are different; they are not on benefit, are they, and they are still children?

**Mr Wells:** The 16–18 argument, it always seems to me, is a slightly bizarre thing. If you increase the amount of time they have got to spend in education or training against their will, if you know what I mean, then the people you get at are broadly the people who have done poorly in the education system and who want to get out of the education system. Giving them more of seemingly what they have had already seems to be a bit perverse, in those terms. I would want increasingly to encourage young people to stay with learning, wherever that takes place, and I do not think necessarily it takes place in schools, and I would give them incentives to do that. I would be largely averse to trying to make them do it, because I think the policing system which has to grow up around making them do it, in the end, becomes almost an industry of itself.

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**Chairman:** I had a vested interest in that question.

**Q61 Paul Holmes:** Can I ask Lorna about apprenticeships. I had somebody in my constituency surgery last week telling me how he left school at 15 with no qualifications, did a seven-year apprenticeship to be a gas fitter, and we need more of that today. Do Modern Apprenticeships fill that bill; should we expand apprenticeships, in the way that Leitch suggests?

**Professor Unwin:** I am a great believer in apprenticeships because I think that if you look at apprenticeship as a model of skill formation, which has evolved over time and is still internationally a very well-understood model, if you go anywhere in the world they will have some form of apprenticeship system and they will value it. I think it links to Barry's point about 16–19-year-olds. If we want to try to ensure that our young people stay within learning, to use Alan's phrase, then apprenticeships are going to be a key way to do that. For many young people, a decent apprenticeship is what they want because they want to experience the workplace and they want to carry on learning. The system we have at the moment, however, is a long way from that. We have some superb apprenticeships, always have had, in this country, in all sectors, but we have far too many programmes which are labelled apprenticeship but which are work placements. Again, it goes back to earlier points about targets, the role of this system, which is to put far more emphasis on placing people on these programmes rather than the actual quality. At the moment, the apprenticeship numbers are dropping, particularly on the Level 3 apprenticeship. The idea that we can go from the numbers we have got now to half a million is very, very fanciful, because I am not quite sure where the young people are going to come from, but the main problem is where are the employers who are going to provide proper apprenticeships. Lots of employers will provide work placements, and my fear is you could easily reach the half a million through that placement level.

**Q62 Paul Holmes:** One of the criticisms has been that often, to people who have been in apprenticeships and those other courses, the employer will say "Oh, don't bother finishing that, we're going to employ you anyway and you don't need to have the bit of paper to prove it".

**Professor Unwin:** That is happening a lot, again, across most sectors actually, although very heavily in the service sectors, and that is why we have such a low completion and attainment rate in some sectors.

**Q63 Chairman:** Good apprenticeships have good staying-on rates and completion, and the poor apprenticeships have poorer performance; is that right?

**Professor Unwin:** Yes.

**Q64 Chairman:** Is there the research to show that?

**Professor Unwin:** Yes. The completion and attainment rate across apprenticeship at the moment hovers at around 50%, but in some sectors it dips

way below 50%, down into the 20s%. That is linked partly to your point, that the apprentices stay with the same employer but they are pulled off the programme, so they have completed only part of it, and that is a big issue in terms of individual progression opportunities, and so on. There are other reasons for poor completion though; they are partly to do with mismatch initially, where young people are sent to the wrong sectors, to the wrong types of employment. That might be because their basic education is too low and they struggle to cope, but generally it is because of poor careers guidance and cajoling by the training providers, again to meet the targets.

**Q65 Chairman:** I am really embarrassed that we are pushing apprenticeship into such a small frame, because it is very important to our inquiry.

**Professor Keep:** Many of our apprenticeships at the moment would not be recognised as such in Europe because they are at too low a level; they are at Level 2, not Level 3. One of the scariest things in Leitch is that Leitch gives a sort of throwaway remark which says, "Perhaps we could have more apprenticeships if we made them less demanding and more flexible," because this is what I worry about. "Employers can pick and choose but will have greater control over what is in them." At the moment all that is in them is a minimum Level 2. There is an NVQ Level 2, three Key Skills, and that is it, because many of them never had technical certificates. If we make them even more flexible, what I fear is an apprenticeship which will have no Key Skills and individual units for NVQ Level 2 and some work experience; almost going back to YTS but without the stipulated 13 weeks' "off the job" training. It will actually be weaker than one-year YTS was in 1984. That is not a good way to go.

**Q66 Chairman:** What is the core element then of a proper apprenticeship?

**Professor Keep:** It varies. In my imagination of a good, European standard apprenticeship, there would be an element of some general education in it, because that is the norm in Europe, it is not the case here. There would be a technical certificate, if we are going to carry on using NVQs, because they are not good at certifying underpinning skills and knowledge. I would like to think a Level 3 NVQ, and certainly a wide range of formalised efforts to create generic skills. I am not sure whether I would certify them or not, but it would go beyond the three Key Skills, so there would be team working, there would be problem solving.

**Professor Unwin:** Importantly, you need to have full employer involvement. What is happening at the moment is that a lot of employers have apprentices but they are not involved in the apprenticeship.

**Q67 Paul Holmes:** Will the Sector Skills Council involvement solve that problem?

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**Professor Unwin:** No.

**Q68 Paul Holmes:** How do we solve it?

**Professor Unwin:** We reorganise it completely so that, to be able to take on a young person, as an employer, you have to prove that you understand what an apprenticeship is and that you can provide the learning opportunities and the proper work experience required. At the moment, we let anybody take an apprenticeship.

**Q69 Fiona Mactaggart:** I want to ask, if you use the Learning and Skills Council, does it help? I have heard you talking about how the present system seems to encourage what I conceive of as gaming, and the Learning and Skills Council is supposed to make sure that things are strategic, and that is not what I am hearing from you, and I wanted your view about how it would work better, whether it is needed?

**Professor Unwin:** The Learning and Skills Council, I think the remit is too broad. Originally, when the FEFC (Further Education Funding Council) and the TECs (Training and Enterprise Councils) were merged, and we had one Funding Council for post-16 education and training, I think, at that time, it was seen as a way to tidy up the messiness of the funding system. One aim, certainly, was to get more equity, for example, between further education and schools. I think, over time, its remit has become very, very diverse and the structure of the local Learning and Skills Councils has created bodies which actually still appear to be in quite severe tension at local level, with colleges, with schools. I think, to be fair to the Learning and Skills Council, they have also had a problematic relationship with the DfES and you could argue that the DfES, on the one hand, has let the Learning and Skills Council take the blame perhaps for things that are not of its making. So, on the one hand, it is supposed to be quasi-independent and get on with the operation; on the other hand, from what I can see, there is constant interference in what it is doing. I think it is a very problematic body. A key part of its aim is to deliver the targets that are set for it, and it itself does not really have much say in whether those are realistic or not.

**Mr Wells:** I will not duplicate what Lorna has said. I think the answer is that there are some real problems. Interestingly, I think the problems have been the structure of it in the beginning, for instance, with lots of local councils now seemingly, to some extent, replaced by regional bodies, actually going back to what Barry said, massive staff mobility. Frankly, you never speak to the same person twice, I have found. Also, there is no collective history, so if you had worked on something with the Learning and Skills Council they could not remember it

because that person has moved on to somewhere else. I think then there is a real concern about who is responsible for what. When I left the Basic Skills Agency I was told that the DfES in future was going to be responsible for strategy, and I have heard that certainly in every year of the last 30 years I had a relationship with the DfES, so I would be pleased to see that, although I think there are some real concerns about it. Interestingly, of course, in Wales, where there was a similar Council, it has been taken into the Welsh Assembly Government now and they administer it. I am not sure that reform is the answer any more. We need to try to find a funding system, which is simpler and clearer and which makes lifelong learning a reality. Lifelong learning means post-16 below the level of a degree, it does not mean really lifelong learning and yet people do not see their lives in that way themselves. I do not think it is entirely the fault of the LSC; I think they have had some real struggles with structure, and things like that, but I am not sure that it is fit for purpose for the long term.

**Professor Keep:** I would agree with that and I think the LSC does end up taking the blame for lots of decisions and priorities which have been set for it and then it lands up being the fall guy. The other problem is that the LSC is simply a reflection of a broader problem, which is that there is no other developed country in the world, that I am aware of, with the possible exception of Singapore, where central government makes so many of the decisions, designs so many of the things and manages things to such a level of detail within the education and training system. That centralisation itself is a massive problem because it means that the people who are designing and running the system can address the system only through blanket, "one size fits all" interventions and through universal targets, and they never get to understand the system they are managing because they cannot, it is enormously complex, see your diagram, and then there are all the individual employers beneath that. They cannot get to grips with it, but they control practically everything which happens in it, or the priorities that they are in control of, I think, which happen in it. I think, until central government learns to let go of it, of the way the education and training system operates, and they move from rhetorical partnership to some real partnership, which would mean sharing a bit of power, however you configure the institutions, there will continue to be this problem.

**Chairman:** I think that is not a bad note on which to finish. Thank you very much. We have had a splendid evidence session; we have learned a great deal. If you did not mind, perhaps you would help us further with the inquiry by staying with us, not right now, in case you panicked; and I am sorry that we had a late start. Thank you.

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## Wednesday 28 February 2007

Members present

Mr Barry Sheerman, in the Chair

Mr David Chaytor  
Jeff Ennis  
Helen Jones  
Fiona Mactaggart

Mr Gordon Marsden  
Stephen Williams  
Mr Rob Wilson

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### Memorandum submitted by the Trades Union Congress (TUC)

#### INTRODUCTION

2.1 The Trades Union Congress (TUC) is the national centre for trade unions representing 6.5 million workers in 65 affiliated trade unions. The TUC welcomes the opportunity to contribute to the Select Committee's inquiry into post-16 skills training in England and believes that this is an opportune time to review this issue. The inquiry will provide an opportunity for a range of stakeholders to provide a critique of the recommendations of the Leitch Review of Skills and also to consider what should be prioritised during the forthcoming implementation phase.

2.2 The TUC submitted a detailed response to the initial consultation undertaken by the Leitch Review in 2005. It also published a separate report (2020 Vision for Skills) in autumn 2006 setting out five key priorities. The five priorities were as follows: (i) increasing investment in skills by employers and government and introducing policy reforms to achieve this end; (ii) strengthening the social partnership approach on skills, especially at the sectoral level, rather than continuing to prioritise an employer-led approach; (iii) introducing a right to paid time off to train; (iv) tackling the significant skills discrimination faced by certain groups; and, (v) giving unions greater rights to bargain on skills and also strengthening the capacity of union learning reps. In addition, the TUC set out its initial reaction to the final report of the Leitch Review in a briefing published in December 2006. These three publications are available on the TUC website.<sup>5</sup>

2.3 The structure of this submission addresses the main issues that were highlighted in the Select Committee's press notice. However, the submission is also very much focused on highlighting the main points of the TUC's initial reaction to the recommendations in the final report of the Leitch Review of Skills.

#### MAIN POINTS

2.4 The TUC has welcomed the scale of ambition set out in the final report of the Leitch Review of Skills and is in complete agreement that urgent action is necessary if we are to achieve a world-class skills base by 2020. There are strong grounds for agreeing with Lord Leitch's analysis in his final report that "skills is the most important lever within our control to create wealth and to reduce social deprivation" and that there is a pressing need for "parity of esteem for the vocational route".

2.5 It is also welcome that the review links the achievement of a world-class skills base by 2020 with clear targets linked to accredited qualifications. If these targets are met, low skills would be virtually eradicated and the UK would be a world leader on intermediate and higher level skills. And the review is also quite rightly specific about the necessary levels of investment required to move the UK up the international skills league (eg it specifies that "additional investment in skills up to Level 3 will need to rise to £1.5–2 billion by 2020").

2.6 The TUC has also welcomed the move towards greater regulation of employer responsibilities when it comes to releasing employees for training to enable them to achieve the equivalent of a school leaving qualification. The commitment to introduce a new right to workplace training for employees without a Level 2 qualification if employers fail to take up a voluntary pledge to upskill such employees by 2010 is a significant measure. In its press release the TUC said that "this means that the clock is ticking for the one in three employers who fail to train [and] those employers are now on notice to clean up their act by 2010". In addition, the press release also said that "Lord Leitch's call on employers to publicly pledge their commitment to increase skills sends a strong message to those employers who short change staff, and the UK economy, by refusing to train."<sup>6</sup>

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<sup>5</sup> *Leitch Review of Skills: TUC submission*, 2005 ([www.tuc.org.uk/skills/tuc-10183-f0.cfm](http://www.tuc.org.uk/skills/tuc-10183-f0.cfm)). *2020 Vision for Skills: priorities for the Leitch Review of Skills*, 2006 ([www.tuc.org.uk/skills/tuc-12524-f0.cfm](http://www.tuc.org.uk/skills/tuc-12524-f0.cfm)). *Leitch Review of Skills Final Report—TUC briefing* ([www.tuc.org.uk/skills/tuc-12778-f0.cfm](http://www.tuc.org.uk/skills/tuc-12778-f0.cfm)).

<sup>6</sup> TUC Press Release, 5 December

2.7 It was also welcome that the Chancellor supported the main recommendations in the final report in his Pre-Budget Report speech and that he highlighted the importance of the new statutory right to workplace training advocated by Lord Leitch. The TUC has emphasised that it will “be lobbying Government over the coming months to ensure that this new legal right to workplace training is framed in such a way that it will be automatically invoked in 2010 if employers fail to deliver [and that it] should also give employees a clear entitlement to paid time off to train within working time to achieve the relevant qualification”.<sup>7</sup>

2.8 The TUC has also welcomed the recommendation to establish compulsory education and training up to age 18 once the new Specialist Diplomas are properly established and also to double the number of apprenticeships by 2020. These reforms, in tandem with other measures, will do much to tackle the low status attributed to the vocational route for young people.

2.9 However, the TUC has also expressed some concerns about particular recommendations in the final report of the Leitch Review. In particular, the recommendation in the report that the employer-led approach on skills should be further strengthened rather than building a wider social partnership approach. The TUC sees little evidence that employers will increase their investment and involvement in skills, nor do we believe that employers are necessarily always the best judges of the longer-term skill needs of their workforce. The TUC has highlighted that it will “be calling on Government to set out a framework to give employees and trade unions a significant voice in the new institutional skills framework that will be established as a result of Lord Leitch’s recommendations [and that] in particular, unions will need to have a significant stake in the new Commission for Employment and Skills and also increased representation on the relaunched Sector Skills Councils.”<sup>8</sup>

2.10 The TUC’s other main concern is that whilst the review quite rightly concludes that employers must significantly increase their investment in skills, there is a questionable presumption that this will occur as a direct consequence of making the skills system more “employer friendly”. And welcome as they are, the Employer Pledge and the potential new right to access workplace training will not oblige employers to make a major financial investment as this training will generally be paid for and delivered by the Government’s Train to Gain programme.

2.11 One of the underpinning principles of the vision in the final report is that there must be a new concept of shared responsibility, involving employers boosting investment in intermediate and higher level skills while Government takes on responsibility for ensuring all adults achieve a basic platform of skills (ie a first full Level 2 qualification). However, there are few specific policy instruments that will oblige employers to invest more in skills at these levels beyond the aspiration that greater employer engagement at the sectoral level could result in agreement on more collective action.

2.12 The TUC is also continuing to press the Government to increase support for the role of union learning representatives by introducing measures to build their collective capacity at the workplace level. The final report of the Leitch Review agreed that initiatives such as Learning Agreements and Workplace Learning Committees were helpful in this respect, but the TUC believes that the Government needs to go further and to provide some form of statutory underpinning for these workplace arrangements. Collective Learning Funds is another initiative that unionlearn is currently trialling with the support of the DfES and it is anticipated that this will be scaled up in the future in order to further build the union contribution to learning in individual workplaces.

2.13 Unionlearn was established as an organisation within the TUC to provide a stronger and more coherent framework for union-led activity on learning, including union learning in the workplace and also trade union education programmes. In particular, it aims to achieve a step-change in the capacity of unions, particularly through the role of union learning reps, to directly support learning and skills in workplaces. It is also heavily involved in supporting the union contribution to the work of Sector Skills Councils, in particular through the development and implementation of Sector Skills Agreements.

## CONTEXT

### *Leitch Review—skills challenges and demographic trends*

2.14 The TUC supported the thrust of the analysis in the interim report of the Leitch Review on the key “skills challenges” facing the nation and also the related impact of demographic trends. In its 2020 Vision for Skills report the TUC highlighted the important finding in the interim report of the Leitch Review that 70% of the 2020 workforce has already left compulsory education and that fewer younger people will be flowing into the labour market over the coming 15 years. On this basis the TUC agreed with the thrust of the analysis of the Leitch Review team that there needs to be a much greater focus on upskilling the existing workforce in the coming years.

2.15 The TUC also welcomed the fact that the analysis highlighted that those with the lowest skill levels are least likely to receive any work-based training. For example, the Labour Force Survey shows that when asked, over two fifths of graduate employees say they have received training in the past three months

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<sup>7</sup> TUC Press Release, 6 December

<sup>8</sup> *ibid*

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compared to just over a fifth of employees without a Level 2 qualification and just over a tenth of employees without any qualification. The final recommendations by Lord Leitch do much to address the analysis in the interim report, in particular the aim of virtually eradicating low skills among the workforce by 2020.

2.16 The interim report also effectively highlighted the particular “skills challenges” facing other groups in the labour market, in particular black and minority ethnic people, women, disabled people and older people. While the final report does make a number of recommendations on providing additional skills support for these groups, this is largely confined to support for them when they are outside the labour market and (with some exceptions) there is less attention paid to addressing skills discrimination faced by these groups when they are actually in work. In addition, the final report makes little mention of migrant workers and how the state should be supporting their skill needs (eg the TUC is currently concerned about the Government’s proposal to abolish fee remission for migrant workers accessing ESOL courses).

2.17 In the 2020 Vision for Skills report the TUC highlighted that the Government should develop new concrete proposals to tackle skills discrimination faced by all these particular groups along with further development of ongoing initiatives aimed at women being taken forward as a result of the recommendations of Women and Work Commission. The TUC has argued that one means of achieving this aim would be significantly to strengthen the equality and diversity remit of Sector Skills Agreements so that Sector Skills Councils are required to come up with concrete initiatives for improving training opportunities for all these groups of employees, with clearly prescribed targets and outcomes. It is also important to recognise that union learning reps have proved to be highly effective at engaging and supporting employees with few or no formal qualifications and also the range of other groups that face skills discrimination.

#### *Measures to assess progress on skills*

2.18 Measuring and assessing the success of the Government’s skills strategy has been facilitated by the establishment of the annual National Employers’ Skills Survey (NESS), which provides detailed trends on skills gaps and shortages and also the incidence and coverage of work-based training. This authoritative survey (based on a sample of over 70,000 employers in England) has been influential in highlighting that over one third of employers provided no training at all and that nearly two fifths of employees received no training over the latest 12-month period. Used in conjunction with data from the Labour Force Survey, this means that there is now much more information available on employee skill levels and the barriers to accessing workplace training.

2.19 Importantly, the NESS statistics are broken down by the footprint of each of the Sector Skills Councils and this provides them with data to track their progress in improving skills in their particular sector. However, one drawback with this relatively recently established statistical series is that it only covers England and this is not helpful, particularly in the case of Sector Skills Councils which have a UK-wide remit for skills in their particular sector. It is therefore recommended that the new Commission for Employment and Skills addresses this issue and widens the coverage of this survey to the whole of the UK. There is also a strong case for the Commission taking a lead on developing more sophisticated statistical analyses of the impact of skills on the wider productivity agenda and also how skills interact with other important factors, in particular workplace organisation trends and industrial strategies at the national and regional levels.

### NATIONAL POLICIES AND ISSUES

#### *Government priorities*

2.20 In general, the TUC agrees with the analysis in the final report of the Leitch Review that “Government investment in skills should be focused on ensuring everyone has the opportunity to build a basic platform of skills, tackling market failure and targeting help where it is needed most”. In effect this supports the current approach by Government but with the important caveat that there must be greater levels of investment in skills by Government, employers and individuals to enable more people to improve their skill levels.

2.21 The new stretching targets in Lord Leitch’s report on improving achievement at Skills for Life and Level 2 are welcomed by the TUC. There is both a strong economic and social case for Lord Leitch’s aim to virtually eradicate low skills among the working age population by 2020. But undoubtedly this will put even more pressure on colleges and providers to deliver on this agenda and the TUC is acutely aware of the impact to date on college provision that is not covered by Skills for Life and Level 2 PSA targets. The TUC addressed this issue in its response to the FE White Paper in 2006 when it welcomed the new vision for FE colleges but also supported the need to ensure that colleges were adequately funded to continue to deliver on the wider learning agenda.

2.22 In this submission the TUC said that the decision in the White Paper “to establish a clear mission for further education, focusing on the employability and progression of learners to deliver the skills and qualifications that individuals, employers and the economy need, is welcome. This development sets the FE sector at the heart of the Government’s skills strategies as well as making an important contribution to 14–19 reform. The TUC is also pleased that the White Paper notes that this mission does not mean narrow vocationalism, and that the sector will maintain stepping-stones provision and education and training for

personal fulfilment and community development. While this commitment to maintain the social role of colleges is welcome, it is clear that tough choices will remain for colleges in determining provision within tight funding arrangements.”<sup>9</sup>

2.23 The Government’s commitment to develop a Foundation Learning Tier for qualifications below Level 2 should tackle some of the barriers to provision and progression that may have been inadvertently generated by the Skills for Life and Level 2 PSA targets. In its response to the FE White Paper the TUC stated that “this approach will help people reach Level 2 qualifications through manageable steps, and is therefore an important contribution to helping people achieve employability skills”.

2.24 Concern about the impact of the Government’s PSA targets on education and skills are of course not limited to the impact of the Skills for Life and Level 2 targets. The 50% higher education target aimed at 18–30-year-olds has also been questioned on the grounds that it is part of a policy framework that promotes the academic route and also sends a coded message to young people, parents and teachers that the vocational route is second-best. In addition, other critics question the rationale behind the target itself, arguing that we do not need more achievement at Level 4 and above and that the aim should be to encourage more young people to pursue vocational qualifications at intermediate level.

2.25 On this second point, the TUC agrees with Lord Leitch’s position that we cannot simply prioritise a boost to either intermediate or higher level skills. All the academic analyses clearly demonstrate that improvements to UK productivity and social cohesion will require much greater ambition on skills, entailing a significant boost to both intermediate and higher level skills, and this recommendation is quite rightly at the heart of the final report of the Leitch Review. However, within this context, the TUC does have some sympathy with the point that the high profile given to the 50% higher education target has perpetuated a degree of negativity towards the vocational route as opposed to the academic route. In the 2020 Vision for Skills report the TUC noted that it had “previously welcomed the 50% target for participation in higher education and there is a strong case for Government considering matching this with an equivalent target for vocational training in order to build towards parity of esteem between the academic and vocational routes”.

2.26 Lord Leitch also raised a number of other concerns about the 50% target that the TUC concurs with, including: the sole focus on young people which has gone against the grain of the lifelong learning agenda, the resulting limited engagement of the HE sector with the workforce and employers; and, the focus on participation in HE as opposed to achievement at Level 4 and above. It is therefore welcome that Lord Leitch has proposed that more than 40% of the working age population should achieve Level 4 or above by 2020 (compared to 29% now) and that a key plank of this strategy should be to ensure that HE provision “meets the high skill needs of employers and their staff”.

2.27 Union Learning Reps would welcome the opportunity to engage more employees in workplace learning that could ultimately lead to them achieving higher level skills and unionlearn it is at present developing a “Climbing Frame” online tool to facilitate progression of this order. Unionlearn has also brokered a new agreement with the Open University which entitles union learners to a 10% discount on fees for first year undergraduate courses.

#### *Government departments—joined up working arrangements*

2.28 The TUC has welcomed the general thrust of the proposals in the final report of the Leitch Review to bring greater coherence on skills and employment policies and also to ensure that delivery arrangements at the local level are reformed to achieve this end. The review makes a number of recommendations in this area, including establishing a “new single objective of sustainable employment and progression opportunities” among all the relevant agencies and especially between DWP/Jobcentre Plus and DfES/LSC. For example, the focus of Jobcentre Plus has always been on job placement achievements and there has been some criticism that this has been to the detriment of longer-term skills acquisition and sustainable employment.

2.29 The proposal to establish a new adult careers service in England will do much to support this new approach, as will related proposals such as the development of a new programme to help claimants requiring Skills for Life support. However, the TUC would be concerned if improved skills assistance for claimants was accompanied by more punitive benefit sanctions, as many economically inactive individuals will need a highly supportive approach to enable them to meet the challenges of acquiring the skills required to achieve sustainable employment.

2.30 The other major recommendation by the Leitch Review in this area is to establish a network of employer-led Employment and Skills Boards to give employers a central role in recommending improvements to the delivery of both skills and welfare to work initiatives at local level, mirroring the national role of the Commission for Employment and Skills. This proposal is referred to later in this submission in the sections looking at demand- and supply-side issues.

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<sup>9</sup> TUC Response to the Further Education White Paper, “Further Education: Raising Skills, Improving Life Chances”, June 2006 (available on the TUC website at: <http://www.tuc.org.uk/skills/tuc-12089-f0.cfm>)

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*Investment in Skills—the principle of shared responsibility*

2.31 As highlighted in the introductory section of this submission the TUC supports aspects of the concept of shared responsibility on the respective contributions to skills investment that Lord Leitch has set out in his final report. In essence, this states that employers, individuals and Government must increase action and investment, with the guiding principles being that “employers and individuals should contribute most where they derive the greatest private returns” (ie intermediate and higher level skills) and Government should address market failure (ie by providing full funding for individuals to achieve a first full Level 2 qualification but with much more limited and targeted funding at higher levels, with investment generally tapering off as the qualification level rises).

2.32 In respect of employers, the TUC is concerned that, with the exception of the potential new right to workplace training, there are few policy levers proposed by the Leitch Review which will tackle the long tail of UK employers that either do not provide any training at all or only provide the basic minimum required for the job in hand. This particular issue is covered in detail in the section of this submission looking at how employers should be further incentivised to take up training. However, it should be stressed that the TUC believes that the limited obligations placed on employers to fulfil their part of this new shared responsibility compact is perhaps the central challenge for the skills vision that Lord Leitch has set out.

2.33 However, the TUC has welcomed the fact that Lord Leitch has been specific about the necessary increases in the levels of investment required to achieve a world-class skills base by 2020. For example, his final report states that “additional investment in skills up to Level 3 will need to rise to £1.5–2 billion by 2020” and that this would have to come from increased contributions by employers, individuals and Government. The initial contribution by Government to supporting any increased investment in skills will be set out in the forthcoming Comprehensive Spending Review. The TUC is currently drawing up a submission to CSR 2007 and this will address the fact that skills funding for adult employees compares poorly with other parts of the education and skill sector. There is also a case for the Government to continue to develop public procurement policies in a proactive manner to drive up skills investment by employers working on public sector contracts.

2.34 As to the individual contribution to raising skill levels outside the Government’s priorities, the TUC is concerned about the degree to which there is an emphasis on individuals having to take on increasing levels of debt to fund intermediate and higher level skills. The TUC has strong reservations about the prospect of the lifting of the cap on variable fees above £3,000 and the proposed expansion of Career Development Loans needs to be kept under close review. However, the proposal by Lord Leitch to improve financial support systems for FE students studying up to Level 2 is welcome and the new Learner Accounts have the potential to empower more individuals to access training, especially with the support of union learning reps. The TUC has also welcomed the new entitlement to free tuition for a first full Level 3 qualification for 19–25-year-olds.

## SUPPLY SIDE ISSUES

*Funding structures and contestability*

2.35 One of the major proposals in the final report of the Leitch Review is to make the skills funding system wholly demand-led by routing all funding for adult vocational skills in England (apart from community learning and provision for disabled adults) through Train to Gain and Learner Accounts by 2010. This compares with the much more modest aim in the FE White Paper to shift the demand led share of adult learning from below 20% in 2006–07 to 40% by 2010–11. Lord Leitch also argues that the aim of this approach is to give providers “a real incentive to deliver the skills that employers and individuals need, flexibly and responsively” and if they do not deliver on this aim the report is explicit that “they will not receive public funding.”

2.36 In essence this suggests a greater commitment to the introduction of contestability for learning and skills providers than was set out in the FE White Paper. In its response to the FE White Paper the TUC said: “The White Paper sets out a number of instances where competitions will be introduced. This is the area of the White Paper about which the TUC has a great deal of concern and where the DfES was lobbied hard not to introduce a much wider version of contestability. It clearly has the potential to have a destabilising effect on the FE system and the TUC would like this area of policy to be reviewed.”

2.37 Concerns along these lines are now even greater as a result of the accelerated introduction of demand-led funding proposed by the Leitch Review and there is clearly much greater potential for destabilisation in the FE sector on this basis than was anticipated from the more limited proposals in the FE White Paper. While the TUC supports the concept of a more demand-led skills system, the key point in this debate is that there are major question marks over the concept of demand-led funding in a skills system that will be even more employer-led than at present. While the new Learner Accounts are designed to represent individual demand in the new funding system, the reality is that pilots of the accounts are only going to be launched this autumn and it is difficult to see how they will have the capacity to drive individual demand by 2010.

2.38 The other issue is that FE colleges currently play a major role in reaching out to marginalized and disadvantaged groups in society and encouraging them, in many instances, to re-engage in learning for the first time since leaving school. It is questionable whether Learner Accounts will be the best vehicle for engaging these kind of learners and that the limitations on ring-fenced community learning will not be an adequate resource to fulfil this function of FE colleges. In brief, these recommendations will clearly make it more difficult for colleges to maintain provision for these particular groups of students and the Government should consider strategies to ensure that the new funding arrangements do not inadvertently produce this negative outcome.

2.39 The Government also needs to consider how demand-led funding for work-based skills delivered via Train to Gain provision can better incorporate employee demand, for example, by looking at building the collective role of union learning representatives so that they can better articulate this demand.

#### *Institutional reform of supply-side agencies*

2.40 The Leitch Review has recommended a number of institutional reforms in support of the new vision for skills that it has set out in its final report. Our view on a major aspect of these reforms—the development of a new Commission for Employment and Skills and local Employment and Skills Boards—is covered in the section of this submission looking at the demand side. This section of the submission focuses on the proposed institutional reforms relating to the supply side and in particular the role of the LSC.

2.41 As regards the LSC, the final report of the Leitch Review states that “the switch to demand-led funding and end to the supply-side planning of adult skills provision fundamentally changes the role of planning bodies, such as the LSC, which will require a further significant streamlining.” Putting aside for now considerations about the demand-led model that is actually being proposed, the TUC has concerns about the impact on the planning and delivery of adult skills if the LSC is stripped of its planning function and restructured yet again. There are also longer-term questions about the exact definition of the “planning” function in the skills arena and to what extent it is possible to divorce planning from funding or to reduce the LSC to a virtual funding body considering the range of other activities that it currently undertakes.

2.42 The future role of the Regional Skills Partnerships is very much dependent on how the Government takes forward the proposal to develop the proposed Employment and Skills Boards and also its response to the proposal to further reform the LSC. When the role of the Regional Skills Partnerships was originally announced in the 2003 Skills White Paper, the TUC did question whether their structure and membership really did lend itself to delivering on the needs of demand-side partners. This has remained a concern, in particular as the role of Sector Skills Councils has grown in importance and it has sometimes proved difficult to align sectoral and regional skills priorities. However, major reform of the regional supply-side infrastructure is something that should wait until the new Commission has been established and the new national strategic approach has been finalised.

#### **DEMAND-SIDE ISSUES**

##### *What should a “demand-led” system really look like?*

The main points at the beginning of this submission highlight two key concerns relating to the vision of the new demand-side approach set out in the final report of the Leitch Review of Skills. These two concerns are as follows:

- simply strengthening the employer-led approach on skills will not lead to a true reflection of the demand side which needs to represent the demand for skills by both employers and individuals, especially employees. Trade unions represent the legitimate voice of employees and as such need to have a strengthened role to articulate individual demand for skills both at the institutional and workplace levels; and
- the presumption expressed in the review that employers will increase investment in employee skills once the system is made more employer-friendly is highly questionable. Employer demand for skills cannot be left entirely to market forces, as this misplaced belief is one of the reasons why the UK has inherited a much greater skills deficit than many of our international competitors.

2.43 These two points were at the heart of the 2020 Vision for Skills report published by the TUC last autumn, which called for the development of a post-voluntary skills framework underpinned by a number of principles, including a social partnership approach along the lines of many European countries that have a much better skills profile than the UK.

##### *The new institutional framework*

2.44 The new institutional framework advocated by the Leitch Review in order to develop an improved demand-side approach is very much based on giving employers an even bigger say than at present. The institutional reforms for achieving this change would be through the establishment of the new national Commission for Employment and Skills (and potentially the local Employment and Skills Boards). And also by giving the Sector Skills Councils a greater remit in articulating demand and ensuring that government

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skills provision meets this demand. In some respects, this recommendation mirrors what the TUC was calling for in the 2020 Vision for Skills report, in particular the idea of strengthening the remit of the Sector Skills Councils. However, the TUC's proposal called for more far-reaching reforms of Sector Skills Councils so that they would address the wider demand agenda, as highlighted in the following excerpt from the report:

"The TUC has continued to highlight that one of the factors contributing to the UK's skills deficit is the lack of a robust social partnership approach to skills, something that underpins arrangements in many of the European countries that continue to lead us on skills. The Leitch Review must address this central issue if it is going to achieve a new consensus on a building a post-voluntary skills framework. This will require a change of approach in the formulation and delivery of skills provision at the national, regional, and sectoral levels, giving trade unions a much stronger voice than at present."

The sectoral approach in particular has the potential to deliver some of the key elements of a post-voluntary skills framework, but this would need to be accompanied by a much more robust form of social partnership than simply obliging Sector Skills Councils to have at least one union Board member. A recent report by the Sector Skills Development Agency (*Lessons from Abroad, SSDA, 2006*) highlights the benefits of sectoral approaches in other countries entailing more regulatory levers/fiscal incentives than in the UK but also stronger employee voice to ensure 'that both the wider public functions of qualifications and the sector-specific needs of employees are met'."

2.45 At present Sector Skills Councils are only obliged to have one union member on their Board. Although the more progressive Sector Skills Councils have offered more seats to the trade unions in particular sectors, the majority have refrained from adopting this approach. It is therefore essential that these bodies reflect the wider employment needs of their sector if they are going to have the capacity to deliver on the new challenges and the Government should underpin this approach by prescribing that their make-up and governance arrangements reflect this by having adequate union representation.

2.46 The new national Commission for Employment and Skills will be charged with achieving a huge step change in the level of demand for skills articulated by employers and employees. It is welcome that Lord Leitch has specified that the TUC General Secretary will be offered a seat on this new body (and that there must also be some form of union representation on the local Employment and Skills Boards). However, this would not constitute adequate union input at the national level and would be out of line with similar national partnership arrangements on key policy issues. A model to potentially build on would be the Low Pay Commission, which has three trade union commissioners out of a total of eight commissioners and the Chair of the Commission.

2.47 In any case it is crucial that the Commission does not dilute the existing level of union representation on the Skills Alliance Social and Economic Partnership, with its ratio of two seats for employer bodies and one seat for the TUC. As it is anticipated that the new Commission will include many more employer representatives than this, it would only be equitable to increase the TUC/union representation proportionately. Limiting union representation on the Commission to one seat would seriously undermine its status across the trade union movement and substantially undermine its role to effectively represent employee and national interests.

#### *Incentivising employers to take up training*

2.48 The TUC had called on the Leitch Review carefully to consider the need for a range of policy levers to address the reluctance of many employers to provide even a minimum level of training to their staff. By and large the review team decided against this option with one notable exception, ie, the commitment to introduce a statutory right to workplace training by 2010 for employees without a Level 2 qualification if employers fail to use a voluntary pledge in the intervening period to show that they are serious about tackling this particular skills deficit. As highlighted earlier in this submission, the TUC is determined to ensure that this new legal right to workplace training is framed in such a way that it will be automatically invoked in 2010 if employers fail to deliver. It should also give employees a clear entitlement to paid time off to train within working time to achieve the relevant qualification.

2.49 There are a number of question marks around the framing of this entitlement in the final report of the Leitch Review, in particular as regards the role of the Commission for Employment and Skills. It would appear to play a key role in triggering the establishment of this new right, eg, the review says that "if, in the light of inadequate progress towards world class, the Commission and Government judge it as necessary [our emphasis] the new entitlement would ensure that the UK meets its 2020 ambition" (paragraph 5.52). While it is recognised that the Commission will play a role in monitoring progress towards the new Level 2 target, it is imperative that ultimate accountability for invoking the new right lies with Government and that a clear statistical benchmark that cannot be disputed is set as an automatic trigger. Otherwise, there will be widespread suspicions that the majority of employers on the new Commission would simply move the goalposts in the run-up to 2010 if it appeared that the voluntary approach on training had once again failed to deliver.

2.50 In effect, if such a right was implemented it would constitute a legal right (in England) for employees without a Level 2 qualification to access Train to Gain provision to achieve such a qualification. However, very significantly, the review does also state that the right could be used to trigger paid time off at work to

achieve a relevant qualification via other means than Train to Gain provision. It says that “with the agreement of the employer, employees should also be able to access this entitlement through paid time off if more convenient.” However, the legal framing of the new entitlement will clearly be of great importance in this and other respects and the TUC is calling on the Government to consult on the underpinning principles of this framework as early as possible. It is welcome that the review emphasises that trade unions will have an important role to play in the formulation of the new statutory right.

2.51 The TUC was disappointed that the Leitch Review did not recommend that other policy levers, such as Licence to Practice arrangements and sectoral levies, be given greater statutory backing than at present. Use of such interventions are clearly to be left to the discretion of the Sector Skills Councils and this is one additional important reason for ensuring that these bodies are not completely dominated by employers. If these bodies do genuinely reflect the interests of their whole sector, it is more likely that they will take the difficult decisions to introduce such measures as and when necessary. It is hardly coincidental that one of the existing Sector Skills Councils that actually does promote a social partnership approach—namely Skillset—has achieved consensus in its sector on delivering a compulsory training levy for the film industry.

#### THE UNION ROLE IN THE WORKPLACE

2.52 As noted above, the TUC’s initial comments on the launch of the final report expressed some concerns about the proposed balance of power between employers and trade unions in the new institutional skills framework and the lost opportunity to develop more of a social partnership model. On the workplace front, Lord Leitch disappointingly did not support the TUC’s recommendation to make training a collective bargaining issue in the statutory union recognition procedure. But this was not too surprising considering that the Government had already rejected this policy reform when the DTI reported earlier this year on its review of collective bargaining.

2.53 However, the TUC had also been lobbying the Leitch Review to recommend that the Government should examine options to enable trade unions to negotiate on a collective basis on behalf of union learning reps via collective arrangements such as Learning Agreements and Workplace Learning Committees. The TUC also recommended that the Collective Learning Funds initiative proposed by the TUC, which is to be trialled in collaboration with the DfES over the coming year, should be scaled up as soon as feasible. On these inter-related issues, the review comments as follows:

“Employers could also go further, setting out plans to move their workforce to even higher skill levels and publicising their progress towards fulfilling their pledge. Collective Learning Funds, currently being developed by the DfES and the TUC, would encourage joint employer-union initiatives to increase the scope of training and development opportunities for their workforce and to commit new investment to this. In addition, these funds could encourage employers to co-invest their time along with the employer in a wider range of non job-specific training and development. Together with Workplace Learning Committees and Learning Agreements, where appropriate, these could also form a key part of any employer commitment to the pledge. They have been particularly emphasised as effective routes to improve training by employer organisations such as the Engineering Employers Federation and the CIPD” (paragraph 5.40).

2.54 While this certainly does not meet the TUC’s recommendation to provide a statutory underpinning for Learning Agreements and Workplace Learning Committees, it does nevertheless strongly endorse these collective arrangements for union learning reps and the potential for expanding the Collective Learning Funds model in the future. In addition, the review highlights that “trade unions are increasingly involved in the skills agenda and are playing a key role in engaging both adults and employers, especially in workplaces where learning opportunities may have been limited in the past” and that the recent launch of unionlearn will help drive forward the union role on skills.

2.55 However, as highlighted in the 2020 Vision for Skills report, there is a feeling that the Government is missing a trick by not considering further policy levers to maximise the collective role of union learning representatives in workplaces. The strength of this approach has been acknowledged by CIPD in its guide to how HR professionals should work in partnership with union learning representatives:

“Developing a partnership on learning will vary by organisation. The concept of partnership is based on working collaboratively and the development of trust. In this context the advantages of having a learning agreement becomes apparent. This enables both parties to formalise their commitment to learning and to make provisions to put this commitment into practice. It should also ensure regular communication. A learning agreement will work best when all parties know where the organisation is going, how it is trying to get there, and the learning implications of this.”<sup>10</sup>

2.56 Building the collective role of union learning reps would also go some way to addressing the need to tie skills initiatives in the workplace with other aspects of working life, in particular productive employment relations. Research by a number of influential academics, including Ewart Keep, has highlighted the inter-relationship between skills deficiencies and organisational deficiencies and that strategies to tackle the former cannot be undertaken in isolation from the latter. In addition, the TUC believes that the

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<sup>10</sup> CIPD (2004) *Trade Union Learning Representatives*, CIPD Change Agenda series

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Government's skills strategy needs to be linked to an active national industrial strategy that supports and directs the work undertaken by Regional Development Agencies. The importance of these relationships for ensuring that any improvement in skills has a significant impact on productivity in the coming years is persuasively set out in the most recent analysis by Ewart Keep and colleagues, who argue that "this gap in public policy is liable to prove costly, and to minimize the productive impact that publicly funded upskilling initiatives can have."<sup>11</sup>

## **LEARNERS AND QUALIFICATIONS**

2.57 The TUC has welcomed the broad thrust of the proposals in the final report of the Leitch Review designed to provide a "new offer to adults to help increase a culture of learning across the country, ensuring everyone gets the help they need to get on in life." In particular, the proposal to develop a new universal careers service and a free "Skills Health Check" for adults in England should go some way to tackling the current barriers in the system that prevent individuals from getting a quality assessment of their skill needs. Union learning representatives will be able to support individual employees to take advantage of this new system and also to help ensure that it is contextualised to the needs of the workplace.

### *Learner Accounts*

2.58 The TUC welcomed the announcement in the FE White Paper that a new system of learner accounts for adult learners would be introduced. It was also welcome that the White Paper acknowledged the important role that union learning representatives will play in engaging and supporting employees to access the new accounts. Individuals will require impartial advice in terms of accessing appropriate provision and assessing the financial implications for them personally. The proposal by Lord Leitch to significantly extend the remit of these accounts means that they will become the primary means of drawing down funding for individual participation in the learning and skills sector in the future. It is therefore imperative that they are directly linked to the new funding support systems that are being proposed for individuals who do not have a Level 2 qualification.

2.59 Unions will also be able to play a key role in promoting the introduction of learner accounts in the workplace through their negotiating role with employers, including levering in money from employers where this is possible. However, the TUC is concerned to ensure that deadweight is avoided and that the costs of job-specific training that must be the employer's responsibility is not transferred from the employer to the individual through inappropriate use of the accounts. Mindful of the previous problems with Individual Learning Accounts, the TUC strongly endorses the DfES view that it will be important to ensure that there is strong quality assurance of providers.

### *Qualifications*

2.60 The TUC has supported the Government's reform programme (Framework for Achievement) designed to make vocational qualifications for adults fit for purpose in the modern labour market. These proposals include dividing more qualifications into units and developing a national credit framework for adults with units of qualifications being assigned credit using a standard system. Acquiring bite-sized learning units incrementally is a process that particularly helps individuals who are coming back to learning for the first time since leaving school and union learning representatives will be able to use this new system to help many more employees acquire qualifications at a pace that suits their needs.

2.61 In recent years Sector Skills Councils have been playing an increasingly important role in the design and development of vocational qualifications in support of the Government's aim to make these qualifications more receptive to the needs of employers and the workforce in each sector. And Lord Leitch has recommended an intensification of this approach by giving Sector Skills Councils even greater control over the design and approval of vocational qualifications on the basis that this will give employers a much greater incentive to engage with these bodies. While the TUC supports the principle of giving the world of work a greater say in the design of qualification, the current make-up of Sector Skills Councils means that this function will largely meet the requirements of employers. It is therefore particularly important that the workforce, through increased trade union representation, is able to influence the new powers that Sector Skills Councils are to be given in this particular area.

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<sup>11</sup> Keep, E, Mayhew, K, and Payne, J (2006) "From Skills Revolution to Productivity Miracle: not as easy as it sounds?", *Oxford Review of Economic Policy*, vol.22, no.4

## APPRENTICESHIPS

2.62 The TUC has welcomed the proposal by Lord Leitch to double the number of apprenticeships to half a million by 2020 and also to extend this provision to more adult employees who are largely excluded from accessing this form of training. The Government is currently testing out adult apprenticeships but only on a very limited scale in spite of strong demand from both employers and employees. The increase in apprenticeships proposed by Lord Leitch will be a key element of the overall strategy to deliver more than a doubling of attainment at Level 3 by adults by 2020.

2.63 However, before embarking on this expansion of apprenticeships to increase work-based training opportunities for young people and adults, the TUC believes that it is imperative that a number of issues are addressed to ensure that the programme is fit for purpose. While many employers support high quality apprenticeships, this is currently not the universal experience for all participants on this training programme, with some apprentices receiving extremely low pay and inadequate training with a resulting detrimental impact upon completion rates. The TUC is recommending that there must be an increase in efforts to ensure that all apprenticeships are high quality and lead to good jobs and that the planned expansion is not fuelled by a significant increase in programme-led approaches involving individuals not having employed status.

2.64 It is also crucial that tackling equality and diversity is at the heart of the planned expansion in order to address the range of current barriers faced by women, black and minority ethnic people and other particular groups. This has many different facets, including under-representation in apprenticeships as a whole as well as in high status popular apprenticeships, a greater gender pay gap than in the workforce at large, lower employment outcomes on completion, and significant levels of stereotyping and occupational segregation. Many of these issues have also been highlighted by the Equal Opportunities Commission's General Formal Investigation into Occupational Segregation and Apprenticeships. In addition, the TUC has highlighted that there is a need for more support to be given to apprentices during their training from workplace mentors and that union learning representatives are often ideally placed to fulfil this role in unionised workplaces.

2.65 The TUC has recently made a detailed submission on apprenticeships to the House of Lords Economic Affairs Committee Inquiry into Employment and Training Opportunities for Low-Skilled Young People. This made a number of practical recommendations to tackle the issues highlighted above and a copy of this submission has also been made available to the members of the Education and Skills Select Committee.<sup>12</sup>

## CONCLUSION

2.66 There is much to welcome in the final report of the Leitch Review, in particular the scale of ambition that has been set out and the recognition that this has to be mapped against specific targets linked to accredited qualifications. The review also quite rightly recognises that there is a need to be specific about the necessary increase in investment in skills required of all parties in order to gauge what the respective contributions should be.

2.67 The review has also partly grasped the nettle on the regulation front by recognising that we cannot continue to bear the economic and social costs of the scourge of low skills in the UK. The commitment to introduce a statutory right to access workplace training is a significant measure, which if framed and implemented properly, will empower many employees to gain paid time off work in order to gain a Level 2 qualification. It will also incentivise all employers to train all their workers up to this skill level.

2.68 In relation to young people, the commitment to move to compulsory education and training up to the age of 18 and to expand Apprenticeships will do much to tackle the UK's dismal failure when it comes to post-16 staying on rates. There are also many other welcome recommendations in the report, such as the need to establish a new careers service for adults and to improve the financial support system for adults who are independently pursuing vocational qualifications.

2.69 However, the TUC also has some significant concerns, in particular relating to the emphasis on moving to a largely voluntary employer-led skills system which risks marginalizing the needs and aspirations of the workforce. The TUC will continue to argue for building a more inclusive approach underpinned by social partnership arrangements. Finally, there remains the major danger that the presumption in the review that employers will dramatically increase investment in employee skills once the system is made more employer-friendly may ultimately not materialise.

*January 2007*

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<sup>12</sup> Not printed

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### Memorandum submitted by Usdaw

1. This submission is based the experience of Usdaw, the Retail and Distributive Trade Union, and in particular the experience of Usdaw's Union Learning Reps. The submission opens with some background information about Usdaw's involvement with Skills and Learning. It then focuses on some concerns, and concludes with some suggestions for ways ahead.

#### BACKGROUND

2. Usdaw has over 500 trained Union Learning Reps working in wide range of companies (Tesco, Sainsbury's, The Co-op Group, IKEA, Northern Foods etc) in the retail, distribution and manufacturing sectors. Usdaw ULRs have encouraged over 20,000 members to return to some form of learning over the last eight years. This has involved job-related training, career development and personal development. This experience has given us a lot of understanding about the needs and barriers involved in the up skilling, and returning to learning, for shop floor staff who work in these sectors.

3. Usdaw learners tend to be people who have had little access to learning as an adult either through their employer or through the public education system. In one recent evaluation exercise in a major national company, half of Usdaw learners had either not engaged in learning since leaving school, and a similar proportion stated they had not received training from their employer.

4. It should be noted that many Usdaw members are the sole or main carer—either for children or elderly relatives- and so combine work with caring responsibilities. This makes for busy lives with little time for learning.

5. Usdaw members tend to work in jobs and/or sector where little training is required to perform the job, or employers are reluctant to provide off-the-job training. The Government's White Paper 21st Century Skills—Realising Our Potential highlighted "Wholesale and Retail" as a sector with "Low levels of training" and a "workforce poorly qualified". In addition pay levels tend to be low in relation to other sectors.

6. In particular, in the retail sector, about 2/3rds of all retail staff are employed by major multiple chains (supermarkets, department stores, clothing chains etc). These retail chains tend to have training systems for their shop floor staff that rely heavily on on-the-job methods of training, appraisals and supervision with very little engagement with qualifications, the NVQ, or National Literacy and Numeracy tests. Their systems have evolved to suit their circumstances—the nature of the work, their high turnover of staff (maybe 30–40% per annum—Skillsmart Retail 2004) etc. and their needs. The picture is of training which is to a large extent in-grained, and delivered in a mass and organised fashion. But it is training of a very particular type largely in-house, company controlled and predominately on-the-job.

7. Our experience has shown us that to re-engage Usdaw members (shop workers, fork lift truck drivers, shelf fillers, process workers) learning has to be made accessible (in terms of its location, the times it takes place and in its style of tuition) and affordable. Initially Learning needs to be through short courses, flexibly delivered.

#### THE CHALLENGE

8. Leitch has highlighted the Skills Challenge that we have in front of us. But this challenge is increased by the fact that 70% of the 2020 workforce are already in employment, and that one in six of those without Level 2, work in retailing. Unless the kind of people that Usdaw organises can be encouraged back into accredited training and learning, then as a country, we are unlikely to reach Leitch's targets.

#### UNINTENDED CONSEQUENCES

9. However, we have concerns that some elements of the new system, while delivering on some of the aims of the system, may have unintended consequences of frustrating other aims of the new system. Crucially these concerns focus on the role of the employer as gatekeeper to learning subsidised through Train to Gain, and the consequences of this.

10. Usdaw has encouraged and worked with a number of employers who have engaged with ETP/Train to Gain. We know that Train to Gain can work effectively in some situations with certain employers. However, we are aware that there are other employers who are not interested in engaging with ETP/Train to Gain. In fact, our experience and anecdotal evidence suggests that a clear majority of Usdaw members work for employers who will not engage with Train to Gain. Because the employer is the gatekeeper for the learning that is subsidised by Train to Gain, very large numbers of staff in the retail, distribution and manufacturing sector will face an insurmountable barrier to benefiting from this programme.

11. Similarly there are insurmountable barriers to them benefiting from the subsidised learning available under the Level 2 pledge. The regulations for the Level 2 pledge specify a minimum hours of direct contact learning. The level appears to vary slightly—but we can say it is set at approximately 16 hours per week. This is beyond what is possible for most people in work, and especially for people who combine work and

caring responsibilities. It may be possible for a few highly motivated learners—but this regulation will appear as an insurmountable barrier to most people in work contemplating returning to learning as an adult. This Level 2 pledge seems to be aimed at those out of work, rather than those in work in low waged jobs.

12. The combined impact of the role of employers acting as the gatekeepers for Train to Gain and the regulations for the Level 2 pledge mean that two of the main vehicles for subsidised learning will not be available for millions of the “working poor”. In addition, these policies are combined with a policy of making the fee element greater for provision for adults outside these two programmes. These policies combine to have the (unintended) consequence putting returning to learning further out of reach for many people in work on low wages.

13. Another piece of the jigsaw is Learner Accounts. Unfortunately their introduction at Level 3 means that this avenue to subsidised learning for the low paid is also closed. In the case of Usdaw, the Government’s hope that Union Learning Reps would be able to help guide people to use a Learning Account will not be fulfilled so long as the Accounts remain at Level 3.

14. The unintended consequence of putting purchasing power in the hands of the employer (through Train to Gain), is that where the employer doesn’t want to use that power (or only wants to use that power for a minority of say his more senior or admin staff), the Government’s laudable aims of lifting the skill level of those with skills under Level 2 will be frustrated.

#### CHECKS AND BALANCES

15. A further concern is that where subsidised learning through Train to Gain, the Level 2 pledge or even the new Accounts, the learner needs to be given the opportunity to make an informed choice. Currently one college in Manchester is offering a Retail Level 2 NVQ that, they boast, requires no off-the-job training and will only take the member of staff off the shop floor for a limited number of 15 min assessment sessions. It must be doubtful whether an NVQ of this type is a better way to spend your “Level 2 entitlement” than doing a number of other programmes.

16. Without checks and balances, it is inevitable that the strategy will risk great leakage of resources through “deadweight” funding (see the Public Accounts Committee Report on Year 1 of ETP), and individuals will lose valuable learning opportunities that would suit them as an individual by being mis-sold something else (This recalls the mis-selling of pensions in the eighties, and the ILA scandals of the nineties).

17. Usdaw ULRs have worked with providers and employers to develop innovative ways to make learning accessible and affordable for shop floor staff. In particular, we have:

- Reached voluntary agreements with some employers to set up Workplace Learning Funds (managed by a joint Workplace Learning Committee) which is then used to subsidise staff career and personal development.
- Tested the use of a Retail Learning Voucher as a means of supporting career and personal development for retail workers.

18. Some measures that may improve the situation would be:

- Where an employer is benefiting from a publicly funded scheme (ie Train to Gain), there should be an obligation on the employer to consult with trained staff representatives (for example Union Learning Reps). This should help make sure the public funding is used in a way that is beneficial for the company and the staff as a whole.
- That Union Learning Reps are involved with the new broker service from the first contact that broker has with that employer. The ULRs would then be able to encourage the widest engagement with Train to Gain possible.
- That where a sector does not engage with Train to Gain in a proportionate way, the funding that would have been used to support the initiative in that sector can be accessed/used to promote up skilling for workers in that sector in other ways, for example, a targeted Learning Account/Voucher, or supporting workplace Learning Funds with a tax incentive for the employer that contributes to the fund.

**Witnesses:** Ms Liz Smith, Director, Unionlearn, Ms Hayley Pickles, Usdaw Union Learning Rep, Tesco Scarborough, Ms Ellie Russell, Vice President, Further Education, National Union of Students, Mr Kenneth Aitchison, Prospect Union Learning Rep and Head of Professional Development, Institute of Field Archaeologists, and Mr Clinton Ritchie, Lewisham College, gave evidence.

**Q70 Chairman:** Can I welcome everyone to this session, including our first set of witnesses, Clinton Ritchie, Ellie Russell, Kenneth Aitchison, Liz Smith and Hayley Pickles. We are always very grateful for people who spend time and come and give evidence to us. This is a major inquiry into skills. We have been waiting for all these various organisations and committees to report on skills, not only the two stages of Leitch, but Foster before him, and many others, and we have decided we wanted to start drawing the threads together in an overall evaluation, and the Select Committee's role is particularly good for that. So, that is the process, but today is the first session. I am sorry there are so many of you, but there is over-enthusiasm of the team to try and get a very good range. As I said outside, this is going to be quite a punchy session to get us going, but I am going to rip across and give you a minute to say who you are and what you are doing in this training and skills game.

**Mr Ritchie:** I am Clinton Ritchie from Lewisham College and currently I am doing a degree in business information technology. I am also a student governor at Lewisham College and I spend quite a lot of time with the class rep system in terms of improving things and quality.

**Ms Russell:** I am Ellie Russell, I am Vice President of Further Education at NUS, I am just selected by our FE membership and before I took up this post I was studying for my A levels at Central Sussex College, which is near Brighton.

**Mr Aitchison:** I am Kenneth Aitchison, I work for the Institute of Field Archaeologists (which is the professional association for archaeologists), but I am also here representing Prospect, which is the union for professionals, as a union learning rep.

**Ms Smith:** I am Liz Smith, I am the Director of the TUC's Unionlearn, which is the organisation we have set up to establish the employee voice in learning and to support the growing network of union learning reps and, basically, make sure we play our part in the skills challenge.

**Q71 Chairman:** We had fun together over the Individual Learning Accounts, I remember, when you gave evidence to the Committee.

**Ms Smith:** Yes, we did.

**Ms Pickles:** I am Hayley Pickles. I work as a cook for Tesco in the canteen. I work part-time there and part-time on the same project at Scarborough, which is GMB, Unison and Usdaw, the first time the three unions have worked together on Lifelong Learning.

**Q72 Chairman:** It is a pleasure to have someone from Scarborough, and everywhere else! Can we get started. I am going to ask you the first question. The Chairman is the warm-up act, you see, and although we are not on main television, all our sessions are webcammed, so people do see this, but you do not have to be that nervous because it is not the full

Monty this morning. You are at the sharp end, either as people looking for training, having trained or undergoing training. We have just been given a diagram of how many organisations and bodies are involved in providing training in what region and, apparently, they have been busy working in the NAO and have spent three months tracking how many people are involved and have only just produced the first of five diagrams.<sup>1</sup> It is exceedingly complicated. Does it look complex to you when you are looking for education and training in your job? Let us start with Hayley. You are in Tesco in Scarborough. How easy is it for your colleagues to access training?

**Ms Pickles:** Without me they would not do it at all. I go in and I raise the awareness. Tesco provide adequate training for the job that you do. Other than that, there is nothing for people. In 18 months we have trained nearly 500 people in the Scarborough area who wanted to go on various courses, people who have got skill gaps, and especially women. Women tend to support their husbands through their career and they work their hours round the children, round their caring responsibilities for the family, the extended family, being parents, elderly relatives, their children, and they forget about themselves because that is their role. We are now seeing a lot of women who have never entered the classroom since leaving school having just two hours on a night once a week where they go and they are starting to learn. We have had a progression from last January where 12 of them started on a basic computer course, they finished that, they went on to CLAiT, they passed the CLAiT with diploma and now they are on CLAiT Plus, and these women could not even switch a computer on a year ago.

**Q73 Chairman:** Why do they do it? Do they do it because they get better pay or just because it makes them feel good?

**Ms Pickles:** We are finding that technology is coming into Tesco all the time, even if it is just a little handheld computer to move stock around the companies and things like that. People are frightened of new things. Quite often these women failed at school, and it takes a lot to go back in a classroom when you have failed at school and you are in your forties and fifties—you are frightened of failing again—but if we can get groups of people and work together (my store manager has said that he can see groups of people going to night classes together), it is better for morale, it is better for retention for the employer, and everybody is working more as a team. You are more inclined to say to a work colleague, "I did not hear what the tutor said. I missed that. Did you get it?" If somebody is a stranger in the class, you are not going to say, "I have missed that."

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**Q74 Chairman:** Liz, what about your experience?

**Ms Smith:** I agree. I think it is a complex world for ordinary workers to understand, and the information, advice and guidance strategy and the network of IAG has been patchy, and I think it is generally agreed that they have not cracked the link to the workplace. What we find, in answering the question, "How do people find their way round it?", is that people like Hayley and Kenneth build up a local source of knowledge, they get a partnership with providers and they help people navigate their way through the system. We are looking at ways of strengthening that, but, I think, if that layer in the workplace was not there, it would simply be the local provider, which means that that may be excellent or it may mean that they cannot influence what they need in the way that they need to, or the employer may have their own partnership which could have the same limitation. I think union learning reps navigating through that system have a difficult job, and I think the new strategy, which hopefully will be announced soon, might simplify that, but it has not worked very well in the workplace when these people have done it, if you like, as volunteers.

**Q75 Chairman:** Hayley did not mention that the incentive was to earn more pay. If people train, do you think one of the prime motivators is to get greater income?

**Ms Smith:** The surveys that we have done indicate that certainly the big driver is, as people would express it, to get on at work. That, obviously, does mean pay, but it does not just mean pay because we know that there are all kinds of other things about job satisfaction and flexibility, family friendly, et cetera, that impact. Pay is obviously an issue, but certainly at the beginning of the process it is unlikely to be the key issue. It will be about getting on, helping the kids, being able to play more of a role in what other organisations they might be involved in.

**Q76 Chairman:** Kenneth?

**Mr Aitchison:** I would agree with a lot of what Liz has just said. My members are looking at training in terms of continuing professional development. It is about keeping their skills up-to-date or developing new skills for new roles, and the routes into that learning are not clear—that is very confused—and some of the support networks that are out there, things like Next Steps, are not aimed at Level 3 and above learners, and so we have to rely on informal, peer networks of people who we know being able to pass on advice, and we are doing that through union learning reps, which is working well, but generally the situation is confused.

**Q77 Chairman:** You have not got a website that you key into for everything about archaeology, careers and continuous professional development. That does not exist at the moment?

**Mr Aitchison:** There is one in development, which my colleagues at the Council for British Archaeology are developing, but there is not yet a one-stop-shop for that kind of information.

**Q78 Chairman:** As someone who is just about to employ an archaeologist, I am very impressed. My colleagues would like to know that is to do with John Clare Cottage. Ellie Russell.

**Ms Russell:** Depending on where you live, there is obviously a huge choice of different providers and different courses and places that you can access to learn, but often our members tell us that there are factors that affect their choice and the appropriateness of their choice when they are looking to enter education, whether it is going from school into a provider, whether it is coming from being in the workplace, whether they are an adult returning to education. Part of that is information, advice and guidance—how easy it is to access the information that they want about the learning that they want to acquire—not just what is available. Often it is things like childcare, travel arrangements. All of those things factor in terms of how choice is enabled for people. Even if the provision is there, it is in the locality, it is readily available for people to take up, there are huge factors placed on learners that affect whether or not they are able to take that up and whether it is the appropriate choice for them.

**Q79 Chairman:** Clinton, what is your experience, not in the course you are doing now but what you did before?

**Mr Ritchie:** Before, I spent quite a lot of time in the Caribbean doing information technology and got my certification there. Coming here was quite interesting from an international student point of view because, again, I would say that the IAG was not that useful at all to me, for the simple reason that it was not flexible enough to be able to give me the type of advice that I wanted. I think the advice I needed was more from a tutor point of view instead of an organisation or a brokerage point of view, and that really helped between university and Lewisham College. So I would say that if we look at how flexible the system can be, which relates to what Kenneth and Ellie said, in terms of looking at wherever you are coming from and focusing on helping that person to become employable, I think then it would be more effective than how it actually is now.

**Q80 Chairman:** You ended up on the course you wanted to be on?

**Mr Ritchie:** Yes, I did. I had a very clear idea of where I wanted to go, but speaking directly to someone who has been through the system similar to what I am trying to go through was more helpful rather than going through a brokerage advisory system.

**Chairman:** Let us get started with the broader questions. Fiona, you are going to start us off.

**Q81 Fiona Mactaggart:** I am interested in what kind of switches people on to learning at work. Hayley, you gave us a bit of a hint about how women had not been learners and felt themselves as not learners, but what is it that turns people on to wanting to go back to learning? Is it the demands of the job, is it the

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demands of your family and does what switched them on affect how you show them the way into what they need to learn?

**Ms Pickles:** When I first told people about Lifelong Learning people were a bit sceptical: "I have got this far in life and I have managed to get by. Why do I need to learn now?" Once the first few people start learning and people are talking about it at work, I have found in the last year that if somebody, say, needs skills for life or to brush up on their skills for life, we need to coax them into learning with other things. Often people are more willing to, say, go to a cake icing class, or an iPod class, or things like that, and once they have got the confidence again to start learning what they really do need to learn, they are more inclined to say, "Actually, I do need some skills for life. I do need to brush my English up. I am having a few problems when I fill the logbook in at work." That is the way we coax people, if you like, and give them little taster sessions, but I do think going as a group is the key thing, going with another work colleague. What would be absolutely fabulous, and really not a great deal of expense to employers, is if they would do matched learning. If a member of staff said, "I really do need to brush up my English; I have got problems. If I put in two hours a week of my time, can you match that and give me two hours?" That is a very low-cost to the employer, and a lot of people are doing that. Some of the big companies in Scarborough (the Council, McCains) are doing that now because they see the benefit, it gives people more confidence. Employers have said to me that people are not leaving the company—because retention is the key thing in retail; it is just paramount—and what they are finding is that people are now going up the industrial ladder in store, the internal ladder. They are moving up and being team leaders now, and that kind of thing.

**Q82 Fiona Mactaggart:** The CLAiT course that you talked about, who started it? Was it you? Was it Tesco? Who was it?

**Ms Pickles:** I found an outside provider. I went to see Open Doors, which is adult education, and said, "I have 32 people on my books who want a basic computer course but cannot afford to pay." In retail the average wage is £10,000 a year, which is not a lot. There is no money left for learning. Even if there are two incomes, learning is not on your agenda when you have got to buy shoes and clothes, learning is not what you have got money spare for. I literally begged for free basic computer courses, and I have now had seven of them because they have seen the progression of people once they have started moving on.

**Q83 Fiona Mactaggart:** Who is funding it?

**Ms Pickles:** Adult education. She knocked £100 off for everybody, plus she lets them pay in instalments. Every month when they get paid I take the cheques round to her, because people cannot afford £90 out of their wages.

**Q84 Fiona Mactaggart:** So your workers are spending £90?

**Ms Pickles:** On a CLAiT course, which is still very good value, and the same for CLAiT Plus. We have also had 10 free customer service NVQs off Learn Direct, and the TUC have come over from Hull and put courses on for us, because we are 60 miles away from Hull, and they are quite good at coming over and putting courses on for free. "Free" is the key thing, I am afraid, for our members.

**Q85 Fiona Mactaggart:** If the Government put the funding of this sort of thing through employers, do you think Tesco would have done that?

**Ms Pickles:** I think they would, actually, yes, because in our store certainly they can see how people are coming on and progressing, and when jobs go up on the board, they are transferring jobs in the store. People who have been stuck in the same job maybe on the deli for 20 years suddenly think, "Well, actually, I feel I could go on stock control now and do jobs like that", because they have got that extra bit of confidence.

**Q86 Fiona Mactaggart:** Did you need to show them that, or did they know that before they started? I am sorry, I am picking on you, but I am interested in this.

**Ms Pickles:** No, I think sometimes we accept this as our lot in life. That was me until a few years ago when I became shop steward. I was a mum with five children and quite happy to support my husband and the kids going to uni and everything and I was just the mum, and now I see things so differently because that door has been opened to me. So, they have shown me there is something different and I have stepped into a different life now and seen that actually I do not have to stop learning, learning is for the rest of my life if I want it to be.

**Q87 Fiona Mactaggart:** You have given me a really good question. What for you opened the door?

**Ms Pickles:** The Christmas Day Bill actually. Somebody said, "They want us to open on Christmas Day", and I was outraged. I rang my union and asked what I could do as a lay member to get involved, and they said, "Become a shop steward." So I did, and I have never looked back.

**Q88 Fiona Mactaggart:** Liz, tell me about opening the doors for people. I think this is a key thing that we need to get to. One of the things that the TUC evidence says is that the lower skill levels are least likely to receive any workplace learning. From what Hayley says, it is also true that people at the lower skill levels are least likely to be pushing at the door, so they need them thrown open, whether it is by the Christmas Day Trading Bill, or whatever. What is pushing doors open for people?

**Ms Smith:** There are two or three points. I think at the heart of it, like many things that are complicated it is quite a simple message, which is: like recruits like. So people like Hayley up and down the country in their context are role models for other people. I think the way you get 500 learners in a year of people who have not done anything before is because they see their mates and that, within the context of the

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union learning rep structure, means it is not just their mates, it is their mates that have got a job that means that they can persuade employers to open doors to give bits of time and that they can persuade providers to do things, as Hayley did, that are around their hours. So I think how you hook people is through this sort of peer group approach, but certainly our experience is that the lowest paid people who have had the least skills before need the biggest assistance. In a context like Tesco, which is obviously a big company and a good company, still union learning reps really only have the powers of persuasion to get the company on board, and an awful lot happens around the edges; so Opening Doors and also things like employers being incentivised to get engaged with training. For example the new Train to Gain offer, which has got all sorts of issues, is a way in which employers can be encouraged to open the door. I think learners like the support of their peer group, they like to hear employers say, "We think it is a good thing if you train." They do not necessarily need the employers always to do it for them, but they want to feel it is something positive, and then they want to achieve something at the end of it, which could be some kind of accreditation or certification that opens other doors; but I think it is the structural problems which mean that people cannot get time off, they cannot get access to provision and then there are the confidence, inspiration things, which I think very much come from the workforce itself.

**Q89 Fiona Mactaggart:** Kenneth, your members are people who have been through some of the learning doors before?

**Mr Aitchison:** Yes.

**Q90 Fiona Mactaggart:** But who then might need more clarity about where to go to next.

**Mr Aitchison:** Yes, I think so. In the cultural sector in general, it is normally graduate entry. Ninety per cent of archaeologists have a degree and 97% of archaeologists aged in their twenties have a degree. These are people who already have a good, positive attitude to learning having been through this. They have come out with good academic knowledge and understanding but not necessarily the skills to do the job, and that is the one big area that we want to help people develop and we want to work with employers to help develop those kinds of learning opportunities. We have developed a new NVQ in archaeological practice, which will be developed with the Sector Skills Council. It is exactly fit for purpose, but the problem is we cannot attract funding to get people to go to take that Level 3 or Level 4 qualification.

**Q91 Fiona Mactaggart:** So it is money rather than understanding.

**Mr Aitchison:** Money is the problem, because archaeology is primarily a private sector enterprise. It does not have a lot of money in it. *The Times* published a little study that suggested archaeology graduates were the least well paid in 48 different subjects, and it is dominated by micro-businesses.

There are typically only six or eight people working for any company, so there is not the slack to let someone go off on day release for the company to keep working and there are not the funds coming in to help support people in doing that.

**Chairman:** I want to bring David in, but Helen has a quick supplementary to Hayley.

**Q92 Helen Jones:** You may think you are getting all the questions, Hayley, but we are interested in what happens on the ground. You said that you got motivated and you went off and set this all up. Who supported you in doing that? Most of it seems to be down to you going round and finding the courses. Where did you get the support and information you needed to put all that into place?

**Ms Pickles:** My union, Usdaw, have already been the forefront runners really with the Union, Return to Learn and everything, and I have a project manager who looks after me and we have quite a good network. What I probably did not say is that I do not just look after people in Tesco, I go round 16 shops in Scarborough; some have got canteen facilities; some have got little more than a broom cupboard. People, obviously, in those situations cannot do learning there, and so what I have to do is get in touch with all the providers in my area, find them all, find what courses they are putting on and I have to repeatedly go back, survey the members of staff. Also I work in a regeneration area, so I work with the community as well, and then I have to do sheets: what do they want to learn, when do they want to learn it and how do they want to learn it? I have to collate all that information, and it takes quite a bit of time, and then go and find the providers for best value.

**Q93 Helen Jones:** That is a lot of work for a volunteer?

**Ms Pickles:** It is a lot of work.

**Q94 Mr Chaytor:** Could I ask Ellie about advice and guidance. What is your impression of the availability of advice and guidance for young workers and for students in FE colleges?

**Ms Russell:** I think, again, it depends what type of provider you are going to and what sort of course you want to do. If you already have in mind clearly what you want to go on to do—you know you want to do A levels or something like that—there is probably quite a lot of guidance available to you, but often our members report to us that when they are having to make a crucial choice at 16 about where they want to study and what they want to study they need to know vital things like, "What is the benefit of me going into a provider when I could go into work? Why should I not get a job and get on to the job ladder? What is the point of me continuing my learning?" They want to know what the environment is going to be like in their provider. They want to know whether they are going to be treated differently from when they were at school. Are they going to be treated like an adult? Are they going to have flexibility in their courses? It is all of those kinds of things. It is a very varied picture and,

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as someone was saying earlier, quite patchy in some places, but I think that is why we welcome the reforms that are happening to the 14–16 IAG, because with the introduction of 14–19 Diplomas and things like that students want to have a wide range of accessible information so that they can make appropriate choices at 14 and then at 16. That is the trouble sometimes, that once you get to the learning providers there are too many people, and our members often report to us that they wish they had chosen a different course or gone to a different provider, and that is the kind of thing you want to stop. You want people to be satisfied and to make the appropriate choices before they enter the system.

**Q95 Mr Chaytor:** Whose advice are they taking at the moment? Do you think that the majority of 16, 18 and 19 year-olds listen more to their parents, or to their tutors, or to their peer group? There is not a unified comprehensive national advice service in every town in the country, and so who do people listen to?

**Ms Russell:** Again, it really does vary. For some people it is there but their parents have a huge influence. They will go along with them and visit different providers, and things like that. Your peer group is quite an important aspect, because you want to continue those social networks when you go on, and things like that as well, but I really think it depends on the type of provision that you are looking to enter into. If you are looking to go into a college, the likelihood is your parents, and if you want to go on to study an academic course, that a lot of your peer group, your parents, and stuff like that, that is an easy transition to make from a school environment. If you want to go into a web-based learning place or a private training provider, you want to do some work and then some learning, your choices are going to be very different and the type of information you want is going to be very different as well.

**Q96 Mr Chaytor:** Clinton, you said you would have preferred more advice from your tutor than from some independent advice service. How did you find negotiating your way round the system? Given that you are doing a degree in IT, would a website have been the most useful thing that you could log on to and find out what is available?

**Mr Ritchie:** I must say, having quite a lot of experience already with even building websites myself and doing a lot of stuff, I know how they operate. When I look for certain specific things and they are not there, then it does not make sense. If a lot of information is in front of me and it is not properly presented, then it does not make sense for me to even look at it at all, because that is too much work coming from a student point of view. I found it quite easy just to talk with the person who is actually going to teach me and who has also been through that channel before. Can I say this, quickly. Dealing with over 14,000 students at the college as student governor—a lot of them are between the ages of 14–19-years-old—I must say that listening to their views it gives you a very wide range of how they

access that, and it depends, again, on their situation. Some of them may access it because of being an offender, some of them may access it because they are just coming out of school; it depends on their situation. I have been getting feedback from some of them, and just yesterday I was in a meeting with quite a few of them and we had two scenarios. The first scenario dealt with two new students who came in two weeks ago. One came in through a peer, his sister, and then when he came in he came to the college and he got very good advice. We have a very good structure. The other one came in from the fact that his parents played a very strong role. He came through Connexions, he came through the college, and Connexions was not that helpful to him because he had a question mark on his profile as a young person/offender, but he could still fit in because of how we assessed him. He was able to be given that opportunity. The other end of the stick was someone who was at the college 20 years ago who came back because he wanted to retrain, and the question was asked: why did he choose the college? He said he thought the college was the best college, but then specifically zeroing in on the guy we said to him, “What specifically about what you want to do made you choose to come back here?” He said he researched what he wanted to do specifically and he found that Lewisham College was the best college to come to, but when he came in the advice and guidance he was given by the college and, again, by the tutor who will be teaching the course was more useful than going to tons of other websites that could offer that.

**Q97 Mr Chaytor:** The advice is provided by the college?

**Mr Ritchie:** Yes.

**Q98 Mr Chaytor:** Or the school?

**Mr Ritchie:** Yes.

**Q99 Mr Chaytor:** Or the company?

**Mr Ritchie:** Yes.

**Q100 Mr Chaytor:** The advice is likely to be that it is in the best interests of the student or the worker to stay at that school, that college or do what the company wants. So my question is: is there not a value in having an advice and guidance service completely separate from schools, colleges and individual companies to give objective advice to the young worker or the student?

**Mr Ritchie:** It could only be effective if it is strongly networked, and the information is quite authoritative coming from the relevant main parties, i.e. the schools or the colleges; otherwise, if it is a bit disjointed, then they cannot communicate because of that.

**Q101 Mr Marsden:** Liz, I would like to ask you about availability of appropriate provision and onsite learning. Let me begin with an example. In my own constituency in Blackpool I have a biscuit factory, which has an onsite learning facility which has been put together by the Baker's Union, the

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factory and, indeed, the TUC, and that seems to work very well, particularly for women and particularly the group that Ellie has mentioned. How common is that countrywide? Is it an important contribution to training and learning?

**Ms Smith:** It is a very important contribution. There are certainly well over 100 centres like that that we work with. It is an important contribution because it is, for many people, convenient, it gets round a lot of the problems, the domestic issues, it means that often the providers, because they are providing in bulk, are going to be able to reduce costs, it means people can learn together, but it usually means, certainly in that centre, which I know (and I know some others in Blackpool too), you have got learning reps who are volunteering to make it work; so it is kind of meeting the needs of the workforce as well as the needs of employers. Of course you cannot have that everywhere, because there are not facilities everywhere and there are different variations, but we think workplace centres are very good.

**Q102 Mr Marsden:** That brings me on to my second question. You are absolutely right, and, of course, in SMEs, for example, that is often very difficult to arrange, and certainly in Hayley's broom cupboard, as it were, but there is another alternative, which is the use of existing facilities in communities, particularly perhaps estates, community centres, that sort of thing. What is your experience as to how widely they are used and, perhaps more importantly, what is your experience of the attitude towards colleges particularly (I am not just talking about providers, I am talking very specifically about FE colleges and the LSC) in encouraging that sort of learning?

**Ms Smith:** We find, generally, that unless there is a common venue that is used in the community which everybody knows about, it would be usually the union learning reps who would have to ferret that information out. Obviously from a college's point of view, we have got excellent relationships with lots of providers, it is often going to be easier to have the learning on site and also it is easier and better in terms of facilities. Also it is often more appropriate for the learners too. They actually may like to be offsite, but I would say that there is probably an under exploitation of resources that are out there that could be used.

**Q103 Mr Marsden:** What role does the LSC play in this? Are they out there sort of chivvying colleges, saying, "You have got to be a bit more responsive to people's work patterns and particularly women"? Again, to take a personal example, on one of my estates there are lots of women holding down two or three part-time jobs. They simply physically have not got the time necessarily to get to the nearest FE college.

**Ms Smith:** I think that is amongst the messages that LSCs give. They do have an interest in getting learning out to where people are, but I think often (and I guess this is the sort of demand-led issue) it does need the learners and the groups of learners or

the employer to make that push as well. I think, taking learning outside of the institution, there is still lots of scope for that developing further.

**Q104 Mr Marsden:** Can I come back to you, Hayley, quickly. Again, you rightly told us that you were not just doing this job in Tesco, you were doing it all over the shop. In terms of the questions that I have just asked, what is your experience in Scarborough about how good employers are, or indeed the LSC, for that matter, in terms of getting that sort of onsite provision?

**Ms Pickles:** We have got McCains, the chip people, and we have got the council. They obviously have learning suites, which is fantastic for their employers, and they have matched learning for them, and they actually fund quite a lot of the learning, which would be a dream for me. The big four supermarkets could find somewhere small to have a few computers, but Tesco do not even have the Internet in stores.

**Q105 Mr Marsden:** Really?

**Ms Pickles:** No.

**Q106 Mr Marsden:** Is that because of concerns about inappropriate usage, or what?

**Ms Pickles:** No, everything is done on a host in-store through internal mail, so we do not even have that facility, which you would expect to have, would you not, in this day and age? Of course, as you can imagine, every square inch of a shop is used for beans or something, so they would be very reluctant, I think, to give us learning suites.

**Q107 Mr Marsden:** Can I finally come to you, Kenneth, and talk about your particular position? I do not know about broom cupboards, and I suppose archaeological sites are not necessarily the best places to do onsite learning, but what about online learning? How appropriate is that and how appropriately developed is it?

**Mr Aitchison:** It could be very appropriate. A lot of people are on site some of the time, quite a lot of the time, and so, yes, it is not universally accessible, but the way that we have designed our NVQ is so that people can present all their evidence entirely online; and so to link that evidence gathering to learning experiences online would be entirely appropriate, but we are not quite at the stage of doing it yet.

**Q108 Mr Marsden:** Finally on that, you said in your opening evidence that you are mindful that a lot of archaeology is micro-businesses, it is highly dependent still, I think, on PPG16 and related things. To what extent should either government or, for that matter, the people who sign you up under PPG16 actually be putting a sum of money aside as part of that agreement for the sort of CPD that you are talking about?

**Mr Aitchison:** It would be fantastic if there could be a system like that, if this could feed into the re-writing of PPG16, which is on-going at present. The construction industry has a levy that goes into

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paying for training. If archaeology was able to get something similar, it would be fabulous for the sector.

**Q109 Stephen Williams:** Let us look at some of the barriers that might prevent people from accessing learning. Could I start off with Hayley? You mentioned earlier that for many of your members the fact they have got complicated home lives, little income, leaves little room for taking part in courses. In the written evidence it mentions that many Usdaw members are also the main carer at home, more concerned about giving the kids their tea or making them do their home work. Despite your best endeavours, are there many people missing out on training?

**Ms Pickles:** Yes, I think there are. We have just really touched the iceberg in the last just over a year. There are a lot of people who may have a computer at home that the kids use, but this is where Learn Direct has been useful. We have got people onto the Learn Direct course, because you could often find an hour an evening just to sit and do your course work online. Where you have not got a babysitter or anyone to care for the children, you cannot go out to a course, so that is where online learning has been very useful.

**Q110 Stephen Williams:** Are most of your members likely to have a computer at home?

**Ms Pickles:** Surprisingly, yes, a lot of them do.

**Q111 Stephen Williams:** So that is one way of overcoming any obstacles?

**Ms Pickles:** Yes. Tesco did have a scheme whereby you could buy computers, and that is how they have all got them. You pay so much a month for three years.

**Q112 Stephen Williams:** Perhaps I could put this to Liz from the TUC. How much do you think the design of the courses or where they are taken is a barrier for people accessing learning and how much of it is aspiration? Perhaps they are not ambitious or their family background means that their parents were not ambitious.

**Ms Smith:** Our experience is that it rarely is that people have got poverty of aspiration once they have had that initial step. We have not found, and I say this through our network of 15,000 union reps, that individual interest or getting people on board is the problem, but it was flagged up to us it might be people are not interested in learning. We have not found that at all. We have found that when learning reps get involved people are definitely interested. There can be a barrier of appropriateness of provision. Finding the right provision in the right place, getting the time and that learning being affordable are all components of what could be barriers to learning, but if you can get those ducks in a row it is very rare that it is the individual who says, "It is not for me", once they have got over that initial confidence hurdle that we have heard about.

**Q113 Stephen Williams:** But they do need help getting over that initial confidence hurdle?

**Ms Smith:** Absolutely. Not everybody does, but most people do, I think, from my experience.

**Q114 Stephen Williams:** Do you think there are any groups at the moment who are missing out on training?

**Ms Smith:** I think there are groups in that long tail of companies who do not train at all, who most certainly are missing out.

**Q115 Stephen Williams:** So that is the employer's fault?

**Ms Smith:** Yes, in the sense that the employer does not provide training, certainly it is, and then in certain sectors of the economy it is much harder to access training. The more vulnerable the worker, and particularly where they are not in a union, the more difficult it is for them to access training. So there are huge untapped groups who do not have the benefits of people like Hayley and Kenneth.

**Q116 Stephen Williams:** Chairman, Kenneth mentioned the Construction Industry Levy. I issued a Statutory Instrument for that at a very exciting meeting yesterday afternoon, and it struck me at the time that is something that could be a model for identifying the weaknesses of the Leitch Report. It is voluntary on employers. Would the TUC say that really there ought to be a little bit more compulsion on employers to offer training? Presumably you would.

**Ms Smith:** We would. We have got a few straightforward things we think would help. One would be an entitlement to some time off to train, because if people cannot get access to some time often it is very difficult. We do think that within sectors levies can be part of the solution. Also strengthening of union learning reps' rights to enter into agreements with employers, because where that happens what that will do is lever in money from the employer and often lever in time, and sometimes money, from the individual, but there is not any right to have that learning agreement, it is simply voluntary, and so that is another area we would certainly like to see strengthened. Thanks for giving me the opportunity to say that.

**Q117 Stephen Williams:** My final question to both the union reps. When you have got people to take part in this training, whether it is in Tesco or elsewhere, are you confident that the employer actually then makes good use of it, people who have had this training feel, "I am now better at my job. I have been promoted, got more pay", or whatever, or are they just more self-fulfilled?

**Ms Pickles:** I have been in the role just over a year and I have got a very good store manager, which apparently is quite rare.

**Q118 Mr Marsden:** I hope he is not promoted!

**Ms Pickles:** Yes. He is young, he is keen and you can see what the future is going to be for technology coming in. When I first started there everything was

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done with pen and paper, and it is not like that now. It is all done on internal computers and things, albeit handheld, I think he can see that people are altering, and we have also got apprenticeships starting in Tesco, which is a new thing this year. So all this is coming together at just the right time really, and we are progressing, and these people have been identified as people who have put in for the apprenticeship. They have been on learning courses, then they have put in for the apprenticeships and it is working both ways now, because he is seeing we have got somebody on options who wanted to be a manager and he has got a few skill gaps, "I have been told to come and speak to you." So we are getting this partnership between us now, which is working really well.

**Mr Aitchison:** In my sector I think we are moving away from a kind of ad hoc approach, where it was Buggins' turn for who got sent on a training course, towards actually having training plans and working out with their employees who is appropriate to be trained and then evaluating that training afterwards and its effect on business. That is beginning to happen. We are moving towards that.

**Q119 Chairman:** Liz, in answer to one of the earlier questions it seemed as though you were saying the resources are out there. The question I want to ask you is who best should energise those resources? If it is a perfect world, in Hayley's situation should not the local college have been into the store and said, "Look, we have training down the road. Why are you not doing it?" I do not want you to be redundant in your role, but the private providers in Scarborough, or in Hull, or wherever, why are people sitting there wanting training, as Hayley and you have both said? When approached with the opportunity, why is there not an energiser in there that gets in and does this apart from yourselves?

**Ms Smith:** I think there is, and it is not the same everywhere. Certainly in our experience over recent years the FE sector has become much more proactive in terms of making those links, getting out and about, pulling people in, being flexible, and we have got lots of very good examples of that. In some parts of the country it is harder than in others. I think there are the providers, the employers, the workforce, the workforce reps who are all part of the picture, and I do not think that any one alone can be the full story. I would certainly say that colleagues in the FE sector as well as private providers have become much more proactive and flexible over the last period and continue to do so. We have got some very strong relationships and very proactive providers.

**Q120 Jeff Ennis:** Carrying on this theme to some extent, Chairman, to begin with, it appears to me that union learning reps have been an outstanding success. They are obviously a fairly new initiative, shall we say. They have only really flourished under the current Government. They are getting to students that other schemes did not get to, shall we say. That has quite clearly been the evidence. You actually partly answered this question, Liz, earlier

on. It is really defining if union learning reps have reached their zenith in terms of getting to future students who may not want to be going down the education or skills route. I think you mentioned that we need to strengthen the union learning reps' rights even more than they are at the present time, Liz. Are there any other things that the Government ought to be promoting to build on the success story that union learning reps are? This question is really pitched at all three union reps.

**Ms Smith:** From our point of view, we think this is a story that is in its very early days and that there is huge scope. We have got the target of 22,000 by 2010, but we would hope that would be, again, just a small proportion of where we would go. A way in which union learning reps from our perspective could be supported, of course, is a strengthening of their rights, but also a strengthening and an understanding of what unions are doing in this whole world of learning and skills in being the voice of the employee; so we would like that strengthened in any event through things like sector skills councils. We think in a demand-led system employers are very important, absolutely, although they will tend, obviously, to speak for their particular interests unless you can get them in the context of a sector where they take a shared interest, but the voice of the individual does not match up really, because individual's voices and individual's entitlements only tend to mean something if they are backed up by somebody else. So strengthening and acknowledging the union as the voice of the employee and that we take responsibilities as well as rights very seriously would help us along with particularly the rights around learning agreements. Going back to an earlier question, which I think is very important, this question of how you use skills, it is no good having a great stack of skills in a workplace if the employer does not utilise them properly, and that is another reason why we think things like learning agreements can be so important, because that is where the employer and the union can discuss how to use those skills. It is happening informally, as Hayley has demonstrated in Tesco, but if you have more recognition that the utilisation of skills is something for the employee and the employer, I think that is very important, and then you are going to get value for the public investment if it affects the way business is carried out and services are delivered.

**Q121 Jeff Ennis:** Kenneth, is there anything you want to comment on?

**Mr Aitchison:** Very quickly, about the whole idea of union reps. It has been such a positive development and is still far from its zenith. It is still on an upward curve. It has breathed new life into union membership. The people who are being union reps, like me—I am a new activist. I was never a shop steward or health and safety rep, but these are the kinds of people who are joining unions and now seeing the union as something that helps to co-operate with your employer. It is not about

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confrontation, it is about helping the whole business, the employer and the employees, work together.

**Q122 Jeff Ennis:** The next question is directed to the users, as it were, Ellie and Clinton. Can we have a system of skills training that serves the individual's needs and the employer's need equally well, and is that how the system is operating at the present time in your opinion?

**Ms Russell:** I do not think it is necessarily operating in that way at the moment, although it is in some places. The positive thing about a demand-led system is that you would hopefully get both the learners needs and the employer's needs coming together. I think more potential needs to be done to bring together the voice of learners and employers directly so they have a dialogue together understanding the perspectives and where they come from; but sometimes the point of a demand-led system in terms of learners is that they want influence from employers, they want to know what is going to make them employable, what skills they need to elevate them into the work force, to get them through the labour market, but they want to influence the quality of the provision and how it is delivered—so how they learn, what the college environment or the provider's environment is like around them—and there are real opportunities as we move forward to a demand-led system to make sure that every learner, whether they operate in sector skills councils, whether they operate in a college, has some kind of influence and direction before they enter the system over the type of learning they are going to get and what their experience is like as they go through their learning.

**Q123 Jeff Ennis:** Have you got anything to add to that, Clinton?

**Mr Ritchie:** Yes. I think we discussed in our college, dealing with the employer side of it, transferring what you have in a business guarantee, which is a customer service type thing, to the education system, which would probably help boost the relationship between the employer and the facility, such as the colleges, and then at the same time, while you are building that relationship, using that system, focusing a lot more (which we are doing) on the induction process and the advice that we give before the student makes that decision to come in and continue learning throughout the system. At the same time, while you are building that relationship and using that system, you can focus a lot more on the induction process, and that is what we are doing, and the advice that we give before students make the decision to come in and continue learning throughout the system, and connect the two at some point in time.

**Q124 Chairman:** When somebody is modern and younger and all into computers, and people's time is expensive, why cannot your generation do it all using a computer? If it is a good system and there is

good knowledge, is it not better to have a universal system that gives you good information that is reliable?

**Mr Ritchie:** Yes, I would agree with you but then again you still have to be able to communicate at different levels. Although it might be wise to do exactly what you say, yes, on a large scale, at the same time you also have to deal with people who are not yet at that level who can act on the information and deal with it at that level.

**Q125 Jeff Ennis:** This question is directed to Ken Aitchison. The Government is piloting these new learner accounts primarily preached at Level 3 courses, *et cetera*, which is more appropriate to your type of role, Ken. Have you any experience of those and are they going to be fit for purpose?

**Mr Aitchison:** My direct experience with them is pretty limited. It is just what I read and learn about them. Yes, I think they are going to be almost exactly the kind of thing that we need that shows where the learning account becomes a learning agreement, whereby it is the individual and the employer and the Government all contributing to take that person and that business forward. I think they are exactly that.

**Q126 Jeff Ennis:** The other big scheme that the Government has going is Train to Gain which was piloted in the employer training pilot. Are they going to fit the bill in terms of the employer and the trainee?

**Ms Smith:** They are a good and ambitious set of ideas. There is a number of things to watch, though. One is that the brokerage, which is at the heart of it and should be about brokers bringing together employers and union people where they are there to look at the workforce development in that organisation, does not simply become brokers going out selling free training to meet targets. That would be a problem. Secondly, there is an issue about the Level 2 entitlement for people who have either old, out-of-date qualifications or qualifications in another area, which means they may not be able to access that free training. Third, and this is a big point with retail, if employers do not engage with Train to Gain, if they do not want to become involved in it, it leaves that individual again going for their individual entitlement, if you like, to a Level 2, which, as Hayley has demonstrated, is very difficult to do in terms of time, support, *et cetera*. I do hope that the part of Leitch that is the employer's pledge which looks at statutory intervention in 2010 if employers do not become involved is something that is really taken forward. Our experience so far is that there are quite a lot of employers who will not want to become involved and that leaves their workers very vulnerable.

**Q127 Jeff Ennis:** So it is going to be more effective in some sectors than in others?

**Ms Smith:** Yes.

**Q128 Mr Marsden:** Liz, on this issue, Usdaw have said that a condition of employers being in Train to Gain is that they should have consultations with

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trained staff representatives about how it is going to work. Is this something you raised directly with DfES and what has their attitude been towards that?

**Ms Smith:** Yes. We have particularly worked with the LSC. We have a protocol with the LSC which says that where a broker comes into a workplace, good practice should be that they meet the union and the union becomes involved at the earliest stage. That is now reflected in regional protocols. If you try to carve the union out—

**Q129 Mr Marsden:** Has this been raised with DfES?

**Ms Smith:** Yes, and they are sympathetic with union engagement.

**Q130 Chairman:** Liz, you have not said anything about training and bringing back training accounts. What is your view on that?

**Ms Smith:** We are very interested in that. It is obviously at a very early stage, so there are a lot of unknowns. We have already raised with DfES that, as in the case of individual learning accounts, which I know are a different beast, we would like, at an early stage, models tested which enable people within workplaces to bring together their learner accounts within the context of a collective fund between the employer and the union, so that you are building in some support and protection for people in terms of getting the best deal. We are very interested in it but we do want to see that it is not just about individual learners only being able to take off this bag of money or whatever. We want to look at collective approaches, too.

**Q131 Chairman:** There is a real question of deadweight. Look at you two. You are in the retail business. Hayley works for one of the largest companies in this country and one of the most profitable, one that hoovers up money and pays, as Hayley has said, not much more than the minimum

wage; I think Hayley said £10,000 a year. Why should the British taxpayer subsidise Tesco to do training?

**Ms Smith:** The Government should look at ways in which Tesco has to contribute more to training than it does. If you are talking about deadweight, which I think is a big issue, the best way you can avoid deadweight is to take an organisation that may have been providing their own equivalent of Level 2 training and give it to them free, so that they get it free and therefore they do not have to pay for it. Within the context of a learning agreement or a collective learning fund, what the union can do is work with the employer to ensure that that resource is invested in other areas of training that do not attract a public subsidy.

**Q132 Chairman:** Your record of the retail sector—and I am not picking on Tesco as this is right across the board—does not fill you with great hope and expectation that suddenly the big retailers and distributors are going to start (a) paying a living wage and (b) giving training. Is there any hope of that?

**Ms Smith:** I think the points that we have made earlier about time off to train, looking at statutory mechanisms, looking at strengthening reps' rights, *et cetera*, would go some way to do that, and obviously the other things about making the supply side more tailored to employers' needs, but we can only do what we are able to do through our powers of persuasion.

**Chairman:** We will be inviting Sir Terence Leahy to come to this Committee. We will talk to him about his training record and that of his company and perhaps some of the other retailers and employers as well. It has been a fast session because we have so many good witnesses. Please remain in contact with this Committee. If you feel frustrated, you can get your twopen'orth. Write to us, e-mail us, get in touch with us. We want a continual relationship over a period when we are looking at this very important subject of skills. Thank you again.

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#### Memorandum submitted by the Association of Accounting Technicians (AAT)

##### SUMMARY

1. The Association of Accounting Technicians is pleased to have the opportunity to give evidence to this inquiry. As a large specialist membership and awarding body we bring a particular perspective to the debate around post-16 skills training.

2. We have set out our evidence under the headings used in the call for evidence. The key messages that we want to put before the Committee are:

- Post-16 skills policy must be inclusive of all age groups.
- The most important measurement of success for skills strategy should not be a qualification numbers game, but the impact on individual, organisational and national productivity.
- Sector Skills Councils do not adequately represent cross-sectoral skills such as accountancy.
- Progression to higher-level skills must be given equal priority and will be at risk if colleges are not supported to develop the culture and commercial skills to market fee-based Level 4 provision.
- Bureaucracy should be minimised to allow strong partnerships between employers, providers and awarding bodies as the most effective way of ensuring the relevance of provision.

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- The skills based element of apprenticeships should be covered by any relevant competence based qualification, not just an NVQ.
  - The QCF is not the best way to rationalise qualifications. A genuine demand led market would ensure that only robust, relevant qualifications flourish.

#### ABOUT THE AAT

3. The AAT (Association of Accounting Technicians) is the only UK-based professional body dedicated to the education, training, development and support of accounting technicians. The AAT's qualification and membership develop relevant and practical accounting and finance skills for life. The AAT has a total membership of over 110,000, including student, full and fellow members.

4. The AAT provides an innovative competence-based accounting qualification based on national occupational standards for accounting. The qualification has been designed to improve the employability of AAT members and to support the efforts of employers to raise the standards of performance in the workplace.

5. There are two pathways to the AAT Accounting Qualification: the NVQ/SVQ pathway and the Diploma pathway. Both lead to the same outcome: competent accounting technicians. The difference lies largely in the assessment methodology as the NVQ/SVQ pathway is most suitable for students working in accountancy who can produce work place evidence and the Diploma pathway is more suitable for those who, for various reasons, are not able to produce work place evidence. Both pathways test competence. The Diploma pathway includes a new unit on professional ethics.

6. Both qualification pathways are organised into three levels of competence up to Level 4. The qualification offers total flexibility and choice. The three levels of the qualification (for both pathways) are externally accredited by the UK regulatory agencies: the Qualifications and Curriculum Authority (QCA) and the Scottish Qualifications Authority (SQA). The AAT will be awarding its 250,000th NVQ/SVQ in spring 2007.

7. The AAT is also supporting the Government's drive to widen the choice and take-up of vocational qualifications in the 14–16 curriculum with "AAT in Schools". In this initiative, the AAT facilitates partnerships between centres already offering the AAT qualification to adults and schools wishing to expand their package of options for 14–16-year-olds. For the first time, this age group has access to a well-established progression route leading all the way to the chartered accountancy qualifications.

#### CONTEXT

8. The AAT acknowledges the overall skills shortages in the UK that are identified in the Leitch report. In our own field there are some 500,000 people undertaking accounting technician roles of whom less than 30% have advanced technical qualifications. In terms of demographics the AAT is concerned that Government policy and funding remains focused on the younger age groups. The AAT's qualification for example has proved very popular with mature people seeking an opportunity for retraining or when returning to the workplace after a period of absence. With the increasing need for us all to work to a greater age and the requirement for all ages to contribute to the economy, it is vital that the needs of all generations to acquire skills are addressed.

9. The AAT believes that the measures currently used to judge the success of skills strategy tend to be too orientated towards a qualifications numbers game. It is our view that to really understand whether the strategy is working; on an individual level, organisations need to have effective performance management systems that can measure how the acquisition of skills impacts on performance; on an organisational level and across the economy, it is important to be able to measure how the acquisition of skills impacts on productivity and economic performance.

#### NATIONAL POLICY/ISSUES

10. The Leitch report has already suggested that there needs to be a shift of emphasis over time towards more people gaining qualifications at Levels 3 and 4. The AAT supports this proposition. It is to be hoped that the ongoing developments in the 14–19 curriculum and targeted improvement in the schools system can bring us to a position where there is no longer a need for so much resource to be devoted to gaining basic skills post-school, thus allowing the necessary resources to be allocated to support this shift.

11. The 50% into HE target needs to be clarified in terms of the wider skills agenda. Currently there is confusion about whether the target refers to the attainment of qualifications at Level 4, however and wherever studied, or to what is traditionally understood as attendance and study at a University or equivalent HE institution. The AAT believes that what is most important is that people of all ages are gaining qualifications that are fit for purpose and can impact on performance, individually, organisationally and nationally. Crude targets of HE participation, in our view, do not help that goal. In our case we actively encourage young people to consider undertaking our qualification through to Level 4 while working, as an alternative to University.

12. The Leitch report places great emphasis on the link between funding and the responsiveness of the system. The AAT understands the rationale behind his proposal that all funding should be demand led through Train to Gain and SSC control of qualifications. We still do not believe however that the gaps in the SSC system have been recognised. Accountancy is one significant example of an area of employment that is not represented within a SSC. There are an estimated one million accounting jobs across the economy in large and small organisations, public and private, in all sectors of the economy. Any funding system must be flexible enough to ensure that the need for cross-sectoral skills such as this is addressed.

13. The AAT agrees that the balance of funding particularly for higher-level qualifications should shift towards the learner and employer. Experience suggests however that there is a risk to continuity in any dependence on financial contributions from employers. The reality is that in any downturn in company performance training budgets are the first to be cut. Thus learners are liable to bear the brunt of the costs.

14. The AAT is also concerned that while significant resources are to be devoted to support the demand side of the equation through Train to Gain, little thought and no resources have been given to supporting the supply side, the Further Education Colleges in meeting the challenges of demand-led funding. We already have some evidence that colleges are focusing on directly funded provision and ceasing to offer courses that they have to “sell” at full cost in order to maintain.

15. In accountancy, students are able to work through to the highest technician qualification at Level 4 and then progress on to chartered status. We believe that this route, as an alternative to university, is very valuable in opening up opportunities for progression to a much more diverse range of people. We fear that this may be under threat unless FE colleges are supported and encouraged to develop the culture and necessary commercial skills to compete in this environment.

#### SUPPLY SIDE

16. The AAT welcomes any reform of the supply-side system that reduces bureaucracy. It has been our experience that the LSC has been inconsistent in the application of principle and lacks customer focus.

17. If the system is to work effectively in becoming more responsive to meet the skills needed in our economy it requires an innovative and responsive supply side that is not just a passive provider—a supply side that has the freedom and flexibility to work with employers to innovate in the design and delivery of courses and qualifications. Unfortunately the dead hand of bureaucracy all too often stifles innovation because it does not fit a predetermined template. The lighter touch that is envisaged in the Leitch report is to be welcomed but the AAT believes that there will still be too much bureaucracy that will act as a barrier to the development of effective direct relationships between awarding bodies, providers and employers.

#### DEMAND SIDE

18. A truly “demand led” system would look much less regulated, effectively becoming a free market in qualifications and providers. Popular courses/qualifications and high quality providers would survive and flourish. Unpopular courses and poor providers would ultimately go to the wall. Unfortunately, as is implied by the question on the desirability of employer incentives below, the growing skills gap with our competitors is not providing sufficient impetus to drive demand. When global employers have the option to move jobs to other parts of the world where skills are available and at lower cost there will be a requirement for a level of centralised co-ordination of demand and supply.

19. The AAT’s experience is that the SSCs have not provided an effective route for employers to shape skills training. In part this is a function of the concern raised above that the nature of SSCs does not easily address cross-sectoral disciplines such as accounting. But it is also our experience, as a professional body as well as an awarding body, that having a direct relationship with employers is most effective in ensuring the relevance of our qualifications. The development of the Diploma pathway to run in parallel with the NVQ was an example of an active and responsive partnership between the AAT as an awarding body with providers on the supply side and employers and learners on the demand side.

20. The AAT’s view is that the most effective way to incentivise employers is to be able to explicitly demonstrate the benefits to the bottom line that a more skilled workforce will bring. Unless they are convinced of that fundamental link this country will never bridge the skills gap with our competitors. Secondly it is important that they are involved in an active partnership in the design and delivery of qualifications that are relevant to their workplace.

21. The reality of the learner experience in seeking skills training is that what is available is provider led and funding driven. The AAT provides comprehensive information in the form of written and online materials to assist potential students in making their study choices. As a membership organisation the AAT has a very direct relationship with its student members offering them guidance and support.

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## APPRENTICESHIPS

22. Accounting apprenticeships are linked to the AAT's NVQ qualification. They are potentially an excellent way to combine the acquisition of skills and knowledge with relevant employment. 2,089 people completed Apprenticeships in accounting in 2006 (an increase of 34% over the previous year). Accounting is one of the success stories of apprenticeships, with a very good take up rate.

23. The main improvement that the AAT would recommend would be greater flexibility around the skills element currently demonstrated by the Apprenticeship framework's requirement for an NVQ. We would argue that knowledge and skills can be demonstrated through the completion of any relevant NVQ or other competence based qualification.

24. The AAT believes that there is currently not a sufficiently joined up system to deliver apprenticeships and that coverage is very uneven both in terms of sectors and locality. In order to achieve sensible growth, priority needs to be given to a better system of brokerage that can plan and identify apprenticeship opportunities in a more systematic way.

## QUALIFICATIONS

25. The AAT understands the concerns again highlighted by the Leitch review, that there may be too much complexity in the system and too many qualifications. We believe, that in addressing this issue the priority should be to recognise and draw from high quality qualifications that are valued by employers and learners alike.

26. The AAT is not convinced that the QCF is the right approach to rationalising qualifications. All our experience points to employers continuing to rely on well-established qualifications. We have no evidence that employers wish in the future to rely on a wide variety of individual units, implemented in different ways by different awarding bodies.

27. We believe that this is an area in which a genuinely demand led market approach should be left to encourage the development and success of qualifications that are understood and valued by employers and learners while qualifications that do match those criteria will naturally fail.

*January 2007*

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## Memorandum submitted by the Chartered Institute of Personnel and Development (CIPD)

### BACKGROUND

1. As the UK professional body for trainers, coaches and other people management-related professions, the Chartered Institute of Personnel and Development (CIPD) is well placed to contribute to the current debate on skills. Drawing on the experiences of our 125,000 members, many of whom are the principal decision-makers for learning and development within their organisations; our annual surveys on skills provide a solid benchmark with which to analyse the effectiveness of and trends in learning and development in UK organisations.

2. This memorandum to the Education and Skills Committee thereby contains our initial observations on Lord Leitch's recent report and some important messages about the value of good people management.

### NATIONAL POLICY ISSUES

3. The CIPD shares the 2020 vision outlined in Lord Leitch's Review of Skills but remains cautious as to whether the Leitch blueprint will prove any more successful than similar past exercises. And while there is much to applaud in Leitch's analysis, not least the move away from the obsession with initiatives (competency-led standards, e-learning, creating new advisory bodies) which have irritated our members in the past; it understates the holistic HR argument.

4. This view stems partly from our research that both puts skills development in the wider context of the value of good people management and highlights a shift away from training to a broader range of learning activities. So while addressing each of the points identified by the Committee in its terms of reference, our principal recommendation is that additional consideration be given to the value of good people management and on-job learning.

5. The CIPD supports the targets to improve the UK's underlying rate of productivity growth, but notes that Leitch is relatively vague on how precisely investment in skills translates into higher productivity. The report acknowledges in passing that "skills must be effectively used for the benefits to be fully realised", and calls for improvements to management and leadership skills to enable this, but puts too little emphasis on the key role of effective people management. The assumption is still that more training and qualifications automatically produces higher productivity.

6. CIPD research shows that this is not the case. It shows that skills development is much less effective if it is detached from other people management practices such as job appraisal and reward, job design, job quality, flexible working and staff communication. Such an approach not only helps the lower-skilled, but utilises the skills of higher-skilled employees that are frequently under-utilised. As a recent CIPD survey of 2,000 UK employees shows, almost one in three employees feel that they are not being managed well enough to make effective use of their existing skills. Staff need not only the skills but also the opportunity and the motivation to deploy them effectively, which further underlines the importance of job quality and job design.

7. Further, Leitch's focus on training and formal qualification is somewhat at odds with the current shift in employers' development practices from training to learning. As the latest annual CIPD learning and development 2006 survey shows, 38% of HR professionals say that on-the-job learning is the most effective form of learning compared with just 17% who say that of formal training qualifications.

8. And with UK organisations currently spending £460 per employee on training, the key challenge is to maximise the benefits of this relatively high amount of investment by delivering it in the most effective way. And the answer to this is provided in the recent CIPD study of leadership development practices, which found that managers saw coaching, mentoring and structured development assignments as more effective than formal training courses.

#### EDUCATION SYSTEM

9. The overstated importance of formal teaching activities in the classroom can also be seen in another recent CIPD survey of 1,400 employers on the preparedness of school-leavers aged 16–18 for the workplace—a group that contains many of the lower-skilled workers that Lord Leitch is targeting. It shows that employers are placing more emphasis on the soft skills of school leavers such as communication skills and work ethic than on formal qualifications or even literacy or numeracy. Further, the key attributes employers look for in school leaver recruits are communication skills (40% of employers rank this in their top three required attributes), work ethic (39%) and personality (32%). These rank higher than literacy (26%), numeracy (22%) and formal qualifications (25%).

10. And when asked what the education system might do to improve the employability of school leavers, a half of employers ranked improved interpersonal skills in their top three suggestions. This was followed by greater efforts to encourage young people to take responsibility (40%), improvements in communication skills (38%), and better discipline (32%). Employers are more likely to stress the need for improvement in these areas than in literacy (28%), numeracy (22%) and IT skills (19%).

11. We believe therefore that the education system can help close the “employability gap” by seeking to introduce more oral-based tests and more work experience schemes—while equipping school-leavers with basic skills.

#### DEMAND

12. According to the CIPD's Who learns at Work 2005 report (which shows that training spend is skewed towards the higher-skilled), this employability gap appears difficult to narrow when school-leavers enter the workplace. But while we appreciate that there is a vacuum that needs to be filled, we don't believe that Leitch's plans are practical or aligned to business or organisational needs.

13. In particular, Leitch's wish for employers to pledge that they will support low skilled employees to gain Level 2 qualifications, with the strong hint of compulsion if insufficient progress is made; gives too little weight to the fact that employers will only invest in training if there is a clear business for them to do so. And in the event of compulsion, the Institute believes that such a blunt instrument will lead to a poor allocation and targeting of training resources. The one-sized, tick box approach is rarely the right policy prescription for developing cultural change and we don't see this as an exception.

14. The institute's research shows that many employers still see that training courses and qualifications pay, so the key challenge must be to persuade employers of the business case that knowledge and skills acquisition, particularly at the lower end, is critical to their business or organisation.

#### SUPPLY

15. In spite of our scepticism towards this proposal, we remain very supportive of many of Leitch's proposals. The plan to streamline the agencies to form a new Commission for Employment and Skills, employer led Skills Boards, and an Employment and Skills service—all designed to improve the skills and employability of jobless people—are particularly worthy of mention.

16. We also support the concept of Trade Union Learning representatives. The CIPD's aforementioned Who learns at Work (CIPD 2005) report found that those with higher levels of qualification and/or those in younger age groups are more likely to receive training. Union learning representatives can give valuable support to those sections of the workforce who find it less easy to access employer-led training and this makes them a valuable resource in broadening the appeal and effectiveness of learning in the workplace.

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17. CIPD's report "Trade union learning representatives" (CIPD 2004) recommended involving union learning representatives in a collaborative way to gain support for workplace learning as part of the good people management agenda. A learning agreement could, for example, signal the commitment of senior managers to this partnership approach. The union learning representatives' contribution would include encouraging demand for learning in the workplace and support for a learning culture throughout the workforce.

#### APPRENTICESHIPS

18. The CIPD has also recently published a Large employers and apprenticeship training report that shows that, despite considerable public subsidy, relatively few large organisations participate in Advanced Apprenticeships. UK employers are still not sold on the idea of Advanced Apprenticeships because of their perception of the technical content of the recognised vocational qualifications. Were the content of these qualifications altered in the direction desired by employers, the willingness of employers to participate would increase. It should be added though that there are notable exceptions. For instance, the take-up in Advanced Apprenticeships has been vast in the construction industry. The report thus highlights the specific needs of individual sectors and would appear to vindicate the institutional victory of the Sector Skills Council over the Learning and Skills Council.

19. So in summary, the Institute shares Leitch's analysis and agrees with many of the suggested measures, provided that these are delivered alongside other people management practices. However, we remain sceptical about the idea of Government influencing how organisations should spend their training budgets in a way that does not meet the needs of employees or employers.

20. The Committee might also be interested to know that the institute will publish the results of a survey of around 1,500 employers in May that will provide information on many of the issues covered in the Leitch report. We will of course send copies of the report to the committee.

*January 2007*

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*Witnesses:* Ms Clare Morley, Director of Education and Training, Association of Accounting Technicians (AAT), and Mr John Philpott, Chief Economist, Chartered Institute of Personnel and Development (CIPD), gave evidence.

**Q133 Chairman:** We have called you before us because your written evidence was of such high quality that we thought we must have you before us. Thank you both for the evidence that you sent us. Clare and I know each other because we work on the Skills Commission, as does Gordon. Clare is a familiar figure in the skills world to us. I gave the first team the opportunity to make short opening remarks but you may opt to go straight to questions.

**Ms Morley:** I am AAT's Director of Education and Training. AAT is a professional and awarding body accounting for about 100,000 accounting technician level staff. It may be of interest to this debate that last week we were the first NVQ to have been awarded UCAS points, which starts to look at the academic-vocational divide. I hope it will be useful to feed in that information. I hope to be able to give information about how skills strategy and policy have happened on the ground and how, when it has been implemented, there have been possibly some unintended consequences and looking at how that experience could be used going forward.

**Mr Philpott:** I am Chief Economist at CIPD, which is the UK membership body for human resource and development professionals. We have just under 130,000 members. Of those, about one in five are directly engaged in training and development activities, but the vast majority will also be looking at issues around the recruitment of skills and the deployment of skills within the workplace. Our own professional qualification is largely a graduate and postgraduate qualification. We are not engaged at the lower end of the training market, but as users of

skills in terms of our members and as people analysing the workplace and the labour market as a professional institute, we are clearly interested in getting the skills policy of the nation right, both for our members, employers, and indeed the common good.

**Q134 Chairman:** John, you are an experienced hand at select committees.

**Mr Philpott:** Yes, although some years ago now; it is a bit like coming back to school. Things look pretty familiar, although some of the faces have changed.

**Q135 Chairman:** You are a teacher and no longer a student. John, could I take you up on one point? You have said that you are at the top end of the market in a way. Are not the lessons that you learn about what you do applicable to every level? I was talking to the fast-track teaching organisation yesterday. Of course, as for the methods they are using for fast-moving young professionals in teaching, as I talked to them, I thought that this is exactly the package that I would like to see right down at every level of skills and training.

**Mr Philpott:** I would essentially agree with that. The difficulty, of course, is how you get people who are not able to fast track to base camp, as it were, so that they can move to get the kinds of qualifications that we can provide, but obviously more important than that is that those skills that they have obtained can then be built on by employers in the workplace. Hopefully, we will come back to this in the course of the questioning. With regard to Leitch, for example,

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a lot of the focus is rightly on what you do about people at the bottom. I think at CIPD we would contend that ultimately, if you are looking at the overall productivity and competitiveness of the UK, it is what organisations like ours also do at the top, the higher end, that will be as, if not more, important.

**Q136 Chairman:** A lot of stuff that you do at the top end, John, as with the fast track training and teaching people, is not about qualifications; it is about stimulating people to use their own resource in a variety of ways. They have built in all sorts of kinds of help and assistance in terms of a range of programmes, individual tutoring and life coaching. Why can not everyone have a chance of that? At the bottom end, why are we obsessed that it has to be qualifications, not this round of packages?

**Mr Philpott:** We fundamentally agree with that. We tend to think there is too much concentration just on qualifications and not enough on what you might call the broader package. The key, though, is to ensure that employers get that message and that the educationalists get that message as well and that they work together to ensure that organisations operate in that way. Unfortunately, traditionally the training providing system has not been linked in to that. Also, too many employers have simply not been making the necessary additional investment in terms of provision around qualifications that would make the best use of their people. Essentially, it is not just in the qualification or the skills that our institute produces that we try to push that argument; in terms of our policy statements we also make sure that UK PLC, if you like, has more organisations that operate in that way.

**Q137 Chairman:** What do you think about this, Clare? Do you think we are too obsessed with qualifications and not with the rounder and broader approach or holistic approach to training?

**Ms Morley:** I do think that is true, which you might expect to be an odd thing for somebody to say from a body that awards qualifications. Looking holistically, yes, I think that is the case but the key is using qualifications as a measure of whether we have achieved increased skills. If you accept the argument that increased skills will lead to increased productivity and increased economic wellbeing, the key is to make sure that the qualifications that are being stated as the goal are the right qualifications and that those qualifications do develop skills rather than being qualifications that tick boxes.

**Q138 Helen Jones:** Clearly you have expressed basically some scepticism about the focus on skills without a wider focus on the other issues of HR management. If, as you might be suggesting, some employers do not use people skills to the best effect, should this whole concept of skills training be broadened out to include management skills as well as other qualifications? In other words, do we have a problem with the skills of many of our managers in the workplace?

**Mr Philpott:** The simple answer is obviously yes, but again it is not just about management qualifications. Going back to what the Chairman has said, it is about ensuring that there is a broader range of practices in place that makes proper use of the skills available. Clearly, improving management qualifications or skills more broadly can increase the chances of that, but there is also a whole variety of other issues that needs to be addressed in terms of the spread of best practice. A fundamental issue that underlies all of this goes back to the whole area of what businesses are actually engaged in in terms of where they fit in product or service markets. Again, one of the problems that we have in the UK is that there is still a problem of too many organisations being pitched at the low spec, low productivity end of the market. Clearly, improving the supply of qualifications to organisations like those will not in itself address underlying problems of low productivity and low performance. Indeed, we know from our own research in that situation that you get a lot of disenchanted and disengaged people perhaps similar to the people you heard from in the previous session who gain the skills but find that their employer is not making best use of them. They therefore become depressed and demoralised. That has a whole further negative effect on both their ability to be workers but also their role in the broader society.

**Q139 Helen Jones:** How would you put that right? We get a lot of evidence in this Committee in various sessions about these kinds of problems in the workforce. Does that indicate that there is a real problem in some areas of the country with management? Would it be improved if there was legislation to ensure there was much more co-operation between management and the workforce and its trade unions? We have heard constantly that there are some companies that do co-operate on worthy learning at work but there are others that simply do not.

**Ms Morley:** I think recognition of the importance of management skills to the skills strategy is absolutely essential at both ends. It is essential that the management skills are right so that managers can make sure that with their staff they select the right qualifications or skills training, or whatever it is, to improve skills within the organisation rather than a Train to Gain broker perhaps gearing the training that is taken up towards meeting targets. Management must be involved. It is also important that the manager is there at the other end so that, once the person has undertaken the training, or the qualification and increased their skills, the manager evaluates that properly and makes sure that they have an opportunity to put those skills into practice. Improving management skills within the UK is vital if any of the skills strategy is going to work. As I understand it, there is not yet a sector skills council or a place in the sector skills network for management to be fully addressed. I think that that would be a big factor.

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**Q140 Helen Jones:** That is an interesting answer but again I come back to the point of how we ensure that that happens. We constantly receive evidence that tells us that. You are not the first to say that sort of thing in front of this Committee. I am sure you will not be the last. What do you do if the companies are simply not interested and say, "I want the cheapest production line with a low paid workforce. I am not interested in this. I do not see any benefit to my company from doing it"?

**Mr Philpott:** There is a big picture answer to that as well as a more micro one. The big picture argument is that you need a whole variety of other policies in place that effectively propel and push organisations in the direction of improving their management and increasing their good use of skills. That relates to things like competition policy and investment, all those sorts of areas. What has been sad about the last few years is that we have had a lot of that and it has not really made a great deal of difference, as far as we can see. There is one way forward, and this comes back to one of your earlier points about broadening the public policy debate beyond skills and qualifications *per se* to more of a workplace development strategy. Our colleague from the TUC was hinting at something of the same kind in her answers. The problem that we have in the UK with that, however, is that, as you will all be fully aware, the trade unions are not as influential as they used to be. Indeed, structural trends seem to suggest that they are going to be even less influential. Simply getting union involvement is not going to be anything like enough of a solution. Therefore, you need other policy thinking and other policy mechanisms to bring workers, human resource managers and employers in general in organisations together. I do not feel that we have really got that far in the public policy conversation on this. Certainly, Leitch, whether you like it or not, has not taken us much further down that road than we have been for many years.

**Ms Morley:** From a slightly different angle, in answer to your question as to what we do if employers just do not invest in it, one option, if they are not signing up to the employer pledge or training pledge and that is not effective and does not work, although I know it has been unpopular so far, is to look again at a training levy where an employer pays in a proportion based on payroll, or whatever it is. If they put people through training that is worthwhile, they get their money back and if they do not, they do not get their money back.

**Q141 Chairman:** That is very radical.

**Ms Morley:** It happens in other countries and it works.

**Helen Jones:** I think the mindset is different. When we asked in Denmark, for instance, if employers invest in training, they said, "Of course they do. They get added value". What would you say to people who say there is lots of emphasis from managers on mentoring people, coaching and so on, and maybe this is because they are afraid of people getting qualifications and skills because they might leave? How do you overcome that?

**Q142 Chairman:** Is that it?

**Ms Morley:** Maybe it is. It would be in the accountancy profession where that is always an issue and it is an issue which the employers recognise. They know that they take people on, train them and then those people are going to leave, but they get the benefit whilst they are there with them and that is an accepted cost. It is factored into the business. It is the way that it works. If it can work in that environment, I think there is an opportunity to share that model and to put it in place in other sectors.

**Mr Philpott:** As an economist, I was brought up, almost from the womb, on the problem of poaching. From talking to our members, that does not seem to be the main reason why they are not investing in basic or Level 2 qualifications of the kind that Train to Gain is offering. The main reason for reluctance there is that a lot of those basic skills, or certainly Level 2 qualifications, although they clearly do benefit the individual employee and increase their employability, they do not actually produce a discernible productivity gain to the employer. Therefore, to use the jargon, the social rate of return to these programmes is much greater than the private return to the employer. That probably explains a bit of the glitch. The solution there is two-fold: one is to make sure that the public subsidy to Train to Gain is much greater but that, over time, as you increase the supply of Level 2 people, you try and switch a combination of public support and policy enthusiasm, if you like, for Level 3 and above training; you push employers more in that direction. Compulsion is not the way forward. The way forward is to demonstrate that those higher level skills do provide a productivity benefit to the employer. If you demonstrate that, it is what we call at CIPD the business case. It is really only the business case to which employers will ultimately listen.

**Q143 Helen Jones:** Clare, all this seems to be as we discuss it very big company orientated. We get lots of evidence from big companies and we talk about big companies. I wonder, from your perspective, and you must deal with lots of small firms, do you believe that we need to make changes in the way we deliver skills in order to bring a lot more small companies and employers on board?

**Ms Morley:** Yes, I think probably we do. There seems to be a lot of focus in the Leitch proposals on employer-driven, employer-responsive qualifications. The mechanism for gathering what is employer demand is much harder to implement when you come to the smaller companies. How that will work in practice so that you can make sure that the provision meets what the smaller employers want is very important. The other proposal in the DfES/LSC consultation<sup>2</sup> is suggesting that much of the employer responsive stream of funding for training would be for qualifications delivered in the workplace. Clearly, for small employers, that is just

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<sup>2</sup> Delivering World Class Skills in a Demand Led System

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not an option. When it comes to implementing the policy and the funding that follows it, that will be a very important consideration.

**Q144 Chairman:** John, your remarks just now seem to drive a coach and horses through Leitch. Is not much of Leitch predicated on the fact that you skill worker better and then improve those direct relationships to increase productivity?

**Mr Philpott:** There is a lot in Leitch that one could welcome as an addition to the public policy discussion. A lot of policy documents of that kind make great claims for the productivity and indeed employment rate advantages of moving in certain directions. My feeling is that you simply just have to look at the record. Leitch talks about increasing the trend or underling rate of growth in productivity from something like 2% at present to 2.1%. Similarly, he thinks that his proposals can add 0.2% to the employment rate. The underlying trend rate of labour productivity has been stuck at 2% for probably as long as most people in this room have been alive. It has not been very easy to shift it. Indeed, the last 10 years have seen a gamut of measures designed to raise underlying productivity growth. It either has not budged or indeed some economists would say that it may have actually fallen a little bit. You can see the difficulty of the task in making promises about what might happen in 2020. Therefore, we need to treat it with a little bit of scepticism. With a lot of the thrust of Leitch, which is on the lower level skills, he probably stands more of a chance of realising his ambitions for increasing the employability of the less skilled in a market where demand for very low skills is ebbing away. Even there, in an unprecedently stable labour market and economy as we have seen over the last 10 years or so, the national employment rate has been stuck for all of that time at just under 75%. Even raising that is quite a significant task. Although Leitch, alongside other things, made a contribution to that, it certainly is not the end of the story. There is a whole variety of other issues that need to be taken on board alongside that.

**Q145 Chairman:** Clare, do you think Leitch has got it wrong?

**Ms Morley:** Not necessarily, and hopefully not. If you increase skills, you increase productivity but if you increase qualification levels, you do not necessarily increase good skills or increase productivity levels. That is where I think there might be some problems.

**Q146 Chairman:** He is substituting qualifications for skills?

**Mr Philpott:** I would endorse that.

**Chairman:** Rob Wilson, you looked a bit shocked when Clare called for a levy.

**Q147 Mr Wilson:** I was taken aback very slightly, Chairman. I did not wear my city suit particularly to question you about matters of compulsory training levels this morning, but when you did suggest that there should be compulsory training, it took me

aback somewhat. I have been involved in running quite a few small companies. The last thing that they want to see is any form of compulsory training levy. What is your experience in small business that leads you to come to the conclusion you have arrived at?

**Ms Morley:** It is very little, to be completely honest, in terms of small business. The experience I can give is from the accountancy sector. Across the board in the accountancy sector, whether it is a small business or a large business, in general, the employer pays for the member of staff to undertake the qualification, and it is just accepted as necessary. Whether or not they pay that in a training levy or they pay it direct would not make much difference within this particular sector, which is where my experience is. To clarify, I am not suggesting that I think it is the right approach. I think it is an approach, an alternative. There are many questions being asked at the moment. What happens if employers do not sign up to the pledge? What happens if employers do not rise to the challenge? Perhaps a more radical look at other alternatives will be necessary.

**Mr Wilson:** From that answer, I can smell the burning rubber as you go into reverse because you have completely stood on its head what you said less than five minutes ago, but it is welcome.

**Chairman:** We will read the record.

**Q148 Mr Wilson:** We will. For example, why do you think employers should be footing the bill at the lower end of skills for really problems that have been developed in our schools? We are not turning out sufficiently educated people that are going into industry. Why should companies pick up the cost of paying for those low skilled workers coming into their businesses when they should have been trained to a much higher degree in the first place?

**Ms Morley:** I agree that the priority should be making sure that when people come out of full-time learning and education they have adequate skills to make a contribution to the workforce—literacy, numeracy, life skills, whatever you want to call them. I do agree with that. We are in a situation where we are being told that people do not have those skills. They are not going to become pre-16 again, and so something has got to be done at the moment to address this. In parallel, I think the proper steps should be taken at the same time to make sure that that is not perpetuated further on down the line.

**Q149 Mr Wilson:** John, do you agree that there is a real problem with the quality of the people coming out of our schools into business?

**Mr Philpott:** Yes, clearly there is a tranche of people that our members identify as lacking in the basic skills that one would expect from a decent education system in terms of literacy and numeracy. There are also what seem to be pretty fundamental problems of soft skills in terms of attitudes and communication. Personally, I tend to think that most of these are things that are acquired in the home and the lack of them is part of a broader social problem related to issues like family breakdown.

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**Q150 Chairman:** Are you telling us there was some golden age where everybody came out of British schools fully equipped with soft skills because their parents gave them those, that they were numerate and literate? You told us that productivity has remained the same as long as you can remember.

**Mr Philpott:** The true issue is that there is an economic question there and the social question. On the economic point, in the past, whether that was true or not, it did not matter as much because the soft skills that are increasingly required in a service, knowledge based economy were not so important. If they were not there, we did not tend to notice them. I do not know whether it is a matter of political discourse not to talk about it, but there are issues related to some of the basic attitudes of some young people that were not there even 40 years ago when I was growing up and starting to enter adult life, such as respect for people you are working with, when you get up in the morning for work, attitudes to customers, a whole variety of those issues. It is interesting that a lot of employers are turning to migrant workers for precisely those sorts of attributes.

**Q151 Chairman:** Is this based on research that you have carried out? I am interested to know. It seems to me that not very long ago a lot of people left school in this country from secondary modern schools and people did not care much about whether they had any soft skills, or indeed any numeracy and literacy skills. They went down the mine, they went on production lines, they did all sorts of jobs where those skills were not seen to be necessary.

**Mr Philpott:** I agree that that used to be the case in our old-style industrial economy. We are now moving into a knowledge and service economy where those sorts of attributes are far more important. The policies for addressing those things probably have far more to do with social and family policies as much as economic policies. There is a lot of evidence that in terms of policies like Sure Start and skills and aptitude policies targeted at pre-school children, you start to address those in an appropriate way. Of course, even if you put all of these issues aside, coming back to Mr Wilson's points, the majority of tomorrow's workforce is already in the workforce; they have lost out on any schooling opportunities that they had. Therefore, it is a question of how to deal with those people. If I can find a halfway house between Mr Wilson's point and Clare's, we feel that clearly there is a problem if you get a group of recalcitrant employers, whatever arguments they face, who still do not train. The argument at CIPD would be that rather than having some kind of compulsion on the employer, following the precedent of a lot of other policies we have seen in recent years you would give the employee with a below Level 2 qualification the right to request training. You would therefore require the employer to give a good business case reason why he was not providing that training. If he were to say that it is because he could not afford it, then government could look at that. If he were to say that he did not actually need any skilled workers, at least that would

be an honest way of going about it. The bulk of employers in that situation would probably lack sufficient nous, if you like, to make use of the facilities available. You might find that that kind of right to request could be linked to the Train to Gain-type brokerage which would enable the employer to identify his or her skill needs, which would both benefit him and benefit the employee.

**Q152 Mr Wilson:** What you suggest is probably unlikely to work because, as we have heard in the earlier session, unskilled workers find it much harder to access the information to go to an employer and ask these sorts of questions. I am not sure that would work from the employee's a point of view. I am also not sure that it would work from the employer's point of view because it could become very bureaucratic if you had a small business and 20 or 30 employees came to you asking you to justify the reasons why they should not be given additional training.

**Mr Philpott:** On that point, it seems to work with the right to request flexible working. Indeed, our surveys suggest that it works extremely well. That is backed up by other organisations such as the CBI. In principle, I do not see that considering training issues is fundamentally different from that. You say that you have worked in a variety of small businesses, so I defer to your superior judgement on that issue.

**Q153 Mr Wilson:** Can I take you back for a second to people coming out of school? One of the things we have been told constantly over recent years is that qualifications are improving in terms of grades and performance of pupils in schools. I do not know whether that is true or not, I really do not. It would be interesting to find out from your point of view. You are saying that the underlying skills of the economy, productivity, do not seem to be improving. I think you said they were stubbornly stuck pretty much where they have always been, yet we have these so-called improvements in qualifications. Is that to do with the mismatch between qualifications and skills that we were talking about earlier or is there another reason?

**Mr Philpott:** The genuine answer is that I do not know and neither does anybody else. It is one of numerous puzzles in economic analysis. It could simply be that we are not geared enough to make best use of those skills. It could be that the qualifications themselves do not reflect the underlying ability and skills of the individuals coming out of schools. It could be something along the lines of a tendency for people who would in the past have gained a decent level of skills and qualifications to ratchet up the amount of those qualifications they are getting and getting better grades, while at the same time people at the lower end, who in the past would not have done very well, are simply falling further behind and they are not able to make a contribution to employers. The only difficulty with that argument is that many of the people at the bottom end also end up in that NEET to group: they are not in education, training or

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employment. It is difficult to identify the link between their presence and the fundamentals of productivity generation in the economy as a whole. It is a big puzzle. It could be that one needs to look at this at a more sectoral or divided level. Clearly, in the economy as a whole probably productivity and performance have improved in the private sector, but clearly, for a whole variety of reasons, it is static in the public sector. At CIPD we tend to think that that has much more to do with issues around management and the organisation of public sector bodies as opposed to the skills of people working in the public sector, which tend, on the whole, to be relatively decent anyway.

**Q154 Chairman:** Clare, what do you think about what John is saying on productivity?

**Ms Morley:** One of the issues is the difference between what people generally come out of school with and what they need in the way of skills to contribute to the economy and skills-based qualifications is very wide. There is a big difference. There is still not enough happening at the pre-16 or pre-18 side of things to start introducing skills based, vocational based and competence-based qualifications as being valuable. It is the academic and vocational divide that we have all talked about so much. The other point to make to start to address the issue and improve matters is that a lot of the people who came out of school some time ago and who did not have the qualifications recognise now that they need to improve their skills to contribute better to the economy, although I think their view would be to get on in life and get a better job, are not being driven by the employer in our experience. They are being driven by their own desire to improve their skills so that they can improve their career. The employers are not paying for that. There is funding available for people to improve their own skills but so much of it seems, particularly in the last couple of years, to have been focused on a younger and younger age group. Whereas we did have FE colleges providing Level 2 and Level 3 qualifications for people of any age, it seems to be much more now that they have to be under 25. They promote to the under 25s or the under 21s or the under 19s to follow that funding. There is merit in making the funding follow the individual rather than to be based on age groups. We are told that the Leitch strategy is not a low skills strategy. I think it is also important that it is not a low age strategy and that it really does encompass everybody and not write people off after a certain age, a certain age that appears at the moment to be more like 21.

**Mr Philpott:** That comes across from our research evidence.

**Q155 Mr Marsden:** John, I do not know whether you are familiar with Lynne Truss's recent book *Talk to the Hand*. I would suggest that your comments on social communication skills might find a kindred spirit there. Turning to you, Clare, I pick up the points in the questioning and what you have just been saying about current funding priorities. You suggested in your written evidence, I think, that

you have concerns that people who want to pursue qualifications at Levels 3, 4 and upwards are not able to access provision. I would like to bring you back to the central question on which you were exchanging comments with my colleague, Rob Wilson. Who should pay for that? We can all stand around saying that they are not providing these things but, at the end of the day, there are very hard choices to be made. What are your choices?

**Ms Morley:** At the higher levels, I do not have an issue with that being paid for by a mixture of the employer and the individual because they both benefit.

**Q156 Mr Marsden:** How do you define higher?

**Ms Morley:** I would say Level 4. Let us look at Level 4. The employer and individual contribute equally to that, perhaps. I do not think that is an issue; it is common sense. The problem that I want to highlight is that the employer and the individual often do not have that choice. Because funding is prioritised at Level 2 and at Level 3, although some FE colleges do it really well, some are starting to say that as there is not funding for Level 4, they are not going to run the course. That means that neither the employer nor the individual has the option of paying for the course.

**Q157 Mr Marsden:** Are you suggesting that the Government needs to put more money into Level 4?

**Ms Morley:** No, that is not what I am suggesting. The solution that I would outline is connected with the Train to Gain plans. There needs to be serious investment, both in time and in resource, to make sure that FE colleges have the skills to market direct to employers, to meet employer needs, to understand how to charge employers and individuals, rather than taking the automatic decision that if it is not government funded, they will not run it.

**Q158 Mr Marsden:** Can I come back to that point and perhaps just take you back a level slightly? You also talked about Level 3 in your evidence. I want to quote briefly to you something said in a memo that the 157 Group of FE colleges sent to us, which I find pretty alarming. This is about Level 3 Train to Gain pilots. They say: The Level 3 Train to Gain trial in the West Midlands and the North West has been a near disaster as it attempts to persuade Level 3 students to pay 50% of the fees. Initial enrolments were minute. With ministerial support, the rates have now been reduced to about one third. If we have that sort of situation also pertaining on the learner accounts, the prospect is pretty dismal, is it not?

**Ms Morley:** I think it is. It is about the attempts to persuade and how that is done.

**Q159 Mr Marsden:** I am sorry to interrupt you. So it is not the actual amount of contribution that you think is the problem. You think that people are just not having it explained to them well enough?

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**Ms Morley:** It is not just not having it explained; it is about the big culture shift. It is a big change in the way that things happen. You cannot expect colleges' operating models suddenly to change overnight without support.

**Q160 Mr Marsden:** Who should be leading that culture change? Should that be the colleges or the LSC or is it a bit of both?

**Ms Morley:** It is a bit of both. The masters of the Train to Gain people should be leading that. The Train to Gain resource, in my opinion, will be better spent, or at least part of it, on building up those sustainable skills within colleges.

**Q161 Mr Marsden:** John, can I pick up on some of the broader issues in terms of skills? The witnesses we had before us last week, Professors Keep, Unwin and Alan Wells, were very sceptical about aspects of Leitch's final report and nowhere more so than on the issue of what they describe as a one-size-fits-all approach to skills and in particular on Leitch's curious lack of comment in its final report on the regional dimensions and indeed the sub-regional dimensions to training and skills. From your perspective, I wonder whether you share that scepticism and whether you think that a national strategy that does not take account of regional and sub-regional variations is going to be effective.

**Mr Philpott:** The simple answer is no. One has to be careful when using the term one-size-fits-all. Clearly, that is a mistake generally in life rather than simply just in this context. It is much better to have a system that is tailored to the needs of particular employers, sectors and regions.

**Q162 Mr Marsden:** Why does not Leitch talk more about it in his report?

**Mr Philpott:** I am not here as a defender of Leitch. If he were here, I think he would say that the new commission would be looking at assessing an overarching framework within which one can take on board sectoral, local and regional issues. I agree that the regional dimension is not particularly well defined.

**Q163 Mr Marsden:** Do we need a new structural framework? The chairman at a recent meeting produced an organogram of the current structural framework, which looked like an intricate crystal design. I do not think we want that.

**Mr Philpott:** Clearly, you do not if you are simply adding another layer on top of what currently exists. Whether his formula is correct or not, it was part of Leitch's objective not to add to the current complexity but to rationalise it within a new framework. In principle, and I would not say any stronger than that, he is probably right in going down the route of having a commission that can be overarching. It is how that operates in practice and on the ground that will matter. It is far too early to tell. I do not even know the extent to which that is being supported by government, how it will be funded, how it will operate. There are 101 questions that will need to be answered.

**Q164 Mr Marsden:** As a brief final point, you do not know that, I do not know that, none of us knows that. What you do know, however, it is what the situation is currently on the ground. Is it your impression, from what you and your organisation do, that there are significant variations, regional and sub-regional, in terms of skills, both in terms of supply and demand, and are we doing enough at present, never mind for 2020, to address those differences?

**Mr Philpott:** The answer is yes. A lot of the regional differentiation is itself an indirect effect of the structural variation across the country. It could be that you take *de facto* into account some of the regional issues by having a sectoral perspective. Clearly, we do have the RDAs and they are potentially an important player in this game. Their role needs to be beefed up. Many of our surveys indicate that employers do not know the difference between many of these organisations anyway. The visibility of the RDA is probably less than it is for a lot of the other organisations. That may be one of the reasons why Leitch did not focus on it. You will have to ask Leitch that. I cannot answer for him.

**Q165 Jeff Ennis:** Clare, this is a question of clarification on the point you made earlier to Gordon about the memorandum we had from the 157 Group of Colleges.<sup>3</sup> One of their recommendations is that Train to Gain should be extended to Level 4 qualifications and the HE target should include a full range of qualifications and encompass adults up to the age of 40. It appears to me that you would be advocating that type of approach.

**Ms Morley:** Other than the 'up to the age of 40'. Why 40?

**Q166 Jeff Ennis:** You were talking about 21. You agree with the principle and extended across a larger workforce age range?

**Ms Morley:** Yes, and people who are coming back to gain qualifications over 21, over 40, have built up so many skills which are valuable to the economy, to themselves and to the employer that are not certificated and do not need to be certificated. Once they have a skills-based qualification as well, then they have more confidence and they bring all that together and they really do add value.

**Q167 Mr Chaytor:** John, what do you understand to be the essence of a demand-led system?

**Mr Philpott:** In Leitch terms, and indeed in most of the debate, it is really about putting decision-making for what skills are required into the hands of the employer or the individual, with resources that then ensure that providers come forward to meet that demand. There is another aspect to a demand-led approach that is not within the current debate but that reflects something that I was talking about earlier and that is about ratcheting up the overall level of demand for skills in the economy. That comes, first and foremost, from the product or

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<sup>3</sup> Ev 61

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product and service orientation of organisations and putting pressure on them. I am not talking in terms of legislative measures but indirect pressure on them through competition and other policies, so that they have to raise their game in terms of the markets they are trying to participate in and moving up the value performance chain. If they move in that direction, they will then demand a higher level of skill to fit their requirements. Ultimately, I think that is the only way to drive up both productivity and the effective use of skills in the economy

**Ms Morley:** I agree with that. I think with a demand-led system, the focus has to be on the demand for output and outcome, not input or qualification levels, and employers know what they want the outcome to be. When that is translated into policy, it is often manipulated or diluted. When there is Train to Gain funding, it is available for a full Level 2 qualification. The AAT has two Level 2 qualifications. They both have exactly the same outcome. One is an NVQ and one is not. They are both competence-based. The NVQ is eligible for Train to Gain funding; the non-NVQ is not. It is not classed as a full Level 2 qualification because of the number of input hours, which surely is irrelevant when it has to be output that is the key.<sup>4</sup>

**Q168 Mr Chaytor:** I will come back to that point in a moment. I am pursuing John's answer. You are calling for a package of government measures to stimulate demand for skills. Is not the impact of China on British business doing that already? What else do they need?

**Mr Philpott:** There are two points. Obviously competition, exposing organisations to that kind of threat—

**Q169 Mr Chaytor:** Does there need to be any government action because they are exposed to the threat already?

**Mr Philpott:** Yes, but that is just one part of the economy. The bulk of employers are not engaged in sectors where they are competing with the Chinese or the Indians. Earlier on we were talking about sectors which are essentially servicing domestic markets. It is often in those sectors where you see some of the worst examples of training. What you need there is a whole variety of other pressures, such as improvements in terms of consumer requirements on organisations and pressure through the market in that way. The other thing that we emphasise at CIPD is the area of company reporting of their activities so that they become more transparent to investors and to consumers. You were talking about having Sir Terry Leahy to give evidence. Perhaps you could ask him what he thinks his customers think about the pay and training levels in Tesco which would give visibility to the issue. Personally, I do not think that Tesco is a particularly poor example in this regard. I would not guess that they are too short of skills. I would be a bit frightened if I thought they were to become even more successful

than they currently are. The general point remains there is a variety of sectors that are not affected by international competition.

**Q170 Mr Chaytor:** They are not affected directly. Hairdressing is not affected directly by international competition but it is affected indirectly if its customers can no longer afford to pay the price of a decent haircut because their wages have been reduced through impact from China.

**Mr Philpott:** That brings you into a whole variety of other questions.

**Mr Chaytor:** We are not going into that debate. Can I bring you back to the demand-led system? I am interested teasing out whether you think that the aggregate of decisions by individual employees and employers is equivalent or will automatically equate to the long-term national interest. That seems to me to be the key question when we are talking about the demand-led system. If we are simply assuming that responsibility for decisions goes to the individual employee as to what training he or she needs or to the employer as to what training he or she thinks is desirable, is that the same as what is in the long-term national interest?

**Q171 Chairman:** Can you give a brief answer on that?

**Mr Philpott:** It is not possible to answer briefly and so I will just say that it depends what you mean by the national interest.

**Q172 Mr Chaytor:** Will the aggregate of those decisions lead automatically to a strengthening of the pool of human capital in the United Kingdom? Let us be more precise about it.

**Mr Philpott:** I would not say it will do so automatically but that is pushing in the right direction. Obviously you need your skills policy and your innovation policy and a whole gamut of policies.

**Q173 Mr Chaytor:** In terms of skills policy, what else is needed? Clare is clear that she thinks that levies may be part of the solution. She does not think they necessarily are the total solution but they may be part of the solution. What else is needed in terms of the skills policy on top of the demand-led aspect?

**Mr Philpott:** Putting it simply and coming back to something I said earlier, it is about having a broader workplace development strategy rather than one that simply focuses on skills. The problem with a lot of reports like Leitch is that it is a bit like playing a one-armed bandit where if you are stuck with one orange or lemon, you just hope that the other two are going to fall into place. In life, they rarely do.

**Q174 Mr Chaytor:** I want to pick up on one of Clare's previous answers. You were commenting on the anomalies that there are with Train to Gain in respect of qualifications that we will fund. Earlier you talked about qualifications and skills. How can you assess skills, other than through qualifications? It is a proxy but what else is there?

<sup>4</sup> See also supplementary memorandum, Ev 59

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**Ms Morley:** It is an important proxy but it is only one part of the puzzle or one part of the picture. We should be looking at the ways that organisations already assess skill levels. We should try to pick up on some of those, even if it is just through a sampling approach. The majority of organisations, whether formally or informally, have some kind of annual appraisal. They identify their skills gaps, when they are recruiting they look at things and measure their productivity. There is a whole range of things that organisations use to measure whether the skills within the organisation have improved and have added value and productivity: wastage rate, error rate, complaint rate. I am not suggesting it is simple but we should be looking at what is already happening and using that.

**Q175 Mr Chaytor:** In terms of the allocation of public funding, is it reasonable to expect that public funding can be allocated on the basis of a myriad of different criteria that thousands of employers might use? Qualifications are a simple national proxy.

**Ms Morley:** Yes, and I suppose a simple solution or part solution to that side of things is that the argument shouldn't be whether learners choose, employers choose or who should choose which qualifications are funded. There is a direct correlation in that individuals choose the qualifications that employers want because they are advertising for them and they know that once they get their qualification that will help them get a job or improve their career. I do not think that making the funding follow the employer or the follow the individual is necessarily a decision that has to be made because they can be linked and they have to be linked to make it work.

**Jeff Ennis:** Clare, your organisation has been fairly critical of Sector Skills Councils in general and the Sector Skills Development Agency in particular. What is the root cause of your objections to those bodies?

**Q176 Chairman:** Do you feel that you have been left out?

**Ms Morley:** Absolutely not— Well, sort of! That is a very honest answer. That is what sparked an interest. From a more objective point of view, having done the analysis, the main problem is with the structure, the idea behind it. There are lots of good reasons for the network of Sector Skills Councils. It is all vertical, so there are Sector Skills Councils for the retail industry, for the petrochemical industry, whatever.

**Q177 Jeff Ennis:** It is meant to be vertical, is it not, because it is a sector?

**Ms Morley:** Our issue is that there are so many things running at a cross-sectoral level and that adequate provision has not yet been made for those. The answer from SSDA is that “we are working on it”. There are 25 Sector Skills Councils and 28 what are called other bodies at the moment. I will take accountancy as an example but management and leadership is another. There are one million people working within accountancy in the United Kingdom

at all levels. Apparently their skills needs are supposed to be met by each of those sector skills councils, by the employers asking each sector skills council to meet the needs of their accounting staff, their management staff. I have seen no evidence of that happening. Lack of proper cross-sectoral representation would be our first criticism. You will be pleased to know that the only other major worry we have is about the powers that Leitch is suggesting should be given to the Sector Skills Councils and have already been given in some instances. I know there is a completely separate inquiry into the 14–19 Diplomas but Sectors Skills Councils are leading on those. Sector Skills Councils are very young bodies. I am not sure whether they are all adequately resourced. If the powers to agree qualifications or approve or not approve qualifications are to be given as Leitch suggests to Sector Skills Councils, then there has to be a proper investigation into whether they are yet fit for purpose and yet ready to take that on. May I add a final one quickly? The Sector Skills Councils are very welcome in many sectors but there are some sectors, again obviously I am talking from an accountancy perspective but I do not think it is the only one, where the professional bodies have met the employers’ interests throughout the years and provided the qualifications which the employers need to properly skill their people and provided qualifications people need to get into that environment. There is not really a place for professional bodies to work within the sector skills framework. Whilst it is welcome in some sectors, there is a danger of throwing the baby out with the bath water.

**Q178 Jeff Ennis:** Is not the Sector Skills Development Agency charged with that sort of cross-sector approach that you are advocating? Are they not designed to do for that particular aspect?

**Ms Morley:** It is right that they are charged with it and they are designed to do that particular aspect.

**Q179 Jeff Ennis:** But they are not doing it properly at the present time?

**Ms Morley:** They are not doing it yet.

**Q180 Jeff Ennis:** Are you in negotiations with the SSDA and discussing this?

**Ms Morley:** Yes. We very much want to be part of the sector skills network because that is the environment in which we work.

**Q181 Jeff Ennis:** Looking at the regional development perspective of skills delivery, we have the regional development agencies and regional skills partnerships. Are they contributing effectively to the delivery of better skills in the country?

**Ms Morley:** I do not have enough direct experience of that to give you a useful answer.

**Mr Philpott:** My view is largely the same as that of Clare. I get the impression that compared to other bodies, which may or may not be doing a fantastic job, the RDAs are probably not doing as good a job. That is just from my inexperienced reading of the material.

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**Chairman:** Mine in Yorkshire is doing a rather good job. I do not know how it is for the area Jeff represents.

**Q182 Mr Chaytor:** May I put some final questions to John? In terms of soft labour and migrant workers, what do you conclude from the success of the Polish plumber and the Polish dentist? Is it something intrinsic to the nature of migrant labour or is it a comment on the efficiency of the Polish education system or vocational training system?

**Mr Philpott:** I would not just concentrate just on Poland. This applies to many of the central and eastern European countries in general. Not having been intimate with any of those countries, I could not talk about their education system in general. Clearly, the bulk of the people who come here are quite well qualified and educated. The point is, though, that they are quite happy and prepared to do jobs below their skill level.

**Q183 Mr Chaytor:** A dentist is a dentist, is he not?  
**Mr Philpott:** There are very few of those. Most of the people are coming to do unskilled jobs. I think 80% of them are getting the minimum wage or thereabouts. Most of them are graduates or people with a reasonable level of skill in their own countries. We see them in shops and restaurants and places like that. The reason they are there is that they seem to be able to get to work on time, do a decent job and they do not make the customers too unhappy.

**Q184 Mr Chaytor:** Conversely, is there any evidence that British companies are relocating overseas entirely or largely because of skills shortages or skills gaps or lack of soft skills here or, where there is overseas relocation, is it entirely due to cheaper labour?

**Mr Philpott:** Our surveys would suggest that the prime reason is labour cost. Again, that is labour cost per unit of productivity. In those countries you are getting good people at a much lower wage and total package than would be the case in the UK, or indeed in most of the rest of Europe or the developed economies.

**Q185 Mr Chaytor:** Given your scepticism about the relationship between skills and productivity, would not the quickest way to increase British productivity be to introduce the French 35-hour working week?

**Mr Philpott:** No. That would be an absolute nightmare.

**Q186 Mr Chaytor:** Would that not overnight increase productivity?

**Mr Philpott:** It certainly would not.

**Q187 Mr Chaytor:** Why not because you are dividing total output by a smaller number of hours, surely?

**Mr Philpott:** If it did, it would be a once-for-all effects which would not be sustained.

**Q188 Mr Chaytor:** That is what the Treasury is doing at the moment, is it not? There is a recalculation of the basis of productivity. That has been published.

**Mr Philpott:** That is a separate issue. I am talking about in terms of the real effects. We could change the goalposts on a whole variety of things and make the world look a lot better than it really is. Let us just say that a 35-hour working week as a law is a bad thing. Flexible working hours agreed between employees and employers is a good thing. That would boost productivity. If you want to look at a basket case economy in terms of regulation, then France is it.

**Q189 Chairman:** Their productivity is higher than ours.

**Mr Philpott:** Yes, but that is largely because they do not have a majority of their least skilled people in employment and they ratchet up wage costs so that it becomes much more cost-effective—

**Q190 Chairman:** You seem to be very keen on the Poles and not so keen on the French.

**Mr Philpott:** Perhaps that is just a British prejudice on my part. The French are very nice when they come here. It is just that we would not want their public policy.

**Q191 Chairman:** I like the stuff when it is based on your research and your thoughts on the economy. It is when you are anecdotal but it worries me.

**Mr Philpott:** What is anecdotal about France?

**Q192 Chairman:** On migration and the quality of that, honestly, one bit of your evidence that I was really disturbed by was this view that you seem to be giving the impression to Rob Wilson that you agreed with the view that there was a general deterioration over a number of years in the quality of qualified people coming out of our schools. I must say that the evidence this Committee has been given over the last five years does not indicate that to us. I know that surveys had been taken by your organisation. I do not call surveys research. I always make that distinction and I wish people like you would. Over the period of time, if you could give us real research that says there is a deterioration in the quality of young people coming out of school at 16 and 18 in this country, we would be very pleased to have it.

**Mr Philpott:** All I can say is that that is what our members tell us; that is what lots of other employers and employers' organisations say. To reiterate what I said before, you do not need an absolute deterioration. What you need is a change in the quality of people relative to what is required in the workplace. As the demand for labour shifts from one type of worker with one type of attribute to another type of worker with another type of attribute, if the quality of labour supply does not adjust accordingly, then you will get the kinds of problems that employers frequently talk about.

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**Q193 Chairman:** Clare, can we apply that to the Tesco situation or the supermarket situation? Here we are, with evidence in the previous session you listened to from one of our major employers, one of the most successful companies in the country, and it is not just Tesco but other retailers, who on average pay barely a living wage from my experience of visiting supermarkets to quite talented people. They may be dismissed by John as unskilled people. I do not see them as unskilled. They may not have qualifications but they certainly have skills. They are paid very low wages. I asked this question at the end of the last session: why should the Government through Train to Gain or anything else pay a subsidy to employers like Tesco who are paying such a low rates of pay?

**Ms Morley:** Rather than asking if it is fair and who should pay, I would say that somebody has to pay if we want to increase skill levels. That has to be the starting point and then we can make decisions as to who is going to benefit the most, where the employer is going to benefit, where the learner is going to benefit, where the country is going to benefit.

**Q194 Chairman:** As John said earlier, the supermarkets are protected from international competition. They are not worried about how efficient Chinese supermarkets are. John, why should we subsidise Tesco to pay people £10,000 a year?

**Mr Philpott:** I would be surprised if Tesco would actually want such a subsidy. I think probably they have their own way of training their staff that is appropriate to their requirements. The fact that some of them may or may not be on training courses and gaining qualifications may not of itself be an indication of the amount of investment that they make in training those people on the job. That is one of the broader issues about the problem between qualifications, training and skills. There is an awful lot of training and learning activity that goes on in organisations that is not formal classroom training, or indeed leading to qualifications, but it actually

helps to improve the job that people doing. Again I am not here to defend Tesco. I am not 100% convinced of what their average wage is.

**Q195 Chairman:** We have heard from the employees.

**Mr Philpott:** The employees may not know the average salary. I suspect the workforce development in Tesco and general management in Tesco is probably better than in a lot of organisations in this country. I think Tesco is probably an organisation that ought to be lauded rather than potentially criticised in the way that you have done.

**Q196 Chairman:** I am not criticising. I am just asking the question. Why is it?

**Ms Morley:** Chairman, I think it is the question: is the Government really going to be subsidising Tesco? Should not the view be that we are paying for the individual to increase his or her skills? Those people do not always have to work for Tesco. If they have better skills, they will be able to increase their earning potential, their career, and go to an employer who is going to pay them more and value them and they can contribute more.

**Mr Philpott:** I am sure Tesco is a good employer as well.

**Q197 Chairman:** They are not one of their members or supporters, are they?

**Mr Philpott:** I am sure we do have members in Tesco. We have members right across the economy.

**Q198 Chairman:** Is it not a fact, though, and this is the last question to both of you, that we have a different attitude to the kind of training that we assume people over a certain level of employment in terms of pay have to people at lower levels. I do not say that in any class-based analysis. In a sense, I would like to see everyone to have the benefit of a life coach, that kind of support, but it is not about qualifications; it is about support and inspiration. Is that not the case?

**Ms Morley:** It is absolutely essential, yes.

**Chairman:** We will finish on that note with you agreeing with the Chairman. Thank you.

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#### Supplementary memorandum submitted by the Association of Accounting Technicians (AAT)

1. This note expands on a response given by Clare Morley (Director of Education and Training, AAT) in oral evidence on 28 February 2007 (Q.167). Having followed the further evidence put before the Committee and the particular interest shown in the impact of Train to Gain brokerage, the AAT would like to offer more detail on a specific concern that we believe demonstrates a wider weakness in the Train to Gain offer.

2. The issue that the AAT wishes to highlight is the limitation on qualifications that are recognised as a full Level 2 under Train to Gain. As was explained in our initial written evidence, the AAT has responded to feedback from learners and employers and developed a Level 3 Diploma pathway as an alternative to the NVQ. It is a competence-based qualification that has been derived from the same National Occupational Standards in Accounting and is of equal standard to the NVQ; indeed, in response to employer demand, it includes an additional component on Professional Ethics. The key difference is that the Diploma pathway does not require work-based evidence. Employees are often not able to provide work-based evidence for a variety of legitimate reasons including the confidentiality of financial information. Employers have therefore welcomed the availability of this option for their employees.

3. The first stage of the Diploma pathway is the Certificate in Accounting, which is equivalent to Level 2 of the NVQ. Of the 22,000 students studying an AAT qualification at this level, 5,000 are currently studying for the Certificate, many of them in employment.

4. A key part of the Train to Gain offer is free training to help employees gain their first full Level 2 qualification. Under the current regulations this does not include the Certificate. Under LSC rules a non-NVQ qualification must include 325 guided learning hours to be accepted as a full Level 2. Any NVQ qualifies irrespective of the number of guided learning hours. The AAT contends that this distinction is completely arbitrary and takes no account of the quality of outcomes, giving undue weight to the quantity of inputs. The AAT believes that quality of outcomes is what matters to employers and learners and must be the key measure in determining eligibility for funding.

5. The Government has placed great emphasis on moving towards a demand led system. The AAT is not alone in believing that the funding rules work directly counter to that objective. We believe that this example is evidence of a wider dilemma. If a demand led system is to be a reality the funding system must allow the flexibility to develop qualifications that respond to the needs of employers and learners.

We thank the Committee for the opportunity to give evidence and hope that it will be able to take account of this further information in reaching its final conclusions.

*May 2007*

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**Monday 26 March 2007**

Members present

Mr Barry Sheerman, in the Chair

Jeff Ennis  
 Paul Holmes  
 Helen Jones  
 Fiona Mactaggart

Mr Gordon Marsden  
 Stephen Williams  
 Mr Rob Wilson

**Memorandum submitted by the 157 Group****EXECUTIVE SUMMARY**

1. The 157 Group of large General FE Colleges serves 0.5 million students and together have a turnover of approaching £1 billion. It is likely that many of the citizens undertaking Skills training will be served by these colleges.
2. The memorandum outlines the key role that FE Colleges can play in developing and delivering the Government's skills strategy. This starts with leadership of the 14–16 vocational curriculum through to the awarding of foundation degrees. At 16+ the majority of students with less than five A–C GCSE grades are to be found in General FE colleges. Most of them have vocational ambitions but many employers would consider them lacking employability skills. If this tail of underachievement is to be tackled, serious investment is required in students studying at Level 2 and below. It should be possible for some lower level NVQ qualifications to be achieved in college facilities where effective work simulation can take place. Colleges should be encouraged to develop flexible roll-on, roll-off facilities for year round recruitment. The DWP 16 hour rule should be consigned to the dustbin.
3. The need at a regional level for the LSC, Development Agency and Skills Partnership to work together to a shared agenda is highlighted. Self regulating networks of providers emerging at sub-regional level are advocated to take forward the role currently undertaken by LSC regional offices. The broker network should be seen as a temporary catalyst leading to a much strengthened interface between provider networks and employers. The interface with schools and local authorities is equally important. Further major structural and institutional changes should be resisted. IAG for adults can be delivered by colleges and Local Authorities with good web based back up as part of their existing customer networks. The LSC, JC+ and the LA must agree a local strategy for serving the non-waged that is set out in the Local Area Agreement and is part of the funding negotiation between the LSC and the LA over the Adult and Community Learning budget.
4. The impact of the rising fee expectation needs to be measured carefully and actions taken to protect communities with low family incomes and a weak economic base to avoid a widening of the participation gap. Current policies may also have an adverse impact on Level 3 adult participation and this will need to be monitored.
5. An extension of "licence to practise" is advocated backed by legislation and an implementation timetable led by Sector Skills Councils. Train 2 Gain should be extended to level 4 qualifications. The HE target should include the full range of qualifications and encompassing adults up to the age of 40. There should be a "test the nation" challenge to encourage everyone to test their numeracy and literacy skills that links to Learning Accounts and Learner Records.
6. Apprenticeship programmes should be extended to Level 1 and 4 with brokers charged with expanding the number of apprentice places being offered by employers.
7. Finally the need to speed up progress on the development of a Sector Skills Councils led national adult qualification framework is signalled. They should link to the "licence to operate" and "master craftsman" status in each sector. It is necessary to ensure that the basic skills curriculum and the funding methodology link to these frameworks and that a unitised curriculum is fundable.

**INTRODUCTION**

8. The 157 Group of Colleges represent 23 of the largest General FE Colleges in England with 0.5 million students and a combined turnover approaching £1 billion. Together they cover the nine LSC regions and play a key role in delivering the Government's Skills agenda. 157 Group Principals seek to fulfil the wish expressed in paragraph 157 of Sir Andrew Foster's report "Realising the Potential" "... to explain the services Colleges give to society and how colleges can make a significant contribution to the economy and to developing fulfilled citizens".

**CONTEXT: LEITCH AND THE SKILLS STRATEGY**

9. The Leitch Report clearly and rightly articulates the key role that skills play in the prosperity of the UK economy. It highlights the gap between the skills profile of the UK population with our key competitors. It particularly emphasises the gap at Levels 3 and 4, the Advanced Technical, Supervisory and Intermediate Management level. These are areas where FE colleges can and do make a major contribution. Given the reputation of colleges as one of the more responsive and flexible parts of the education system it is reasonable to ask why we have this problem.

10. In part, it is a reflection of the strong academic focus of the English education system which seeks to produce graduates, following a relatively short full-time study route, at a relatively young age in areas often with limited vocational applications. Many of these graduates in turn choose to follow a career in the academic or the public sector. The graduate intake into commerce and manufacturing, especially into medium and smaller sized companies, is less well developed than in many other countries.

11. The Government recognises the need to strengthen the vocational/technical routes at Level 2 & 3, in particular by encouraging the growth of Apprenticeships and then to encourage part-time degree level study using the practical Foundation degree as a key vehicle.

12. Colleges have grasped this part-time route with enthusiasm given the sector's tradition of National and Higher National Certificates. Too often Universities have looked to the full-time route converting their Diplomas to full-time Foundation degrees. It is much more likely that firms will support their promising employees in their 20's and early 30's to continue their studies if the provision is directly relevant to their work and if it is delivered in a sufficiently flexible fashion. For the larger firm this may be in the work-place, for the smaller company it will often be in the employee's own time and needs to be delivered using the maximum support from modern e-technologies supported by workshops and ready access to tutors on-line. The University for Industry might have developed along these lines but it has instead focused on short cost effective, just-in-time learning materials. Regrettably, the proportion of Advanced Apprentices continuing to Foundation degrees is still small. The author's institution is currently working with British Telecom to deliver a Foundation degree that follows on from an Advanced Apprenticeship, but this is not currently the norm. An early extension of Train 2 Gain to the Level 4 NVQ and Foundation Degree areas could be a valuable stimulus to these developments.

13. Many employers grumble that graduates follow interesting but academic degree programmes that have little relevance to their future career path. This is why they talk of graduate apprentice programmes. These are typically in-house company programmes used to bring graduates up to the level of their younger apprentice trainee standards. This route is only peripherally recognised by the main-stream education system. Though some HE institutions, such as Staffordshire University, are willing to accredit these in-house programmes their currency rests largely on the reputation of the company providing such training. It is clearly worth exploring the accreditation of in-company training programmes below HE level in parallel with the Sector Skills Councils' work devising sector wide approved qualifications. Such programmes can be mapped against the sector standard, not necessarily to force the company to fill in the gaps but rather to provide portability for the employee who may wish to develop their learning into a full qualification. They might do this with the help of Individual Learning Accounts in their own time or with help from a future employer.

14. Behind this current landscape is the debate about the new 14–19 Specialised Diplomas. It is fair to say that these Diplomas will have to be skilfully designed and positioned if they are not just to become a means of bolstering the academic route with the lightest of vocational seasoning.

15. Educationalists often forget that productivity depends on more than the skills of the workforce. However good the skills and qualification systems, productivity will also depend on levels of capital investment and the skills of leadership and management that bring together capital and labour and apply them to meeting a well identified market opportunity. A weakness at any point in this triangle can have significant implications for productivity and competitiveness. For maximum impact government needs to focus on the three elements. It is increasingly recognised that leadership and management skills are a key precursor in any organisation to a workforce development plan. This is recognised by Regional Skills Partnerships, such as that in the West Midlands, who have, in partnership with the RDA invested strongly in Leadership, Management and Enterprise development in medium sized companies who can provide the key drivers of economic growth in a regional economy.

16. It should also be noted that the skills of the workforce do not necessarily equate to the number of pieces of paper that each employee obtains during their career. The Government should be careful that it is measuring the right target. It is instructive to reflect on why the Government wishes to move from targets in schools that focus on five GCSE's at Level C or above and is now concerned to capture the distance travelled by each student. They have recognised that our current system has a very long tail of underachievement that threatens not only our economic prosperity but also our social well being. The move from achievement at specific times to achievement when each individual is ready is to be applauded. This must be carried through into the post-16 funding model. The bulk of this long tail find themselves on Foundation, Level 1 & 2 programmes in FE colleges. With the disappearance of low skill jobs intensive work

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is required to move these students up to Level 3 standards. Some of this remedial work can be carried out through a more joined up approach to 14–16 education with colleges entrusted to the lead role for the vocational strand which would include the new specialist diplomas.

#### *Recommendations*

1. Government should support the part-time Foundation degree route through the FE sector with its legislative plans to allow FE Colleges to develop and validate Foundation degrees.
2. Companies should be incentivised to train their workforce to Advanced Apprenticeship and Foundation degree level by the extension of Train 2 Gain to Level 3 & 4 qualifications.
3. Sector Skills Councils should map and accredit company training schemes in such a way as to enable employees to convert this learning into full qualifications possibly through the support of Individual Learning Accounts.
4. The new specialist diplomas must provide a genuine route into vocational education. This is only likely to be achieved by a significant input and support from the FE sector.
5. The Government should consider productivity and competitiveness as the interaction of leadership & management, human and physical capital investment. This requires joined up thinking and policies. At a regional level this can be encouraged by the Regional Development Agencies and the links between leadership, management and enterprise can be explored through the Regional Skills Partnerships.
6. The Government should build on the moves towards personalised learning in schools by strengthening the funding of Level 1 & 2 students in college post-16. This will enhance the effectiveness of remedial work on the long tail of underperformance inherited from the schools sector.
7. The Government should enable colleges to take the lead role in vocationalising the 14–19 curriculum through appropriate funding structures and planning expectations including a lead responsibility for the introduction of the new specialist diplomas.

#### NATIONAL POLICY/ISSUES

17. Like all policy priorities the focus on “Level 2” qualifications runs the risk of distorting the market. There is much evidence that despite the demonstrable value of Level 3 qualifications, many industries and individuals are prepared to leave their qualifications at Level 2. This is particularly pronounced in construction and service sectors such as retail, hairdressing and catering. There is a culture of good enough. Paradoxically where there is a clear requirement at Level 2 of a ‘licence to practice’ in areas such as health and care and increasingly in construction there is clear evidence of a willingness to pay. Colleges have consequently seen a drop in fee income as a result of the right to a first level 2 with out a pick up of fees at Level 3 to compensate. The Level 3 Train 2 Gain trial in the West Midlands and the North West has been a near disaster as it attempts to persuade Level 3 students to pay 50% of the fees. Initial enrolments were minute. With ministerial support the rates have now been reduced to about 1/3rd. The effectiveness of this move is currently being tested. This however should be a strong warning sign that the swift move to raise fee contributions, endorsed by Leitch needs to be reviewed. There is a real danger that the result will be a reduction in Level 3 achievements over the coming years. This is a key area for the economy.

18. The 50% target has always been arbitrary. In the UK we have had a relatively tight policy over access to HE at 18+ but high retention and achievement rates. Other countries have had a more open access approach but with high wastage rates. The UK system is relatively cost effective. If the evidence shows that retention and achievement can be maintained then the target has its merits. A more significant measure might be the proportion of the population qualified at Level 4 by say age 40. This would then encourage those in employment to continue their education and training well into their career and embrace NVQs, Higher Diploma & Certificates plus a range of Professional qualifications such as Accounting Technician, Care Manager etc.

19. Colleges still have to cope with a range of funding and data systems despite the Government being the ultimate funder in each case. Core LSC funding has different requirements from work based learning (apprenticeships), which differs from Train 2 Gain, which differs from European Social Fund projects, which differs from Individual Learning Accounts, which differs from a range of Jobcentre Plus funding streams which differs from HEFCE funded programmes. We await the promised transfer of all funding for training the unemployed from JC+ to the LSC. Even if this happens it is possible that different funding approaches will apply. Perhaps Job Seekers can be a key group to trial Individual Learning Accounts.

20. Funding structures are still strongly predicated towards the achievement of full qualifications. Provider performance is also measured against full qualifications. This militates against a flexible response except in the cases where the employer or student is willing to fully fund the training. It is the largest single complaint from employers that unless they sign up their staff for a full qualification then they can receive no funding support. The whole Train 2 Gain initiative is predicated on the achievement of the qualification. 50% of the funding is generated from the enrolment and the rest is paid on full achievement. Most employers

focus on the skills needs of their staff not the qualification. Employees tend to have a greater interest in the qualification because it offers portability. There must be something wrong with our qualification structure if there is such a significant gap. It is noticeable how few employers are actively involved with their Sector Skills Councils and recognise that the qualifications have been designed to meet there needs.

21. Qualifications need to be structured into relatively small components of study that develop worthwhile skills but don't cover everything that might be required in all circumstances. These core skills can have separately funded extension studies to meet particular employer's needs. The core forms the basis of the national framework and the Sector Skills Councils' map and accredit the extension curriculum. There should be a general presumption that an employer knows his needs best. The Sector Skills Councils' would assist SMEs to build a curriculum to meet their needs. It could be that the national core attracts generous public funding regardless of level and the employer pays for the majority of the extension skills.

22. It is difficult to give a clear answer to the balance question. The Government's line that the balance of benefit to the community or the individual is a key determinant is eminently logical. It needs to be overlain with an understanding of the ability to pay issue. Many large General FE Colleges find themselves at the heart of deprived communities with family income levels well below the average. In Stoke-On-Trent for example income levels are 25% below the West Midlands' average. It is in such communities that the impact of government policy is most pronounced and where the needs for skills are most urgent. Price elasticity of demand is high and education and training are the areas to suffer when disposable income is at a premium. The family experience and state of the local job market do not make the benefits of high skills and qualifications immediately obvious. It becomes a leap of faith. Over seven years Stoke-On-Trent College built up student numbers from 24,000–40,000 but in the last three years they have fallen back to 30,000. The trend looks set to continue as increases bite. If the college doesn't apply the increases it risks insolvency.

#### *Recommendations*

1. Review carefully the impact of fee increases on participation before implementing the Leitch recommendations in full.
2. Explore the benefits of extending the licence to practice requirements across most craft and professional areas and then review the policy on free provision.
3. Extend the target age for achieving Level 4 qualifications to 40 and embrace NVQ 4 and professional qualifications.
4. Monitor closely the trend in achievement of Level 3 qualifications and in sectors where there is currently little Level 3 training explore the needs for employer and employee incentives.
5. Focus all government education and training funds through a single channel and require the funder to devise an integrated funding and data collection system.
6. Reduce the scope of Vocational Qualifications to a national core, generously funded and encourage employers working with their Sector Skills Councils to develop extension training that fits their specific needs.
7. Develop a system of funding support that reflects both the balance of community/ individual benefits and the situation of deprived communities with low income and poor qualification profiles.

#### SUPPLY SIDE

23. Leitch suggests that the LSC becomes a funding conduit rather than a planning body for adult provision. The Government envisages a planning partnership at local level for 16–19 provision between the Local Authority and the LSC. Skills training doesn't comfortably divide at 19+. It is arguable that apprentice training and adult skills training are a continuum. In both cases employer engagement is crucial. A strong FE sector with well developed local networks should be able to develop and sustain strong supply chain structures with employers. The American Community College model demonstrates this very successfully in many states. The current training broker network should be seen as an interim measure to kick start that relationship. It can easily become another bureaucratic hurdle to overcome rather than a catalyst. It brings a significant financial overhead that is reduces the money available to support training. Interesting work is currently being undertaken to identify the contribution colleges make to the local economy based on USA and Canadian models.

24. The current FE Sector is very diverse with some large college and private sector providers and many smaller providers. There has been significant rationalisation in recent years, in part performance driven (encouraged by the LSC and Inspection regimes) and in part finance driven. Train 2 gain is encouraging collaborative working either through regional or sector groupings. Often these groups encompass both private and public sector providers. By funding these groups through lead institutions who are held responsible for meeting contract volumes and quality standards a national system is beginning to develop that reduces the need for intermediaries. The next step is to entrust these networks with the task of

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identifying local training needs through their supply chain networks. This becomes the self regulation system that is enjoyed by the American Community College system. Incidentally this model fits well with the move to enable FE colleges to accredit Foundation degrees.

25. If the LSC continued to operate at regional level it could deal with five or six such groups which might each serve an area akin to a county (replacing the local offices of the LSC). The sector specific structure could operate as a matrix with specialist providers in each network cooperating across a region and with national sector skills academies. The 157 Group of colleges are well placed to act as change agents to develop such networks given their size and quality standing.

26. The idea of self regulating networks is attractive as all will have an interest in the performance of the group as a whole and none will want to face exclusion. The Government through the LSC can drive this process forward through the funding lever.

27. The LSC currently is an effective mechanism for translating government policy into operational process. It provides the funding conduit and it is able to measure and report progress towards national targets. The Government will always need some organisation to carry out those functions. In many parts of the country the LSC regionally has developed strong working relationships with the Development Agencies and the Regional Skills Partnership. This triumvirate is well placed to review regional priorities and measure progress. In the West Midlands this is well supported by a Regional Observatory that maps the region's economic health and skills profile.

28. As the sector continues to grow in maturity and confidence so empowerment should increase and inevitably the need for an LSC infrastructure will decline though not disappear. Rather like brokers, organisations such as the Quality Improvement Agency and Centre for Excellence in Leadership should be regarded as interim bodies that will help the sector towards high performance and self regulation and then wind themselves up or be directly supported by the sector as is the case with the AoC.

29. The current situation faced by colleges and other providers wishing to respond swiftly to employer demand is one of some frustration. All contacts that require T2G funding have to be referred to a broker even if the company and provider have an established and effective relationship. Brokers will require significant information, may put the work out to competitive tender and may take some time to provide an employer account number that is the key to funding. If the employer doesn't want a qualification on the approved list either no funding is forthcoming and the college is seen as unresponsive, or a protracted negotiation may take place with the local LSC office, the outcome of which is uncertain. Problems also arise if the employer is designated as large or if some of its activity falls outside regional boundaries. At such times it is difficult to recognise the LSC as a national organisation. Usually problems can be resolved but sometimes the delays are unacceptable, especially from the perspective of an employer who interprets it as government red tape.

30. Further structural reform is often unwelcome and can significantly distract managers from their prime improvement targets. Lord Foster in his report strongly backed an incremental approach to reform rather than structural reorganisation. Given a whole series of very positive improvement indicators across the sector it may be more appropriate to look at the interface between college and employer and between college and schools and local authorities rather than redefine institutions. This has already happened and will continue to happen with the right incentives. Providers know they have to meet quality benchmarks and survive in a tough financial climate. The need is to ensure that like independent school academies and trusts, colleges are seen to fit within a local 14–19 curriculum offer as full partners with the Local Authority. At the same time for adult provision the reach needs to be greater and hence the advocacy of sub-regional networks serving a broad business and mobile adult student community. The emerging leadership from within the sector, given appropriate encouragement and support will effectively move the agenda forward.

### *Recommendations*

1. Support and encourage networks of providers to develop strong training supply chains with employers, using brokers as a catalyst in the early stages but ensuring that they don't become a bureaucratic obstacle to close employer/provider links.
2. Encourage the development of self-regulating provider networks with lead providers that work with the regional LSC to serve sub-regions. These networks would assume the functions of local LSC offices as they demonstrate maturity.
3. Encourage close working relationships between the regional LSC, Skills Partnerships and Development Agencies to address regional priorities and track performance.
4. Engage in a dialogue with the sector to identify how it sees the relationship with supporting agencies change as it grows in maturity.
5. Urgently address the relationship between employer, provider, broker and the LSC to remove obstacles to timely and responsive delivery of training such as artificial geographic boundaries or undue bureaucratic process.

6. Focus on the interface with employers and schools/local authorities rather than changing institutional structures. Encourage through funding and development initiatives the emergence of self-regulating networks that will facilitate that interface.

#### DEMAND SIDE

31. In classical economics the demand comes from the buyer with the purchasing power and supply comes from the producer with the product the consumer wants at a price they are willing to pay. In education and training there is such a market for products such as consultancy and management training largely untouched by the public sector. Business Schools such as Warwick, though in the public sector, derive the bulk of their income from charges to business. To date the bulk of funding for FE Colleges has come from public sources, typically 70–95%. For many private providers operating in the apprenticeship market the picture is similar. It is generally accepted that the planned and public funded model is appropriate up to the age of 19 (and beyond in substantial measure for HE). With the Level 2 entitlement and the soon to be introduced Level 3 entitlement up to 25, this model continues for “young adult” learners. Where the state funds the training it quite reasonably sets the rules which is where the conflict with employer “demand led” starts to bite. If the state believes that education is an entitlement and a strategic necessity for the nation for all up to 18 it is likely to have to shoulder the lion’s share of the cost.

32. For the adult workforce the upskilling imperative is obvious to the nation as it faces international competition. This isn’t always so obvious to employers many of whom are small and see themselves serving a local market untouched by international competition. Their response is often to stay small or seek to recruit from the pool of skilled labour that someone else has trained. Large firm, in general, have always taken their training responsibilities seriously. Without government intervention it is still not clear that SMEs would act any differently from the historic norm, driven by the short term profit imperative. It is far from clear that Sector Skills Councils have had much impact on the SME sector. The providers and to a lesser extent the brokers have been able to “bribe” some reluctant employers into accepting free training for their workforce but this is hardly “demand-led”. As we have seen recently take up of Level 3 qualifications has been patchy when a 50% contribution has been sought.

33. As suggested above a tradition of a highly skilled and qualified work force is unlikely to happen by voluntary means alone. Leitch has hinted at legislation to follow if voluntary agreements supported by the CBI don’t deliver. Where licences to practice are required in industries such as gas, road haulage and financial services the training takes place and the employers and/or the employee willingly pay for it. In much of Europe it is recognised that this approach is necessary and desirable. It ensures that basic standards of performance and safety are likely to be delivered. It also confers status on those who have achieved the licence. The state enjoys significant financial savings and can use their funds to assist market flexibility. Examples of this would include the urgent retraining needs where a major redundancy has occurred such as with Rover in the West Midlands or to assist regeneration areas where employer demand is weak and the community has only a small proportion of highly skilled workers. Such support would need to be combined with other measures to create the job opportunities by for example planning the relocation of public bodies to those areas where the workforce is being upskilled.

34. Qualifications that are designed around licences to practice rarely seem to generate the same level of disagreement amongst employers. The focus on the compulsory licence to practice rapidly brings the employers to the table. It is the next logical step forward having established the Sector Skills Councils and it will propel them centre stage. One word of caution, work with the training providers to ensure that the curriculum to be delivered is realistic and achievable.

35. With the legal backing of mandatory licences the Trade Union Learning Reps will act as an effective police force to secure compliance. This inbuilt training and development requirement will help firms and Learning Reps working with their local college partners to develop effective workforce development plans; something that many firms still lack. In parallel to this approach it is vital that support and training is provided for management so that they have the skills to develop their organisation and its work force. This is exemplified by the work done by the West Midlands Regional Skills Partnership. The traditional stick and carrot approach.

36. Employment agencies will need appropriately qualified staff to meet employers requirements. They will be in the same position as any other company and will have to respond accordingly if they want to stay in business.

37. The supply side ever ready to grasp the opportunity will be ready and waiting to deliver the training. The evidence is available where such legally created markets exist. The only point to watch is that this compulsion is not used as a weapon to restrict supply and force up wages. The timescales for introduction need to be carefully planned and signalled well in advance. Success rates for appropriately skilled and qualified staff who have received the necessary training and support should be high, unlike the systems operating in the accountancy and legal professions. The system is to guarantee standards of competency not to ration. This principle is already largely accepted in the apprenticeship structures for young entrants. It may be sensible to extend the adult apprenticeship initiatives which operate in pilot form across some parts of the country.

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*Recommendations*

1. Introduce “licence to practice” requirements for most employment sectors over a planned timeframe with legislative backing for non compliance.
2. Require Sector Skills Councils to lead on the development and implementation but bar them from any delivery responsibilities to prevent any conflict of interest.
3. Use government funding that will be released to support workforce reskilling in areas of redundancy and regeneration supported by employment generation initiatives such as public sector relocation schemes.
4. Use the Union Learning Reps to police the introduction of licences and help them to build proper workforce development schemes in all companies.
5. Complement this with subsidised management development programmes for companies to enable them to develop their companies and the workforce.
6. Employment Agencies as for all companies will take the necessary steps to ensure that they can supply labour who can meet the standards required.
7. The supply side will respond to a clear market opportunity.
8. It is essential to ensure that the system is used to achieve the necessary skills standards not as a rationing mechanism to force up wages.

**LEARNERS**

38. There has been a tendency recently to over play the role of employers in education and training and underplay the role of the individual. The individual must be at the centre of the education system. Employers come and go, they expand and contract. The individual has a long working life and family responsibilities to honour and the state has a role to ensure that individuals can prosper both socially and economically. No one should be more motivated than the individual to ensure that they have those social and economic skills. The education system has a duty to ensure that motivation and those skills can blossom.

39. The FE sector post 16 sees too many young people who haven’t prospered and are lacking motivation. It isn’t just a school issue but clearly schools have a significant role to play. In the author’s own College with over 2,000 16–18 year old students only 11% have recorded both Maths and English qualifications at GCSE grade C or above. These are all students with vocational aspirations and we face a mountain to climb to get them to a standard that industry would recognise as employable in the two or three years they are likely to stay with us. Too many give up and add to the NEETs totals at 17+ storing up problems for the future. We and many similar colleges across the country do have a significant impact on those young people as the rapid improvement in student numbers qualified to Level 2 demonstrates. The Government needs to recognise and embed that role from 14+ with colleges working in partnership with the schools sector turning a two year experience into a four or five year development programme; given our expertise that should be a lead role. A key task is to attack the numeracy and literacy deficit in a vocational context. The initially encouraging results with the Young Apprentice scheme should encourage the Government to embed that as a key element in the 14+ entitlement.

40. There will not be enough quality employment placement opportunities to enable all young people to have a meaningful workplace experience 14–19. It is possible to improvise using part-time jobs and family connections but it will continue to be necessary for colleges to provide quality realistic work simulation opportunities. The qualification system should formally recognise this and licence colleges to deliver NVQ1 and in some cases NVQ2 qualifications away from the workplace. This shouldn’t be the norm but should be legitimate in certain prescribed circumstances. It is now not unusual for a Technical Certificate to be achieved in College, to then be converted to a full NVQ framework in the work place.

41. Adults looking for training have a mixed experience. Traditional evening courses are available and in some cases day or block release ranging from basic skills to degree programmes. This provision is not as plentiful as it used to be with the focus now on work based training. This can be a problem if your employer is not supporting work based training. Learndirect from the University for Industry is a flexible alternative though the nature and range of programmes is limited. Some colleges seek to make learning on demand a reality through learning resource centres. This could be supported by the LSC at relatively modest cost. The current funding methodology tends to discourage learning methods that involve less direct learner contact. Individuals often complain about the focus on a September start and courses running for a full year. It tends to be the economics rather than curriculum issues that discourage more flexible offerings from colleges.

42. Employees currently in employment but seeking to change career direction can find it difficult to meet the “on the job” requirements without giving up their current employment. There is a reasonable range of provision for those who are currently unemployed though the continued existence of the “16 hour” rule frustrates the rapid acquisition of new skills. In areas where student demand is high such as construction training, the lack of employers willing to take on trainees to gain the NVQ qualifications can limit the places available for adults.

43. Information, advice and guidance is available from most colleges and Connexion services. Learndirect on-line provides a nationwide coverage. A broad range of information is available on the internet but isn't always easy to find. If IAG centres are backed up by quality web based information a reasonable job can be done. Union Learning Reps can also be a conduit for IAG with the appropriate training support. It would be sensible to exploit the local council network as they assume a greater role in supporting economic growth.

44. For those with little experience of qualifications or employment there is a role for the adult and community service to act as a focus working with the voluntary sector and neighbourhood support groups. This could be a key duty when Councils negotiate their ACL budgets with the LSC. Local Area Agreements lead by local authorities would set out a strategy that the LSC could fund with coordinated support from the relevant central government department (Education, Work and Pensions, Communities).

45. Learner Accounts are being trialled at Level 3 and given the history need to be carefully managed. The key is that the user should only be able to cash them with quality approved providers. Clearly the relatively poor uptake of Level 3 qualifications indicates this is an appropriate area to target.

46. Another key target group should be those with Basic Skills needs. There is an initiative currently trading under titles such as "Test the City" and "Test the Company" which aims to get people to find out about their basic skills needs. There is a case for rolling this out as "Test the Nation". Give everyone a voucher that entitled them to a free numeracy and literacy test. Following the test the voucher would be exchanged for a card that would, like an eye test identify the skills training required. Again using approved providers the individual would be entitled to free support and a further test to record progress at the end of the period. This would fit with the national scheme to provide everyone with an electronic training record. It would provide a much more effective picture of basic skills levels across the nation and the card could easily double as the Learning Account. It would be topped up with training funds according to the current level of skills and previous spending.

#### *Recommendations*

1. Give the colleges the lead role in developing the vocational agenda from 14+ with a requirement that all schools participate in the programme.
2. Focus intensive support on those at 16+ in colleges who come with few formal qualifications.
3. Allow full NVQ1 and some NVQ2 qualifications to be delivered by colleges that have appropriate facilities to simulate work place training.
4. Support the development of flexible roll-on roll-off facilities in colleges to support year round enrolment. Ensure that funding doesn't discourage the development of flexible remote learning routes.
5. Consign the 16 hour rule to history.
6. Focus IAG support through Local Authority and College advice centres with a quality national web site back-up.
7. Require the LSC, Local Authorities and Jobcentre Plus (supported by the relevant government departments) to work together with the voluntary sector and neighbourhood teams to produce a strategy and funding directed at reaching those with few qualifications who are currently outside the world of work.
8. Learner Accounts should be combined with the computerised learner record. Use of learner accounts should be through LSC quality audited and approved learning providers.
9. A "Test the Nation" campaign should be rolled out nationwide to get everyone talking about numeracy and literacy skills. This will give a clear picture of the nation's real skills levels and bring many back into formal study with subsequent testing to measure progress. It can be linked into the Learning Accounts/Record system.

#### **APPRENTICESHIPS**

47. Apprenticeships currently appear to be fit for purpose. Apprenticeship routes seem to require differential amounts of training which may imply different degrees of difficulty whilst notionally being at the same level. This may not matter if the outcome effectively meets the needs of employers. The brand could be strengthened at both ends by the national roll out of Young Apprentice, Adult Apprentice and Graduate Apprentice routes. Apprenticeships need to be keyed into the licence to practice requirement proposed above.

48. Key skills are increasingly coming to be accepted as a crucial element in the full framework model. It should be possible to secure further integration of these skills into the NVQ. Technical Certificates are a useful complement to the in-work NVQ element that can be delivered by trainers in partnership with the employer.

49. Providers of full time FE courses and work based training providers need to work closely together to ensure effective access at 16, 17 and 18 to the apprentice route. Apprentice training providers need to work closely with colleges and universities to strengthen progression to foundation degrees or NVQ Level 4 qualifications. These could be a route to “Master Craftsman” status.

50. Entry to Employment, the pre Apprenticeship route should be retitled Foundation Apprenticeship to emphasise the feeder structure. A clear alternative for those not yet job-ready that parallels full time Entry and Foundation courses in college should be developed which could carry the E2E title.

51. A key role for T2G brokers could be to promote apprenticeships with all employers. The base is still too narrow.

52. Success rates on apprenticeships have shot up in the last three years. We can realistically expect 60% success rates by the summer of 2007. This compares with the low 30s for full frameworks in 2002–03 and is reaching comparability with full time vocational qualifications delivered in colleges.

#### *Recommendations*

1. Investigate the difference in size and difficulty between apprenticeship qualifications at notionally common levels.
2. Develop the brand with a national roll out of Young Apprentice, Adult Apprentice and Graduate Apprentice.
3. Introduce a new Foundation Apprentice qualification and retarget the E2E qualification at those not yet job-ready.
4. Improve the progression links between full time college vocational courses and apprenticeships at 16, 17 & 18 and strengthen the progression routes on to foundation degrees and NVQ 4 qualifications.
5. Identify Level 4 qualifications with “Master Craftsman” status.
6. Set T2G brokers targets for generating new apprenticeship places with employers.

#### QUALIFICATIONS

53. The qualification system still appears a mystery to many employers. For 16–18 year olds we have not yet achieved the unified structure advocated by Tomlinson. With care it should be possible to describe the three routes as vocational (NVQ/Apprenticeships), academic GCSE/GCE, and hybrid (specialist diplomas). It is sad that we haven’t chosen to build the diplomas out of the well established and BTEC Diploma products. These are used extensively in schools and colleges and have a strong vocational flavour. Working with the Sector Skills Councils they could have been updated and would have provided a continuity that has been lacking with the succession of General National Vocational Qualifications, followed by Applied GCEs.

54. The adult framework can be made to look very complicated with a plethora of awarding bodies or relatively simple if the focus is on level. The Sector Skills Councils are charged with rationalising the system in conjunction with the Qualifications and Curriculum Authority. If the recommendation above to identify a core that forms the national framework is accepted and that extension studies that meet particular employers needs are endorsed by the SSC then the system will look relatively straightforward. If these are keyed against the licence to practise and master craftsman standards then the role of the qualification system is clear and can be related to the academic route and university entrance standards.

55. This system needs to be reinforced with a national standard system for testing and developing numeracy and literacy skills. These skills will be a prerequisite for licence to practise status.

56. If the SSCs are developing the qualification structure it has to be questioned whether examining bodies add value by each developing their own syllabus and assessment methodologies.

57. Any funding methodology must be able to fund any part of a qualification that leads towards a national core framework. This reinforces the need to quickly develop a qualification and skills profile for each individual student.

58. The pace of progress towards this core qualification framework with a fundable unitised curriculum is a cause for concern.

### Recommendations

1. Consider building the specialist diplomas on the existing BTEC framework.
2. Encourage the SSCs to rapidly develop core frameworks that link to licence to practice and master craftsman status.
3. Ensure that a similar national is in place for basic skills that links clearly to the frameworks.
4. Review the need for awarding bodies to devise separate syllabus and assessment methodologies.
5. Ensure that any funding methodology supports a unitised curriculum.

January 2007

### Memorandum submitted by the Association of Colleges (AoC)

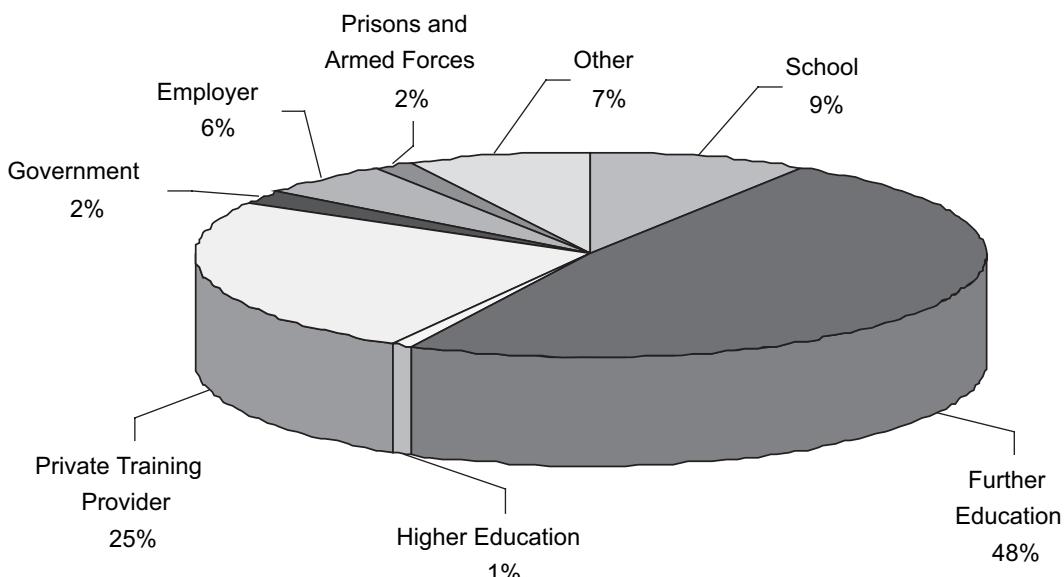
1. AoC (Association of Colleges) is the representative body for colleges of further education, including general FE colleges, sixth form colleges and specialist colleges in England, Wales and Northern Ireland. AoC was established in 1996 by the colleges themselves to provide a voice for further education at national and regional levels. Some 98% of the 425 general FE colleges, sixth form colleges and specialist colleges in the three countries are in membership.

### FURTHER EDUCATION COLLEGES

2. Further education colleges have a major role in the existing efforts to equipping people of all ages with the skills they need for working life. The central role of colleges in education and training is evident from the following facts. Colleges:

- enrol the largest numbers of 16–18 year olds in full-time education and account for more than 40% of entrants to higher education;
- are the main providers of work-related learning for all ages. They deliver part-time vocational education to 15% of 14–16 year olds, account for 50% of the Train for Gain programme and support 53% of the learners who successfully complete National Vocational Qualifications each year; and
- are the main option for any adult wishing to learn part-time. Colleges are the main providers of foundation degrees, learndirect, basic skills, technical skills at Level 2 and 3 and general adult education.

### WHERE PEOPLE GAIN VOCATIONAL QUALIFICATIONS



Source: AoC analysis of DfES statistics on vocational qualifications

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## SECTION ONE: CONTEXT

*What issues should we take from the Leitch report on UK skills gaps?*

3. There are three key conclusions from the Leitch review about UK skills gaps:
  - the stock of UK skills has improved over the last 10 years;
  - the main cause of the improvement has been the rapid improvement in the qualifications held by young people (more of whom now go to university). The UK's skills profile compares well on higher level qualifications; and
  - despite the improvements, the UK compares poorly on intermediate and basic skills. Fewer UK adults have intermediate skills (Level 2 and 3 qualifications) compared to the OECD averages. The UK has more adults with low qualifications than comparable countries and is ranked 18th across the OECD.

*Are the measures that we have available to measure the success of the skills strategy robust?*

4. We have three comments on this issue:
  - the skills strategy has a strong focus on qualification levels as a proxy for skills. This creates problems. Although there is a good educational basis for the different levels in the national qualification framework, qualifications at the same level differ in terms of the capabilities they represent. An A-level assesses very different aptitudes from an Advanced City and Guilds. It is questionable whether a single national accreditation system can fully assess the current and future value of each qualification. The qualification level is a useful shorthand for skill level but the Government needs to be cautious about an over-reliance on a single measure of success;
  - there is a risk of complacency about adult learning participation. The Leitch interim report states that that the UK has relatively high participation levels in education (16% of 30–39 year olds are full or part-time students compared to an OECD average of 5%). The OECD survey cited counts all participation equally—including one day statutory courses but may not properly address the different ways in which countries capture data. The strong UK Government involvement in education and training and the strong emphasis on external accreditation make it likely that more data is captured on short courses in the UK than in some other OECD countries; and
  - significant improvements have been made in the measurement of qualifications achieved in the English education system but the existence of parallel data collection systems for the school sector, for universities and for further education is still an obstacle to a full understanding of the data. The introduction of a Unique Learner Number will improve the situation but it will be several years until robust data on individual achievements is available.

## SECTION TWO: NATIONAL POLICY ISSUES

*Are the Government's priorities for skills broadly correct?*

5. While the Government's priorities for skills focus on a number of areas, the coverage of the existing targets is too narrow. The Leitch review rightly calls for a more ambitious approach to skills, which would, if implemented:
  - treble the number of adults gaining basic skills qualifications each year;
  - significantly increase the numbers gaining Level 2 qualifications so that 90% achieve this level by 2020;
  - shift the focus of the system towards Level 3 with four million achievements by 2020 and 500,000 apprenticeship a year; and
  - maintain the expansion of higher education at current rates.
6. This is a more balanced set of targets than those set out in the current Public Service Agreement between the Treasury and DFES.

*How do other targets such as the “50% into HE” fit with the wider skills agenda?*

7. The Leitch review rightly focuses attention on the need for more people to have skills at Level 3 and 4. Achieving the Leitch review targets by 2020 will require a major catch-up exercise for those with low skills but also a major expansion in learning and training at Levels 3 and 4.
8. The Select Committee may want to investigate issues around the balance of funding towards these targets. The Leitch review focuses mainly on further education and training but does enunciates the principle that “at Level 4 and above, individuals and employers should pay the bulk of additional costs as they will benefit most” but does not follow this through to its logical conclusion. In chapter two (para 2.34), the report states that the Government in England spends £7.4 billion on higher education and £4.5 billion on further

education and work-based learning. This implies that the Government is spending the majority of its education budget for over 19 year olds on higher education students who gain greater individual benefit from their studies. The Leitch review makes a number of recommendations to change the further education system but barely covers issues in higher education.

*What is the extent of joined up working between Government departments, particularly the DfES and Department of Work and Pensions*

9. The amount of joined-up working between the DfES and DWP is limited. There are three particular issues:

- different targets—the DFES and the further education system is focused on raising standards, on engaging with employers and on increasing the number of people with relevant qualifications; the DWP and Jobcentre Plus is focused on reducing the numbers of people claiming benefits with less emphasis on the wider jobbrokerage role;
- different funding levels—the financial squeeze on the DWP has resulted in a contracting approach focused on cost-reduction. This has reduced the ability of supply side to meet the wider needs of unemployed people and resulted in negative quality assessments on the training programmes for the unemployed. Few colleges now contract with the DWP; and
- the top-down way in which all Government departments are managed makes horizontal co-operation more difficult.

*Do current funding structures support a more responsive skills training system. How could they be improved?*

10. The current funding system for English further education is highly focused on the delivery of national targets. The Learning and Skills Council has been increasingly focused on delivery of targets in the years since its creation in 2001. The experience of the last few years has been partly positive and partly negative. The targets have focused the education system on common goals and stretched all organisations to achieve more. Targets have contributed to quality improvement through the assurance of common standards. The LSC has achieved a dramatic shift in the balance of public funding.

11. There are, however, negative aspects. The LSC has shifted money towards public service agreement targets and this has required funding cuts for other courses. This, in turn, has resulted in a cut in the number of course places for adult learners. In some cases, the focus on targets means that the accreditation of existing skills is valued equally with the acquisition of new ones. The refocusing of public funding and the cuts in other provision has limited the ability of colleges and others to respond to local needs. Colleges can offer employers and individuals anything they want provided it's a Level 2 qualification or it's charged at full cost.

12. Given this experience, the recommendation for more ambitious targets will only make sense if the Government is equally ambitious with its funding and policy-making, starting with the 2007 spending review. AoC recommends the following approach:

- a public funding settlement for the period from 2008–2011 which allows for expansion in adult skills provision at a time when money will also be needed for the Government's 14–19 reforms;
- a more coherent approach to public funding for education and training after the age of 16. The current budget allocations direct the largest amount of public money is directed to those who do best at school. The 2007 spending review is an opportunity for a reforming Government to take a different direction in the interests of the economy as a whole and to promote social justice;
- a reconsideration of the approach towards public subsidies for employer training. The Government's message about the need for employers and individuals to contribute more is clouded by the expansion of programmes like Train to Gain which offer a 100% subsidy for employer training, plus wage compensation. The further education system needs to offer employers a choice of programmes on a mixed economy basis—with employers and Government both contributing; and
- a national campaign on individual commitment to learning. Ministers, officials and college leaders know that fees have to rise but the message has not been taken to the general public or employers. There have been several Government advertising campaigns since the publication of the skills strategy in 2003 but none on the issue of fees. The Government and education system need to sell the message that learning pays and that investment is vital to business and individual success.

*Is the balance between the public, employers' and individual's contribution to learning appropriate?*

13. The Government is right to seek a better balance between public, employer and individual contributions to learning. In further education, the Government move to a position where Government pays 50% of the costs of learning and individuals or employers the other 50%. This policy makes sense for some qualifications and some learners but there are a number of issues which need to be addressed in moving to this goal:

- public explanation of the policy and a clearer approach towards employer training (see para 14 above);
- the inconsistent application of the policy to all publicly-funded education beyond the age of 19, including higher education. The higher education teaching grant provides an average of £4,100 per full-time student in 2007–08, which implies a fee assumption of 43% for universities. Unless there is a change in the 2009 review, college students will contribute a greater share of their costs than university students;
- the lack of financial support for adult learners facing fee increases. From 2004 and 2010, the change in the fee assumption for adult learning will require average annual fee increases of 16%. Financial support for adult learners is £150 million compared to the £1.5 million annual cost of higher education student support; and
- the need for greater efficiency in the further education system, in particular by reducing unnecessary regulation.

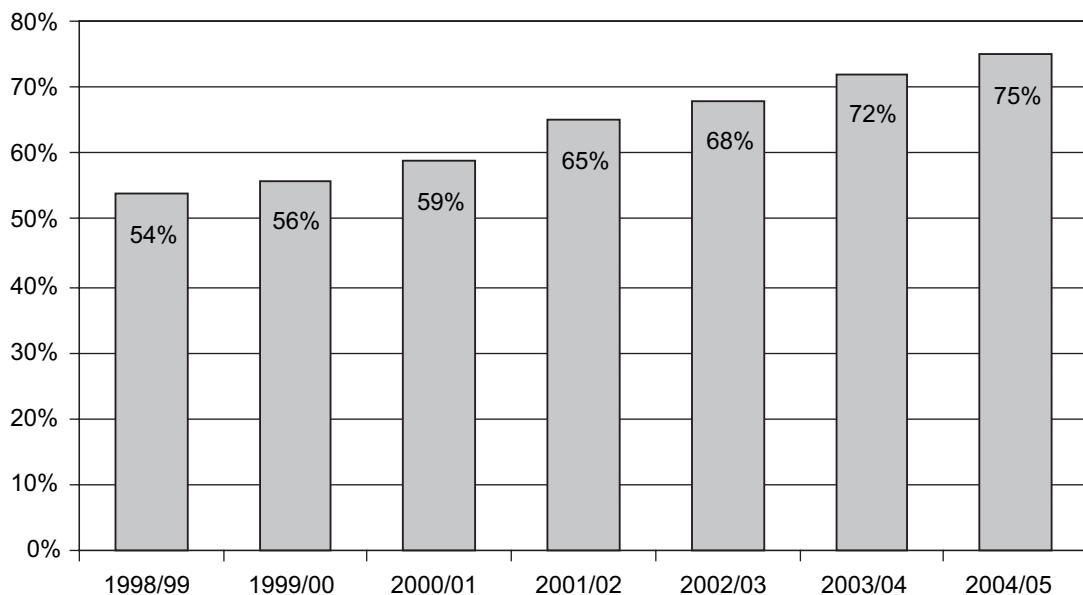
### SECTION THREE: SUPPLY SIDE

*Is there a case for a less regulated supply-side with fewer intermediary bodies? What are the potential risks and benefits of such an approach?*

14. Colleges have improved their operations in the last ten years in a way that has few parallels equals within the public services. Colleges have:

- increased the numbers of 16–18-year-olds in education and training and helping more of them progress into university and work;
- increased the number of adults enrolling and achieving basic skills and Level 2 qualifications to enable the Government to meet its targets;
- managed their curriculum offer to meet employment growth and clear demand for higher skills, for example construction and health and social care; and
- significantly improved quality whether measured in success rates or inspection reports. At the same time, colleges have maintained satisfaction levels above 90%, compared to 75% in universities.

FE COLLEGES HEADLINE SUCCESS RATES 1998–99 TO 2004–05



*Source: LSC statistical first releases on learner outcomes*

15. Colleges have achieved these improvements with some assistance from the Learning and Skills Council and advisory bodies but not to an extent that justifies the continuation of current arrangements. Much Government regulation of the further education system is complex and results in unnecessary micro-management. This wastes hundreds of millions of pounds and saps the morale of governors, managers and staff in colleges. The performance of colleges on any measure—rising success rates, better inspection results, high satisfaction levels—shows that this regulation could be reduced considerably. We set out some specific ideas on the Learning and Skills Council below.

16. There are also opportunities to rationalise the multiple agencies involved in planning, regulating, inspecting and advising colleges. The Government's quality improvement and reform programmes uses the Quality Improvement Agency, Centre for Excellence in Leadership, Sector Skills Councils and Qualifications and Curriculum Authority to facilitate change. By 2008–09, the anticipated changes will either be underway or completed.

17. The AoC has no desire to end valuable programmes but believes that, in a time of public spending restraint, grants for such activities should not be open-ended. Furthermore the best people to make decisions about which programmes should stay are the end-users in colleges, schools and training providers. The Government should consider enacting a policy that the various improvement programmes become self-financing from 2008–09.

18. There are also clear roles for external inspection, national qualifications and public audit but there needs to be a reduction in the level of college-specific regulation. Greater use should be made of the public law and regulation that applies to all business and public services. At the same time, a move towards more college self-regulation could provide the assurance that Government, employers and the public require but without the elaborate regulatory apparatus that currently exists. Where regulatory powers are retained by Government, they need to be developed so that there can be effective, co-ordinated action to address failures in partnership with the sector.

*What do national and regional agencies currently do well? How well are bodies such as Regional Skills Partnerships working?*

19. National agencies have played a major role in the last few years in raising standards in publicly-funded further education and skills training. The Success for All strategy in 2002 launched a number of valuable programmes and focused attention on common quality improvement objectives. This has helped colleges and training providers take a robust approach to self-assessment and to eliminating failure. As a result the further education sector has responded robustly to criticisms made in inspection reports from Ofsted and the Adult Learning Inspectorate. The foundations laid by these initiatives this decade provide the basis for a different approach in the next few years.

20. The role of regional agencies in skills has developed more recently and is constrained by their lack of funds, the inter-agency competition with the Learning and Skills Council and the artificial nature of some regions. Regional development agencies (RDAs) have made a positive contribution to skills, for example in helping college capital development by facilitating land assembly, but there is confusion at local level over who is responsible for what. This confusion could become more pronounced in the next year as a result of the growing interest from local government in skills and as a consequence of the development of more Skills and Employment Boards.

*Does the LSC need to be subject of further reform?*

21. The Learning and Skills Council has undertaken a major process of reform in the last few years, most recently with its Agenda for Change. This reform has helped to clarify the LSC's role, to improve internal decision-making and to reduce its running costs. Although disruptive, reform of the LSC should not stop here.

22. A central aim needs to be to reduce the micro-management of colleges by the LSC and to free colleges to make their own decisions in response to Government, employer and individual demand. The combination of national, regional and sectoral targets; regulatory controls on courses and qualifications and the failure to properly cost new initiatives has severely curtailed the ability of colleges to respond to local needs. The over-regulation also makes it more difficult to hold governing bodies and principals accountable for their successes and failures.

23. The Leitch Review identifies the needs for realism about the ability of Government to plan from the centre. Planning can be used to inform funding allocations, to allocate capital grants and to pump-prime new developments. Central planning cannot anticipate and meet complex education and training needs created by economic and social change.

24. There are a number of ways in which LSC could be reformed and could operate within a reduced budget:

- partnership teams could be reduced in size;
- duplication between regional functions could be eliminated; and
- the national office could be further slimmed down, particularly if genuine progress is made in simplifying funding systems.

25. The LSC needs expert staff who can regulate the sector, control the spending of public funds and make effective partnerships with other organizations. But the cost of these activities could be contained within an administration budget of £100 million or less and still leave the college funding body spending more on administration as the share of the total budget than comparable organizations do in Scotland and Northern Ireland.

26. The reformed LSC will be the economic regulation of publicly-funded further education and training. Economic regulation is a concept that is well understood in the energy, transport and media sectors and that is increasingly being applied in the NHS and postal services. Economic regulation in the further education system will require the LSC to focus on price, availability and quality rather than the internal management of colleges and training providers. The LSC will need to ensure that the market works fairly and openly.

*What is the typical experience of a college or other provider who wants to put on new provision in response to employer demand?*

27. Colleges have a good track record in responding to new demands but they can only do on a sustainable basis where income covers costs. Colleges and training providers need to work with viable groups of learners to keep the average cost per learner down or to work on relatively limited contact time for individual learners.

28. Where employers are willing to pay fees for training, it is possible for colleges to work fast and effectively to meet new demands. Where training depends on public funding, colleges can only respond if they have capacity within their LSC allocations and if the employer is willing to work with national qualifications. Train to Gain provides more flexibility for colleges to draw down public funds but only if these are to be used for Level 2 qualifications.

#### Case Study: Bridgewater College and Mulberry

Luxury brand Mulberry needed to broaden the age profile of their employees, to safeguard the brand's future development. They contacted Sector Skills Council, Skillfast-UK, who recommended Bridgewater College, Beacon Award Winner for Employer Engagement 2006. Setting aside traditional methods of working the College created a unique on-premises apprenticeship, attracting 58 applicants for 10 places. The College conducted skills assessments of applicants enabling Mulberry to shortlist and interview. These youngsters, all from the local community, are now learning specialist leather manufacturing skills and the scheme will continue each subsequent year, as well as being extended to other staff.

*Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning?*

29. Adults learn and train at a wide range of institutions including colleges, universities, local authority centres and private training providers. The supply-side is complicated and decentralised and this largely reflects the way in which institutions in the public sector are funded and regulated.

30. Over the last 10 years, the number of colleges has reduced by 20% as a result of mergers. With LSC financial support in the short-term, the merger of high quality colleges with their neighbour has strengthened the sector and contributed to the general rise in success rates and confidence in the system. The average size of colleges in terms of income has grown by 50% in the past five years as a result of mergers and participation growth.

31. At the same time, the LSC has reduced the number of funded work-based learning providers in recent years in the interests of improving quality. Further consolidation has come as a result of merger activity by larger providers.

32. Other changes have been initiated in response to Government funding. Frequent changes in Jobcentre Plus, learndirect and community learning funding has caused the growth and disappearance of a large number of small training providers.

33. In an ideal world, there might be a case for a different way to organise institutions but significant structural change would require substantial Government intervention and considerable costs, not least because of the implications for employees. A more pragmatic approach for Government is to rely on market mechanisms to deliver changes on the supply side but to focus attention on more efficient ways to regulate and fund the sector.

34. The stated policy of the DfES and LSC is to expand choice and to "buy quality". An effective way to increase choice and quality might well be to support expansion by existing high quality providers. This could support the Government's other policy to encourage specialisation. Encouraging expansion by colleges and providers with high quality provision in particular subject areas would be a cost-effective and reliable way to achieve Government objectives.

## SECTION FOUR: DEMAND SIDE

*What should a demand-led system really look like?*

35. Lord Leitch's review describes a demand-led system as one in which the decisions of employers and individuals determine the allocation of public funding. This is a fair description of the way that the funding system currently operates. Colleges can make commitments to employ staff and equip classrooms on the basis of this year's allocation in advance but know that they will lose funding in the following year if they do not recruit or retain students. Over a period of years, there have been quite significant changes in funding levels in response to demand.

36. This description of a demand-led system focuses on choice of where to study and train but in a context where the choice of what to study is being reduced. The DfES and Sector Skills Councils are working together to rationalise the number of qualifications on offer and to reduce the number of qualifications for which public funding can be claimed.

37. AoC believes that the system should be demand-led but that it needs to work within Government budgets subject to annual cash-limits and in a way that protects consumers. The providers of education and training have better information on their services than consumers. Government regulation is necessary through inspection, national qualifications and public funding decisions to protect consumers.

38. Given these constraints, a demand-led system needs the following characteristics:

- individuals need the power to choose where and what to study but, at the same time, are expected to contribute financially to their own learning;
- employers are given a leading role in advising Government, colleges and providers on the priorities for public funding. This should happen via Sector Skills Councils and via individual contacts. The expectation on employers is that they will pay for the majority of their staff training but that training leading to national qualifications is partly funded by the state;
- public funding is focused on individuals with low incomes and on areas of clear skills needs but in a way that also allows individual and employer choice. Public funding should be allocated largely on the basis of demand but in a way that supports investment in staff and facilities. Funding should only go to institutions who can meet quality standards. Public funding also needs to ensure that there is adequate choice. The track record of colleges in meeting demand and in maintaining high standards means that they would have a clear role in such a system; and
- Government regulation of the system is focused on ensuring adequate quality standards and on ensuring sufficient choice in all parts of the country.

*Do employers feel that they are shaping skills training—for example through Sector Skills Councils? Do employers feel closely involved with the design of new qualifications?*

39. There is a strong employer role at all levels in the existing system yet the majority of employers appear to feel disenfranchised. Employers are represented on national councils (for example the LSC), influence Ministers and civil servants, approve qualifications via their role on Sector Skills Councils and have a leading role in delivery, both as governors of colleges and as providers of apprenticeship places and work experience. The employer role has grown in the system in recent years yet this has not solved the problem of employer engagement.

40. There is no easy solution to this problem but perhaps a different approach is needed. The increasing centralisation of further education makes the whole system less responsive to individual demand. Rather than introduce yet more consultation processes at the top (for example a greater role for Sector Skills Councils in funding decisions), the solution might lie in more decentralisation so that employers have more choice and involvement in decisions at a lower level. SSCs have a valuable role but there have an impossible job in representing employer views.

### Case Study: Gateshead College and Nissan

Nissan car plant has a high demand for skilled labour. However, many temporary workers have little or no experience of manufacturing or production line work. This inexperience had the potential to increase staff turnover and lower efficiency.

Gateshead College helped Nissan solve this problem with a replica off-site production line and the development of tailored training. This innovation has meant that Nissan are able to train people away from the demands of a “live” production environment. Steve Greener of Nissan said; “People that come off the training course are as good as the people that have been at Nissan for 10 years. Every process is taught and then speeded up over the course—one process has been reduced from seven minutes to 26 seconds.”

*Should employers be further incentivised to take up training? If so, by what means?*

41. The central proposal in the Leitch report is a deal between Government and employers. Government should shake up funding and qualifications so that employer demand takes precedence with public money focused on those with lower skills. In return, employers should commit to spending more on training, particularly on those with intermediate and higher skills. The deal is offered as an alternative to compulsion and levies on employers. The idea is that this will lead to an expansion in training and significant progress towards a new set of targets.

42. The weakness in this deal is that Government might deliver its part while employers do not change. Employers have many priorities besides staff training. The record of past voluntary initiatives to encourage employer investment is not good.

43. The proposed Commission for Employment and Skills simplifies the landscape in some ways by bringing together the Sector Skills Development Agency and National Employment Panel but leaves many other bodies and committees untouched. The review focuses very much on issues at a national level and does not address the difficulties that smaller employers have in engaging with national organisations.

44. The Leitch review has fairly cautious in this area. The review has not properly considered other ways to incentivise employers (for example tax incentives or levies) and downplays the advantages of further rationalisation.

**Case Study: Derby College, Rolls-Royce and local businesses**

Rolls Royce works in partnership with Derby College to deliver manufacturing training to local businesses. Graham Schumacher, Head of Learning Operations at Rolls-Royce said; and

“Rolls-Royce values the partnership with Derby College and Amicus to establish a Centre of Vocational Excellence to deliver Lean Manufacturing Training. Rolls-Royce has lean engineering expertise, Derby College has the engineering educational infrastructure and Amicus the local network of SMEs. Together we have the ability to be an effective force to assist the local engineering community to develop a competitive edge.”

*What is the role of Union Learning Reps?*

45. Union learning representatives have a valuable role in reaching out to people who would not otherwise participate in learning. A number of programmes funded through the Union Learning Fund has shown what can be done. Trade union centres in colleges across the country have an important role in providing basic training for union members in issues like health and safety and in encouraging people to develop their skills from this point.

*What role should employment agencies play in facilitating training?*

46. We have no particular views on this issue.

*What is the typical experience of someone looking for skills training?*

47. It is impossible to generalise on this point but it is important to record that someone looking for skills training will face a narrower choice of publicly-funded programmes because of the budget and funding changes but that the quality of the programmes that are available will be higher where judged by success rates and inspection scores.

48. In the LSC survey of 74,000 businesses (the National Employer Survey), 82% of employers approved of the training they receive from colleges. A 2004 independent LSC survey showed that employers rate colleges with a Centre for Vocational Excellence (CoVE) highly—with nine in 10 intending to use the college again.

**Case Study: Park Lane College and Redcats**

Park Lane College Leeds has been working with Redcats the Catalogue Services organisation for the last four to five years to assist them with developing skills and knowledge of the Call Centre based Staff—from the Customer Service Advisors to Admin Staff to Team Leaders and Call Centre Managers. These development skills are carried out through the staff undertaking NVQ programmes in the sector relevant to their occupational role and are linked to their organisational individual development plans, in which needs are highlighted.

The NVQ programmes have been an integral part of Redcats' commitment to staff investment and this has in turn seen an impact over the years of staff attrition and promotion of staff to higher levels of responsibility. The delivery of the programmes has been so successful amongst the Redcats group that not only have they expanded the programme areas but we also now work with some of their other sites in the region.

*What information, advice and guidance is available to potential learners?*

49. The information, advice and guidance services offered to adult learners vary in availability and quality. The Leitch review correctly identifies the need for an improvement as part of reforms to help the consumers in the system become better informed. Colleges have a significant role in offering advice and guidance to potential learners, not just on their own courses but on all the options available to learners. Many colleges work towards the Matrix standard for guidance as a guarantee of quality standards. If the Government moves in the direction of an adult careers service, it should build on the good practice that already exists and learn from initiatives that are less effective. It is too early to say that the model of an independent brokerage service used in Train to Gain could be effectively expanded to cover all adult learning.

*What is available for those with the very lowest skills levels, who are outside of education, training and the world of employment?*

50. Colleges enrol several hundred thousand people who are unemployed or on means-tested benefits on adult further education courses. LSC funding rules allow colleges to offer these individuals free tuition but Jobcentre Plus rules limit the amount of study that can be undertaken each week. The 16 hour rule has been in place for more than a decade and remains a significant obstacle to the ability of unemployed people to gain skills. An interesting experiment took place in 2005 in the West Midlands in the wake of the Rover Group collapse. The 16 hour rule was waived for many Rover Group workers which allowed them to undertake intensive programmes (of around 35 hours a week) and to return to work faster than they otherwise might have done. Colleges in the West Midlands retrained many engineers in construction skills, which were more in demand in the area. Changing the benefit rules in this way for other individuals might help them acquire skills faster and more effectively.

*What is the role of Learner accounts? What factors should be considered in their design and implementation?*

51. Learner accounts will work best in the interests of learners if: introduced as part of a package to fund learning which also includes grant funding and fees:

- the accounts fund only part of the costs of a course;
- the accounts are used to encourage fee payments (perhaps with the help of tax relief); and
- their use is confined to colleges and providers who meet quality thresholds.

52. The proposal in Leitch review goes way beyond this. If learner accounts act as the route for all public funds, there will be massive turbulence in the further education system. Some colleges and training providers will gain from the opportunity to win public funds in a competitive process. Others will win contracts but fail to deliver. Yet more will decide to concentrate on areas where public funds are more guaranteed—16 to 18 education and training. The outcome could be a more concentrated supply side, offering less choice and ultimately able to secure higher prices.

53. It will be sensible for the Government to act carefully because no learner account system is yet in operation in England. There will be LSC pilots starting in 2007. The schemes in Scotland and Wales are small scale and involve top-ups to mainstream funding. This was the approach taken in the Training and Enterprise Council pilots in 1999–2000 and in the national Individual Learning Account scheme in 2000–01. The latter scheme was closed at short notice because of excessive, unexpected expenditure and suspicions of large-scale fraud. The LSC has stated that it has learnt from this experience and will only contract with high-quality providers but a number of issues will need to be addressed:

- how the accounts will be distributed and controlled;
- how to ensure that the accounts encourage new learners and do not simply displace existing expenditure;
- whether to increase the money in an account to take account of the higher costs of certain courses or faced by certain groups of learners, for example those with learning difficulties or those who need to travel or stay away from home;
- whether to increase the money in an account to encourage learning by disadvantaged groups;
- how to ensure that colleges and learning providers have enough income to justify investment in staff, buildings and equipment; and
- how to ensure that providers do not take advantage of variations in the accounts.

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## SECTION FIVE: APPRENTICESHIPS

*What should apprenticeships look like? How close are they currently to this vision?*

54. The idea of apprenticeships has a strong and positive image with the wider public but the programmes themselves are relatively new and still need improvement. The following issues need attention:

- it is difficult to get commitment from some employers to the training of apprentices; and
- the complexity of the programmes themselves makes it difficult for learners and parents to navigate their way to completion.

*What parts of the current apprenticeship framework are seen as valuable by learners and by employers and which less so? Is there a case for reform of the framework?*

55. It is difficult to generalise across all frameworks but the area of key skills is worth examining. Trainees learn practical mathematical skills associated with the job as an integral part of his training and not as an artificial and unconnected test.

*Are the number of places available appropriate and in the right areas, and at the right level?*

56. In recent years, colleges have expanded their role as providers of apprenticeship training. The number of colleges involved, the number of programmes and the number of college-based apprentices has all increased. Many colleges converted further education programmes into programme-led apprenticeships in 2004 and this had a major role in helping the LSC meet its participation target of 175,000 apprenticeship places a year.

57. LSC targets and funding rates prioritise the provision of programmes that are cheaper and easier to complete rather than apprenticeships in areas that are needed. For example, there are fewer than 20,000 apprentices a year on college and Construction Industry Training Board programmes compared to a national need which is probably twice that.

*What is the current success rate for apprenticeships?*

58. Success rates in terms of achieving a full apprenticeships have been relatively low because of the need to achieve all three elements (NVQs, key skills qualifications and technical certificates), because of the frequent changes in specification and because of the problems associated with the external assessment of key skills.

59. Success rates have risen in recent years thanks to the drive to improve completion rates and the greater involvement of colleges in delivering apprenticeship programmes.

*What can we learn from practice in other countries with apprenticeship systems, ie Scotland and Wales?*

60. We are happy to facilitate visits to colleges in Wales or Scotland if this would assist the Committee.

## SECTION SIX: QUALIFICATIONS

*Do the qualifications which are currently available make sense to employers and learners?*

61. Again it is difficult to generalise but there are some key issues:

- the best known qualification brands are the longest lasting ones. A-levels, degrees and many professional qualifications are much better known than vocational qualifications even among the employers who are they are designed for;
- the regular changes in vocational qualifications has been partly driven by a desire to rationalise and reduce the number on offer. This drive is partly a matter of bureaucratic necessity rather than a genuine response to employer need; and
- the use of a standard set of levels to describe qualifications (Level 2, Level 3 etc) has been in place for almost 20 years and is generally well understood by employers and learners but they rarely share the belief of academics and Government that different qualifications on the same level involve the same standards of achievement. The Government, the education system and employers themselves need to promote the value of alternatives to academic qualifications in everything they do.

*Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalisation?*

62. The Qualifications and Credit Framework has the potential to rationalise the system but it is not yet in place and the link to sector qualification strategies is unclear. In the long-term it must be right to use the strategies as a way of rationing public funds but in the short-term, there are a number of difficulties:

- some Sector Skills Councils are relatively new and relatively untested as representative organisations. The Leitch review identifies the need to do more to strengthen the entire network;
- the large number of publicly-funded qualifications is partly a sign of the responsiveness of awarding bodies and colleges to employer and individual demand;
- to some extent, the division of the labour market into sectors is an artificial construct which reflects current state of thinking about the economy. It is not always possible to predict future demand for skills and there are risks in relying solely on the collective views of Sector Skills Councils; and
- some qualifications have been developed to encourage adults to return to learning and to accredit general knowledge and skills. The DfES and LSC will, no doubt, continue to fund access courses (at Level 3) and provision that falls within the Foundation Learning Tier but this will leave gaps.

*February 2007*

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*Witnesses: Ms Mariane Cavalli, Principal, Croydon College, Mr Graham Moore OBE, Principal, Stoke-on-Trent College, and Treasurer of the 157 Group, and Mr John Stone, Chief Executive, Learning and Skills Network, gave evidence.*

**Q199 Chairman:** Can I welcome Graham Moore, Mariane Cavalli and John Stone to our proceedings. I should have warned Graham Moore that if he did not behave himself better he would be called back again; obviously, recidivist that he is, he is in front of us again. I think it was October when we saw you, Graham, on the Sustainability Inquiry, but Mariane and John are new to our proceedings. When we do these double sessions, we do have to emphasise, both for the members of our team and the witnesses, that the shorter and more concise they can make the exchange the better and then we get more information for our buck; thank you very much. Shall we get started then. Normally we give the witnesses the chance to say a little bit about themselves and what they think about this area of our inquiry into skills, and because I am an old-fashioned gentleman, I think, I am going to ask Mariane Cavalli if she would like to go first?

**Ms Cavalli:** Hello. I am Mariane Cavalli, Principal and Chief Executive of Croydon College. Croydon is the largest of the general further education colleges in south London, with about 16,000 students, 3,000 of whom are full-time 16-18 students. We are a large HE and FE provider in London and I think the largest also in terms of 14-16 provision. In terms of this inquiry, obviously, I and my colleagues welcome it, in particular the opportunity to look at some of the assumptions which underpin the Leitch Report, and welcome the opportunity to discuss some of those, if that is appropriate.

**Mr Moore:** I am the Principal of Stoke-on-Trent College. I am Treasurer of the 157 Group, and we have presented some written evidence here. I am a Board member of Regional Skills Partnership in the West Midlands, and, perhaps most relevantly, I think we are the largest Train to Gain provider in the West Midlands, so we are heavily involved in this agenda and have a large proportion of our budget in the adult field, as opposed to the 16-18 market.

**Mr Stone:** I am John Stone, Chief Executive of the Learning and Skills Network, which is one of the two bodies formed when the LSDA split into the

QIA and LSN in April last year. As such, we are responsible for research, curriculum development and staff training in the broad learning and skills area; we also have a support contract for Train to Gain, so I need to declare an interest in that area. Prior to last April I was Principal at the Ealing, Hammersmith and West London College, one of the biggest colleges in the country, serving the communities of Acton, Southall and Hammersmith, in west London. Also I had a number of other interests, which came to an end at that time. I was a Board observer on the LDA, so reasonably familiar with the London scene, and Chair of the Association of Colleges, London Region.

**Q200 Chairman:** A tremendous breadth and depth of knowledge in the skills sector; so let us get started. Can I ask, first of all, what are your major concerns? You have read Leitch and you must have had that instantaneous kind of reaction to it. Was Leitch the kind of thing that you had been waiting for, for years, and no-one had ever come up with that kind of report and those recommendations; what was your reaction to Leitch: Mariane, would you like to start?

**Ms Cavalli:** I think probably very many of us have wanted something like the Leitch Report for a long time, because it has put a really high-level spotlight on skills and the relationship between skills and the economy. Several aspects of the Leitch Report I welcome; a couple of things I query: the focus which Leitch places on the higher-level skills, when, in particular, in London, we have got issues in relation to entry and Level 1 provision, and the lower-skilled workforce with which we are having to deal. Whilst I do not disagree with the fact that he is putting an emphasis on higher-level skills, I think there is a concern that if there is an overemphasis on higher-level skills we will lose some of the building-blocks which we need to have in place, and keep in place, in order to enable our learners to progress. I think also there are issues there in terms of his interpretation

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and the relationship between qualifications and skills and the assumptions which are made that if you have got one you have got the other, which I think is something we could argue about, but also can lead to distortions in terms of the data we are looking at. The other aspect I think is in relation to what I feel is a tension between what he is saying about reducing the micro management of FE colleges, in particular, and the need for a central planning role to continue, although to be slightly reduced. I think there is a tension there between empowering and enabling those of us who work locally to be able to come up with local solutions to government priorities and problems, whilst at the same time working within a planning framework which makes that hugely difficult to do.

**Q201 Chairman:** That is very succinct. Graham?

**Mr Moore:** I also welcome Leitch. I think the focus on skills is absolutely crucial for our economy. It is one of three things; skills is one of them, capital investment is another and leadership and management I think is absolutely crucial, and there is a sort of triangle. You have got to get all three points of the triangle right, and if you get one of them right without giving attention to the other two you may have a problem, particularly leadership and management. Leitch was right in saying "demand led" and I think there has been a lot of focus on providers in the past and their ability, or otherwise, to respond, and no doubt we are going to spend some time talking about that today, but I think we have to recognise that there is still a major task to get the demand side up and running. There are lots of blockages in our economy which ensure that employers are not as strong in their demand for the skills which the economy needs as you would expect. I can give a number of examples of that. For example, in the hospital service and in the care service, they do not want to go to Level 3 qualifications because they will have to pay their staff more; Level 2 will do. If you look around the economy, there is quite a lot of "Level 2 will do," and therefore, as an economy, we do not take people on to the next higher level; there is not enough ambition in companies. We can all do business with large companies, most of them are well geared up to training and development, they understand the agenda; we have found SMEs difficult, the new brokerage network is finding SMEs difficult. I do not think necessarily it is because the provider side is creating the problem there, I think it is in the nature of these sorts of organisations, many of which the staff have grown up themselves. We have some fundamental issues, of how we engage SMEs, the people who are going to be our future successes, the companies which are going to grow into large companies, and Leitch has not quite given us the answers there. He suggested that if things do not improve he needs to take more action, 2010. I think we are very interested in the licence to practise; just as the Government has recognised that if you want people to stay on until 18 it is probably a good idea to require them to stay on to 18 in education or training of some sort. Also, if you want to raise the

skills level in the economy, I think you have to recognise that things like the licence to practise, perhaps led by Sector Skills Councils, may be a key element in raising that skills level. Once you have got to do it then, surprise, surprise, companies invest in it, and if you have not got to do it, if they have got the choice, they will bring in the overseas labour, or they will try to recruit from somebody else down the road, and that still is a problem for the British economy. Leitch has hinted at the answers, but whether he was brave enough, to have said wait until 2010, I would counsel this Committee that 2010 is a long time to wait when this is an urgent issue.

**Mr Stone:** I have a similar reaction really. I think we welcome the drift, which started with Foster, to refocus the system on skills, and it has been given a big boost by Leitch. I suppose my main concern is that I think the Report rather muddies the water, as Mariane says, between skills and qualifications. I think we need to be obsessed with skills and not quite so obsessed with qualifications; all the difficulties in making international comparisons which you have heard about, I know, in some earlier sessions. If anything, I think the system needs to flex up, it needs to become, to coin a phrase, more demand led, demand led perhaps more in the established, dictionary or economics textbook definition of the term demand led, by individuals and by employers. I think the system is still too top-down dominated by PSA targets, which, in a sense, have sucked a lot of the flexibility out of the system, and, although it talks about employers and it talks about individuals, in reality a lot of the flexibility is not there when it comes to making decisions on the ground. I think then what we will see, as I know you have heard from others, is a move away from full-fat Level 2 into other areas, not necessarily full qualifications, modules, perhaps allowing more flexibility at local level, to which Mariane referred, to build those local eco-systems, where the skills match available in a locality actually matches the demand which the communities and employers need in those areas. The danger that we are seeing in London, very starkly, at the moment, is of so much room for manoeuvre being taken out of the system at birth that it will take some time to develop.

**Q202 Chairman:** So much flexibility being taken out of the system?

**Mr Stone:** At the point of funding, if I can put it that way, with the situation in London at the moment, which I am sure you will come on to, and I am sure it is all across the country, where by the time the PSA target is catered for there is very little room for manoeuvre left for what people need on the ground to be attended to.

**Q203 Chairman:** What is your reaction overall to the kind of major part played by Train to Gain: John; you have a vested interest?

**Mr Stone:** As I said, really I think Train to Gain, a bit of that vested interest in supporting it; although it is badged Train to Gain, it is actually an initiative to support colleges which are seeking to improve their employer engagement per se, so it is not only

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restricted to the Train to Gain funding mechanism, which is very, very particular. I think we welcome Train to Gain, inasmuch as it is a much needed, demand side initiative, it is there to encourage employers to take more interest in training, and the age-old game of trying to find ways of doing that. As I indicated in my previous remarks, my problem is, it is the sort of demand led you get in your Russian supermarket, you can have anything you like as long as it is Level 2, anything as long as it is potatoes, whereas employers, Sector Skills Councils, providers, are all screaming actually "This is not what people want." It seems, for Train to Gain to be a success and to be a true demand mechanism it has to get a life, it has to get out more, it has to start living up to its name and finding a mechanism to address the demands which are out there, and I think it has got some way to go on that score.

**Q204 Chairman:** Thank you, John. Mariane, what do you think of the criticisms of some of the trends coming out of Leitch, and perhaps beyond, which go back to a system which we saw many years ago, of a very big premium, 50% paid to a college, up front, when you sign someone up for the course, then 50% only on completion with a qualification? Do you have any worries about that kind of thing; it has been criticised in the past with previous programmes, what do you think about it now?

**Ms Cavalli:** I do not have worries, in principle. We have gone beyond the point now where we think we will get allocations given to us, irrespective of our outcomes. Provided the funding is aligned with the colleges which are being commissioned, as being the colleges which have got a reputation for delivering that high quality provision, then I think it is not inappropriate to say that a significant part of your funding comes with your ability to enable that learner to succeed. Provided the learner is on a programme he, or she, wants to be on, is on a qualification aim that he, or she, is committed to, and that we are not in a situation where employers or other brokers are sending people to us on the basis that it is good for them and then we have got to deal with the skills delivery while also trying to motivate them and encourage them to continue with something to which they may or may not feel committed. If I may pick up on the Train to Gain point, I think you introduced that by saying the major part which Train to Gain is playing and I think that is something which is challengeable because it is not playing a major part at the moment. In London, Train to Gain is underperforming against its targets by round about 70 or 80%, and colleges have embraced the concept of having some of our funding removed, for it to go to Train to Gain brokers and then for us to bid to have that funding returned to us through the route of Train to Gain. In London it is not working; in London the broker system is not working. In London, brokers are either not sending leads to FE colleges, or when they are sending people to us we are finding that they are not eligible to take advantage of Train to Gain courses. John mentioned the Russian supermarket model. I talk about the fact that I feel like I am Henry Ford;

it is anything you like, as long as it is Level 2. We have got issues now, for example, where we are talking directly with employers who still want us to do courses and provide training for them, but we have to say "Go to the brokers." They may come back through the broker system, they may not come back through the broker system, but we are trying very hard to make sure that we contribute to London's Level 2 targets but we are doing it around and outside the broker system now, I have to say, with the consent of the LSC, who now really need us to come up with any way that we can do it. There are very fundamental issues, on the capacity and the strength and, I think, the connections which the current broker services have. They are continuing to be funded, of course, but I think there are issues about what they are being funded for and how we are quality-assuring them, and how we can seriously get behind them to make sure that together we deliver the Train to Gain agenda.

**Mr Stone:** We have just done a survey of our FE senior staff engaged in colleges in Train to Gain, and over 80% said they had got next to nothing out of the brokerage network. Another significant concern was the amount of accreditation of existing skills which is going on, because of the "funding on outcome" model; again, on that return, admittedly it is a reasonably small sample but it does give cause for concern. Something like 60% were accrediting more than half of what they do, rather than new skills acquisition, and that does put a question-mark about whether the model is adding sufficiently to the skills base of skills UK. It comes back to that skills or qualifications point; yes, we may be creating qualifications but it does not mean necessarily that we are creating skills.

**Q205 Chairman:** Is that a problem of dead-weight then, Graham?

**Mr Moore:** I think there is a problem of dead-weight. If you point the FE sector, colleges, providers, at a target, by and large we will do our best to hit it; in this particular case you are giving away training because that is what Train to Gain is all about, it is free training. For quite a lot of this training we used to get a handy income from employers because they were willing to pay for it; now, of course, the Government says that it is free. I think the Government is paying out money unnecessarily into those through the brokerage network, and I can fully support John, I have got information from all the 157 Group members and I would put it at no higher than about 10% of the leads come from brokers. Most of the rest is self-generated by the providers, and I am sure that if you speak to the private providers they will tell you a very similar story. You are spending money on a brokerage network which is not adding a great deal to the situation. Also, for a number of employers, you are telling them that the stuff they used to pay for they can now have free, and that again is dead-weight. They will not pay in areas where it is a requirement of the job that you have the qualification. It is the point I alluded to earlier, if you move down the road of saying, just as if you are a doctor or an architect

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or you are working in the care system, you have to have qualifications, if you broaden that out through the Sector Skills Councils then the Government will not have to put quite as much money into the pot there, as it is doing at the moment. It could redirect that perhaps to help individuals who are not supported by companies to continue their education and development; companies should be able to look after themselves, and individuals perhaps are the ones who are better served by the support. Having said that, I believe that the colleges and providers have worked extremely hard to help the Government meet the target, and the position in the West Midlands is a good deal stronger than I think it is in London, there is evidence that Train to Gain targets are being met. Very interestingly, at Level 2, when it is free, there was a pilot in the West Midlands at Level 3, where 50% of the cost was to be provided by the employer, and that was going very badly indeed; so the higher-level skills, the Level 3 skills, really are not taking off. That, I think, is something that Leitch will be very upset about, because if you look in his Report he is really wanting to up the ante towards Level 3 and Level 4 and there is not a lot of evidence that is happening at the moment. I do worry about the dead-weight issue that you are suggesting.

**Q206 Mr Wilson:** Before we move on to what really I want to come to, I would like to clarify something you said, Graham, in an earlier answer. You seemed to be suggesting that employers try to hold employees down to Level 2 qualifications because they do not want to pay them more; do you want to elaborate on that or confirm that was what you were saying?

**Mr Moore:** That is exactly what I am saying, and I think in the Health Service, which is obviously a bit tight for cash at the moment, that is very obvious. There are pay scales, particularly in the public sector, where if you get a higher-level qualification you pay more, so if you do not want to pay the staff more you do not encourage them to get the higher-level qualifications; it is a very simple process but not a very desirable one. Also, if you look at the construction industry and areas like that, where the certificate to practise on site is a Level 2 qualification, there is not a great deal of incentive again to get brickies and carpenters and others on to a Level 3 qualification. We have not built into the system, it seems to me, a lot of incentives to get up to the technician and more advanced levels, and so we are dealing with the deficit model at Level 2 at the moment. I am not certain we have got a structure in place which will take us to where we want to be, which is more Level 3 and more Level 4 people still, except individuals, because individuals care about their future, they want to get on, they want a better job, and it may well be they who are pressing to get the higher-level qualifications. At the moment, you are increasing very dramatically the amount they are going to have to pay for those qualifications; the policy of 50%, that is where they are moving to, and Leitch endorses that, 50% of the cost of Level 3 qualifications paid for by the employer or the

individual, and I suspect, in many cases, it will be the individual. In some parts of the country those individuals are not very well placed to pay that, and it is rather speculative, from that point of view, they do not know whether they will get a job which requires Level 3 or not but they thought they might give it a try. If it becomes very expensive, in areas such as Stoke, which has got a very low income level, and many other similar cases, lots of people would not be prepared to put substantial amounts of their salaries into getting a Level 3 qualification and paying for it in the way which is suggested.

**Q207 Mr Wilson:** You are saying that the impact on the employee basically is to hold down their skills over a period of time?

**Mr Moore:** I am not saying it is always, but quite often it can be, and you can point out sectors where that is the case.

**Mr Stone:** There is another impact, which is the diversion of funding, which is also a very significant issue; certainly we heard ALI talking in November about a lack of provision at Level 3, because of the concentration on Level 2, actually reducing provision at Level 3 in construction in order to fund at Level 2. Currently we are seeing in London quite significant reductions in ESOL, which Mariane might know more about, because of, again, money being shifted for an extended Level 2 target, for which there is limited demand. It is not a zero-sum game, this emphasis on one particular area of the skills system, and, of course, it is the area of the skills system which shows the lowest rate of return, with some NVQ Level 2s showing a zero rate of return, so it is slightly curious, in many ways.

**Q208 Mr Wilson:** That is very interesting. I think we had better move on to what I am supposed to be asking you about, which is responding to employers. In your submission, Graham, of the 157 Group, you suggest that responding swiftly to employer demand is a very frustrating experience due to funding and measurement systems, which make it very difficult to deliver anything other than full qualifications?

**Mr Moore:** If you can pay for it, not a problem; if you are an employer who is going to pay the full cost then we will do whatever you ask, there is no difficulty about that. As soon as you drop in to, if you like, the funding mechanisms, as-soon-as you move from a situation where the employer does not mind how much it costs, or the employee, then you have to jump through a whole host of hoops. Obviously, the amount of time that takes can be quite frustrating to a particular employer. We would say, if you have a Level 2 qualification already then clearly you will have to pay for that, so some staff will get paid for, some staff will be free. If you want a full qualification then you might get the funding; if you want only a part qualification, you will not get the funding. It is quite difficult for employers to understand those distinctions. We might all say, "Well, you're not in a priority area; this is not where the local LSE thinks the money should be spent. You happen to be an employer who unfortunately falls outside of those priority areas and they want us to

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put the money into other things." You might even say, "Well, the qualification you want is not the qualification that the Government, the LSC, is prepared to fund, so you can't have what you want but you can have what we want." This is the Ford model, or the potato model. There is a fair amount of bureaucracy, because there are lots of different funding streams, each one of which is organised in a different way, so if you are doing ETP you set up one set of forms, if you are doing work-based learning apprenticeships it is a different approach, and if it is mainstream funding it is a different approach again. If it is European Social Funding, it is a different approach; if it is through Jobcentre Plus, it is a different approach again. There are lots of different bureaucracies. As colleges, we try to make it as simple as possible, because we deal with all those different funds; we try to hide that from the employer, but sometimes there is quite a lot of work they have to do to complete the paperwork, because we get audited, and so on, and that has all got to be in apple-pie order.

**Q209 Mr Wilson:** Obviously, it is a very bureaucratic, overcomplex system. What are you asking for, a simplification, or are there other things that you want?

**Mr Moore:** One funding stream or one set of rules would make life much simpler. After all, the objectives, at the end, are to provide education and training for either employers or individuals. Is it not possible for us to devise a system which has one approach rather than multiple approaches and one which gives overarching targets; a discussion with a local provider, for example, saying "These are the problems in your local community, your local economy. We believe you are an organisation well placed to deal with them. What can you do for us?" You give an outline of how you can help to transform the skills, and you say, "Right, go away and do that. There is a funding stream associated with that; this is what we can afford, we want to see some results in 12 months' or two years' time," so we are accountable but we are not accountable in very fine detail. What we should be looking at is the overall picture of whether there is a genuine shift, there are more Level 2 or Level 3 qualifications in that community, that particular priority areas are being addressed. If you can do that, you should be able to have a much simpler system, a lighter touch.

**Q210 Mr Wilson:** You are saying there that the overall thing you should be judging by are Level 2 or Level 3 qualifications; but, on the other hand, you are saying that you do not want to be judged by qualifications?

**Mr Moore:** I am not saying that we do not want to be judged totally by qualifications, because clearly we are in the market of educating to a particular standard and qualifications are probably the only way we have of recognising that standard. If it is a full-cost opportunity then clearly qualifications do not matter, you do what the customer wants; if it is the Government's money, the Government has to have some way of understanding what they are

getting for their money and qualifications is a shorthand way. This is where we bring in Sector Skills Councils and their focus on what are the core requirements of a particular industry, and that core requirement maybe is where the Government funds, where it puts the core of its money, then each company has its own particular slant on that, they will want additional specialisms perhaps. What the companies pay for are those specialisms to build round the core and it is a partnership then, but it is a simpler partnership. The Qualifications Framework should be a fairly tight and clear arrangement, to which most companies would agree, and then the bigger, full qualification, if you like, the one that we are being asked to provide at the moment, with all the things that employers do not want, as well as all the things they do want, could be handled more easily, I think.

**Q211 Mr Wilson:** Can I move on to you, Mariane, because this may not be true of Croydon but in many colleges the majority of work is focused very much on 16–19-year-olds. In general, do colleges have sufficient capacity to liaise with employers about the training needs, as well as the other things they do?

**Ms Cavalli:** Croydon is not untypical of a large GFE college, in that 16–18 actually constitutes the minority, although an important minority, of our provision. I think, if I were sitting here five or six years ago, I would say the answer would be quite a resounding "No." Having said that, I think it is not just the Leitch Report or the introduction of Train to Gain, or even current Government targets and a Government agenda which is behind colleges already having built their capacity to be able to work with employers. Therefore, it is not untypical now, in large general FE colleges, to have sales forces, to have a key account approach to working with major employers, to be out working with employers on a regular basis. One of the points Graham made was, in relation to our providing what employers want, there is a fairly big piece of work which needs to be done before that, with employers, about helping them to work out what it is they need. I think we are highly developed in terms of our ability to be able to work with employers, to anticipate and to work with them planning their training needs as well. The introduction of Train to Gain and the added impetus around employer engagement no doubt has focused those college leaders, that were less familiar with the way, internally, colleges have to be organised, and needed to be reorganised, in many ways, it has focused their minds to enable them to do that. To give you an example, in anticipation of the changes that we are facing now, my own college reorganised so that structurally we are no longer organised around the products that we produce, i.e. courses and qualifications. We are organised around the particular markets that we serve, and therefore we are able to keep a very strong customer focus in relation to whether we are dealing with 16–18s or the skills agenda or higher education. I think capacity has built. Going back to the points which Graham made, in relation to working with employers, yes, there is an issue about whether they are prepared to

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pay for Level 3. Also there is an issue, and it comes back to this one about whether they want the skills or they want qualifications, very often they are happy for us to help them to upskill to Level 3 but they do not need the full Level 3 qualification or need to pay for the full Level 3 qualification either. In terms of what it is we need, in the way that Graham has just described, and would be hugely helpful, is if we could get rid of the complexities of those different funding streams. It would be particularly helpful if we were able to work to deliver a more flexible Qualifications Framework, and it would be especially helpful if we could have some local discretion, in terms of what we are delivering. At the moment, for example, working in Croydon, we see that in London the creative industries have got a huge skills demand. We cannot talk to any of those employers because the creative industries are not an LSC priority area; there are just no conversations to be had. We need to be able to marry up the national agenda and take account of the fact that in different localities there are different priority areas. Going back to the Level 2 issue, I think we are heading for a crisis with the focus for Train to Gain, work-based learning and main FE qualifications having to be focused around that, at the huge expense of other, very important provision.

**Q212 Fiona Mactaggart:** You are heading for a crisis, which is quite strong language. If I have got you right, and it seems to tie up with what John was saying earlier about resourcing skills rather than qualifications, are you saying that you would like to be able to offer, particularly to students who are not engaged necessarily in the kind of normal things, slightly more flexible, slightly more bite-sized stuff that can get together, or have I misunderstood that? That is what I think I did not quite understand.

**Ms Cavalli:** FE colleges have been crying out for that for years, an ability to be able to do that. Equally, we have been talking for years about needing to work with revisions to the Qualifications Framework so that we can offer those bite-sized pieces of learning within a framework which enables that learning to be put together and to be accredited. The crisis I am referring to there, I do not know if it is solely a London issue but there are quite a lot of learners in London so I am happy to be speaking on their behalf, in terms of the 2007-2008 allocations, FE colleges have been made to be very clear about the fact that there is a huge stretch target for full Level 2 qualifications which colleges need to deliver, in the context of reduced adult funding. I chair the London Capital Colleges Group, which is the group of the 13 largest GFE colleges, and I chair the South London GFE Colleges Group, and there is not one college, within any of those which would be an exception to this, in order for them to deliver their Level 2 target, having at the same time to absorb the funding cuts which are coming next year, they and we are having to remove from their portfolios provision which is non-PSA target-bearing. In London, that means that amongst the London Capital College Group, just by way of example, we are looking to remove entry Level 1 and Level 2 ESOL to the tune of round

about £15 million, alongside other provisions that will have to be taken out. That might not be an issue if you are concerned only with PSA targets, but we are concerned about social cohesion issues and about the fact that, a particular problem I think in Croydon, we have got the Home Office in the Borough. We are told that asylum-seeking status gets sorted out in weeks; we know we have got students who have been with us for two years plus, who are still trying to have their asylum-seeker status sorted. Irrespective, this is across the board in London where, if we are not delivering Entry Level 1 and Entry Level 2 courses, we are cutting off the future supply for being able to deliver Entry Level 3 in full, which is a PSA target. Around all the colleges at the moment they are trying to balance the unbalanceable, because we know we have got to deliver this significant Level 2 target. It has to be at the cost of something, because the adult funding is being reduced; therefore, we have to reduce provision which is non-PSA target-bearing. Because we have already cut out much of what used to be called "other provision" or because we have been very good at making sure that we are only delivering things which are attached to relevant qualifications now we are at the stage where we are having to shave into those non-PSA target-bearing courses, which FE colleges should still be delivering. We need to be able to grow the capacity of students with low levels of achievement, to be able to work with them and get them to the point where they are ready to do Level 2 etc. That is why I think there is a crisis looming, and that is the pincer movement of Level 2 in respect of our allocations and Train to Gain.

**Q213 Fiona Mactaggart:** I wonder if either of the other two witnesses would like to comment on that specific point, then I want to ask about advice and guidance?

**Mr Stone:** The figures at my old college, the cut next year is £1.4 million, they believe, and that is 1,000 ESOL learners, and we are talking about Somali women living at home, with no basic skills, who are completely isolated by their lack of English, with all that means for social cohesion. Currently they have the students, the demand led is there for that, and they have been asked essentially to replace that with a stretch target of an additional 450 Level 2 students for which currently they do not have demand. I think these are distortions you get when targets are set outside the system, in the Treasury, and then ripple down through the system and create what is an unintended effect. The Government does not want to hurt Somali women living at home but actually wants ESOL to be a priority; but this is the impact of a rigid target system.

**Mr Moore:** Bill Rammell has presented to the House on a number of occasions the number of students in FE, and has had questions asked about that; you will see a significant jump in the number of adult learners in FE. The answer to that which the Government gives is that it is about refocusing the effort on substantial learning amounts for people doing Level 2, so there is a very strong focus on the economic agenda; the country needs both an economic and a

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social agenda. Employers have got a very large say. I am worried that individuals are losing out on this, and we must get the balance.

**Q214 Fiona Mactaggart:** In your evidence, you describe the information, advice and guidance system, you say: "is available from most colleges and Connexions services. Learndirect on-line provides a nationwide coverage. A broad range . . ." it goes on. Actually, reading this paragraph, about your reference to information, advice and guidance, I was rather taken by the evidence we have received from VT Education and Skills, which says: "There is recognition that in England this is somewhat fragmented," because I thought your description was of a very fragmented service, "and many are comparing this with the more coherent approach to careers information, advice and guidance in Scotland and Wales." I am not asking you to be experts on Scotland and Wales, but what is your view, is it coherent; you do not say it is incoherent, in your evidence, but it sounded incoherent?

**Mr Moore:** Obviously, there are a lot of angles there. Are we talking about for individuals or are we talking about for companies?

**Q215 Fiona Mactaggart:** For the individuals, for the students?

**Mr Moore:** If we are talking about it for individuals, students, where would they normally come; for a student who wants advice, very typically, in most towns, they would come through to local FE college to see what was available. They might go to the Careers Service, as they used that when they were younger, and many career selection services now have an adult arm. There is a role, it seems to me, for local authorities, whether that be their local partners, which would tend to be colleges, for example, with a long-term presence in that community, to provide that advice. If they were matrix-assessed, in other words, they were tested to show that they were giving impartial advice, and that was audited, or if they were giving advice about all of the opportunities that were available, you have a ready-made system. After all, every college in the country, as far as I am aware, has teams of advisers that are available there already to help individuals, and most local authorities have teams; you probably do not need to go much beyond that for advice and guidance for individuals, I would suggest.

**Q216 Fiona Mactaggart:** You think it works; you think it does not need to be more coherent?

**Mr Moore:** I do not think necessarily it works; it has not been particularly well funded, and so on, so it is a Cinderella provision at the moment.

**Mr Stone:** It is patchy, I think. All the information I get is that, yes, there are patches of good advice and there are patches of no advice at all, and I think probably that is a reasonable summary of where we are on it. I think the whole Connexions partnership ideal was rather too complicated an agenda for a large, sprawling partnership to deliver; you need something which is much more focused and, frankly, much more managed, but at the moment it is patchy.

**Chairman:** We are moving on, to national policy issues and Leitch.

**Q217 Mr Marsden:** I was going to ask all three of you to what extent your work was target-driven and what you saw as the negative and positive consequences of national targets, but I think we have been over that ground quite fairly. Perhaps I could put it round another way, and perhaps, for the moment, I can put myself in the position of a beleaguered minister. We are told frequently by ministers and by people in DfES that they are not against a broader provision, in terms of adult students, but what they want to see is progression. Can I start by asking you, Graham, to what extent you feel, given that the work, as you have said, is very time-driven, you can give progression in adult studies beyond the narrow targets which are given, or not?

**Mr Moore:** I think it is our job to build a curriculum which provides the opportunities for progression. I believe very much in lifelong learning, that further education should be there for you whenever you need it during your career, and we have done as much as we possibly can, and I guess many colleges have done the same, trying to preserve that range, working with local authorities as well, which have the adult and community learning budgets. Remember, those are being protected but not in real terms, only in money terms, so you can progress from those ACL courses, the community courses, which again have been restructured to identify progression routes in them, on to college courses. If you take out some of those steps, because the money is being rationed, if you take out some of those entry-level steps and Level 1 steps, which there is a danger of taking place, then there are some gaps in that provision which people will fall through, they cannot leap the gap. Certainly, the Government has talked about the foundation levels of learning as a priority for it, and they are trying to put something in place, but it has not really happened. What is happening with the FE budget is that 16–18 numbers that is the first priority so money goes into that, everybody is guaranteed a place 16–18, one way or another; adult funding is residual, it is what is left after that money has been allocated, and within that is this very high priority on economic focus. We have to hold up our hands, as the FE sector; if you looked at the balance of the work we did, we did not do enough on the economic front and we did quite a lot on the social front, and it is a rebalancing. Of course, whether we are going from one extreme to the other now and not providing those social routes through, I think there is a danger you go from one extreme to the other.

**Q218 Mr Marsden:** You may be throwing out the baby with the bath-water?

**Mr Moore:** I think that is the case.

**Q219 Mr Marsden:** John, can I come to you and ask you perhaps a broader question about targets and how they have done, because, again, one of the things we are hearing a lot in this inquiry, and it has

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been talked about a lot outside, is vital enabling skills, soft skills, call them what you will, how far are they catered for, in the sorts of targets that you are set currently, and if they are not should they be more so, is it feasible to do that?

**Mr Stone:** I suppose they are catered for in targets in the sense that they are part of a full qualification. Certainly there is a lot of discussion around the new Diplomas, what is coming back from employers about what they want in personal learning and thinking skills, and I think, on an international stage, there has been a drift in what employers want, away from specific vocational and more into that area, that tends to be more what they ask for. I think though it is a big leap to say that you need full qualifications to deliver that. In some of the earlier evidence, I think the Chairman mentioned a scheme in east London where people were given just a small amount of soft skills, which was making people employable. I think it is an illustration, in a way, of how you can do a fairly small-scale initiative and just put in that extra amount needed to be creative.

**Q220 Mr Marsden:** That is interesting; but it causes a problem, does it not, at the moment, in terms of your interface with Government, because Government is being quite deterministic in setting these PSA targets, and all the rest of it. What you are talking about, and I do not mean this particularly, is something which is much more touchy-feely, that you cannot actually be very hard-edged about it and say “We could do a PSA target on these sorts of things”?

**Mr Stone:** That is not what I am saying actually. I am saying you need to be smarter. I am saying there are going to be times when a touchy-feely intervention, to coin a phrase, might be what is required. Equally, there are going to be occasions when a full Level 2 is what is required, and somewhere in the middle, which we have not mentioned so far, is the whole issue of the Qualifications and Credit Framework, which allows you to modularise, which is I think something we ought to have on the table here, because it is a useful halfway house.

**Q221 Mr Marsden:** Would it be fair then for me to say that you are confident that you could go to Government and say, given the way in which you are looking at this at the moment you would be able to produce targets that were realistic and hard-edged enough to satisfy their funding requirements?

**Mr Stone:** I think what I might go to Government and say is that probably the targets need to be a bit less hard-edged, to look more at the public value dimension and to look not so much at outputs, which constrain the freedom of the system to act intelligently, to look at outcomes, to look at what broadly we are trying to achieve, is it greater prosperity, is it lower levels of unemployment.

**Q222 Mr Marsden:** You think it is too straitjacketed?

**Mr Stone:** I think it is too straitjacketed and it produces unintended consequences.

**Q223 Mr Marsden:** Graham, can I come back to you briefly on the issue of local need. Clearly, from what you have said and from what your colleagues have said, you feel some element of frustration in that respect, given that you have got these national targets bearing down on you, but I want to ask you another question about Leitch. Leitch, perhaps surprisingly, in the final Report, does not talk an enormous amount about regional differentials, in terms of skill requirements, he certainly does not talk much about sub-regional issues. Is this an issue for you, sitting where you are, in Stoke-on-Trent; you have talked about the West Midlands, what the West Midlands does, not necessarily what Stoke-on-Trent does?

**Mr Moore:** Certainly, in a city like Stoke, which I believe has, or should have, an education-led regeneration agenda, I believe that education is right at the heart of making a difference to the people in that city and it is the basis of both economic and social regeneration. Some of you may know that Stoke was declared by the National Audit Office the worst authority in the country; we have a distance to travel here. I do not need my student numbers cut, in groups, in estates, in parts of the city that should be participating, and I cannot fund that because I have got to do other parts, important parts, of the agenda. That really does upset me. I feel I have got part of my hand tied behind my back. Of course, we get the flak locally: “Why are you stopping this course; why are you not doing that?” I understand that, as a funding pressure.

**Q224 Mr Marsden:** From your perspective, does it make sense to try to have regional strategies for training; in your neck of the woods, obviously not in other places?

**Mr Moore:** There are national priorities. I am on the Regional Skills Partnership so I do see them operating at a regional level, and of course we are talking about Skills and Employment Boards locally as well. There is a whole plethora.

**Q225 Mr Marsden:** Do I take that as a “yes” or a “no”?

**Mr Moore:** I think there is a local priority. The answer is, I think there should be a view, if you like, of what is needed regionally and what is needed locally, and that is the background, that is the environment in which we take our decisions. If a local authority says “We can see that the development of a city centre, and so on, is going to require these skills in the next few years,” then we should be cognisant of that and we should be addressing that sort of issue.

**Q226 Mr Marsden:** Mariane, understanding that Croydon and London and the South East do have particular demands and needs, one of the things we have heard on previous occasions is how the targets for skills in that particular area are going to be moving very much into the higher echelons; we had some evidence I think not so long ago which said that 40% of the new demand in new skills was going to be at Level 4. In view of what you have been

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saying, all of you, about Train to Gain at the moment, would it make sense to extend Train to Gain targets to Level 4 at the moment?

**Ms Cavalli:** It would make sense to make levels other than Level 2 the priority area. The mechanism we could spend the rest of the afternoon discussing. When we are talking about adult skills, we need to remember also that a 16-year-old who drops out for two years comes back as an adult student, and we need to be clear about the fact that adult students and skills are not always the 40 somethings and 50 somethings that need retraining. I think the issue about regional priorities is absolutely fundamental. I see no point in having a London Skills and Employment Board coming up with a strategy for skills in London if the PSA targets are coming down via national Government and then fed through, through the LSC machine. It makes everything fragmented and impossible to try to respond to.

**Q227 Paul Holmes:** In marketing to your target audience, how easy is it to persuade people that they should be paying for Level 3, that they should be paying 50% of the tuition fees?

**Mr Moore:** Very difficult; very difficult.

**Mr Stone:** My information is a year old, but we found a local case-by-case approach was a good way of maximising income. I used to delegate the ability to set fees right down to my individual divisions, because they knew the markets they were working in; some of the employers in their areas were quite happy to pay for training, sometimes we were dealing with individuals who could not afford to pay for training. There was a time when we were able to adjust our fees into the marketplace and, at the end of the day, I think you need some of that flexibility if you are going to go down the road of getting in more and more funding but without cutting off the supply of students, which would be self-defeating, in the end.

**Ms Cavalli:** I think there is a lot of work to be done by colleges, by the Government, by funding agents, to sell the benefits of Level 3 provision, and therefore sell the benefits of buying that provision, to potential Level 3 students.

**Q228 Paul Holmes:** How different is the message to the two target audiences; that either you are trying to persuade the employer to pay, or the individual, that one or the other of them should put in their money?

**Ms Cavalli:** The message is the same. Graham has mentioned already employers' reluctance, in parts, to fund Level 3 provision. At the moment there is a culture which is about not paying for further education and for having those fees heavily subsidised, and that is the message we have got to get across, I think.

**Mr Moore:** I do not think the Government has quite got the distinction between free Level 2, they have made a big fuss about that, and paying a lot more for Level 3, and the gap is opening up, and that is distorting the market, I think, quite badly.

**Mr Stone:** I think the markets are very different. I think another distinction which is not made in Leitch, which we have not made yet today, is the difference between pre-employment training and in-employment training, because they are very, very different, they need very different strategies. I think, pre-employment training, you tend to be dealing with individuals who will fit into all the normal discount mechanisms and they tend to accept the price. When you are dealing in-employment, the key issue is the relationship between you and the provider and your customer, the same as in any other business, and your ability to satisfy exactly what they need and to do a deal on the price that they are happy with. Often you will find that price is not the issue; the important thing is getting that relationship right and making sure you are providing exactly what they need, and I think opening up the ability for us to subsidise, if that is what the Government wants, the whole range of offer would be a great help in that regard.

**Q229 Paul Holmes:** A lot of the evidence we have had has suggested that employers resent paying for Level 2 and below, because they are the skills they should come out of school with at 16, so they are paying twice, through taxes. The experiments in the West Midlands or North West and Train to Gain for Level 3 have just flopped completely because the employers would not pay up. If they resent paying for basic skills, Level 2 and below, why are they not wanting to cough up when it is above that?

**Mr Stone:** Policy has tended to destroy a number of markets in that area. We used to have a very good business in basic skills to employers and then the Government announced that it had to be free. We used to have a very good business selling EFL to well-qualified overseas students but that was redefined as basic skills and Skills for Life, so not only did it have to be free, we had to accept a 40% mark-up in the amount the Government gave us. All of that cost a huge amount of money, we lost fees, and now, to have that reversed, it means that those markets have been killed off, that market expectation is not there and it is going to take time to rebuild them but certainly it has been done in the past.

**Q230 Paul Holmes:** In theory, you should not be having to put money into marketing because the brokerage system should be doing this, but you say that is not working at all, so how much of your budget do you have to divert into marketing yourself?

**Mr Stone:** Increasingly, we are putting in more.

**Ms Cavalli:** Our marketing budget has gone up, in terms of working with employers, to compensate for what we see as other aspects being undermined by the brokerage system.

**Mr Moore:** To put it crudely, the Government is spending on a brokerage network and the colleges are not receiving money to do that but actually are bringing in the business from the Government, I would say, in very simple terms.

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**Q231 Chairman:** For how long has the brokerage system been working?

**Mr Moore:** Since last summer, in fact before that.

**Ms Cavalli:** It is not working.

**Mr Moore:** The other point, of course, is they are just starting their marketing campaign now; you may have seen some on the back of buses and newspaper adverts, and things. If we were expected to deliver from last August, why do you start a marketing campaign in February/March?

**Q232 Paul Holmes:** Possibly that answers the question I was going to ask, why has the brokerage system been such a disaster, is it just that they have been slow off the mark and it will be better by next year, or are there other problems with it?

**Mr Moore:** In the West Midlands, we have Business Link as the marketing organisation; they gave advice and everything except training, in the past, small businesses particularly used their services. They have added training to their portfolio. Effectively, that is what has happened. I think there is too much of the tick-box about Business Link; you are giving advice to business, "Have I told them about the account; have I told them about the banker; have I told them about training?" They are funded now only for training needs analysis, they are not funded for actually getting people into the training; that seems to me absolutely wrong. You have got lots of work being done to do a training needs analysis, where you can tick a box and say "I've done that." It does not matter to them whether that is converted into training or not; clearly that is not right.

**Mr Stone:** I think it comes back to that important relationship between the provider and the customer and, particularly if there is an element of customisation going on, it is very difficult for a third party to have sufficient knowledge, for example, across the whole of London, in some cases, about not only what is available but what could be done through the dialogue in that relationship. There is always going to be a need for a small, central, independent advice and signposting service, but it is £4 million out of £27 million going on this in London at the moment, which is a huge amount of money, and actually I think the model misses the point.

**Q233 Paul Holmes:** Why did they miss the point; why set it up like that in the first place, whose advice did they take?

**Mr Stone:** It comes from employers saying they want an independent source of advice to make sense of the complexities of the system; so it is a natural and honest reaction to that.

**Q234 Chairman:** Clearly, someone who has no experience of giving advice on training?

**Mr Stone:** It is whether it is possible to do it through this model, I think, is what we are exploring now.

**Ms Cavalli:** Plus they are selling only Level 2 qualifications.

**Chairman:** It is such good value, the evidence you are giving us, that I feel guilty in moving you on.

**Q235 Jeff Ennis:** We have focused already on the fact that there is an overemphasis on Level 2 qualifications under the new structure and the impact that has had, which we have explored already, on ESOL courses, etc., and I think that is happening nationally. Given that is the sort of impact which this focus is having on the general further education college scenario, what do you feel the impact is on, say, specialist adult education courses, specialised access courses, and things like that? I am thinking primarily of colleges like the Northern College in Barnsley, Chairman. What effect do you think, John, this overemphasis on Level 2 is going to have on the northern colleges of this world?

**Mr Stone:** I must declare another interest, as a Governor of the City Lit, which is, I suppose, right in the middle of this argument, at the moment, and obviously they are suffering cuts, it has to be said, and having difficulty grappling with their mission.

**Q236 Jeff Ennis:** The Learning and Skills Councils' mission is ready on the desk then?

**Mr Stone:** It is being managed and I think, to be fair, the LSC in London has provided a certain amount of protection, but there is a great struggle in the institution about its mission of providing education, soft skills, or whatever, to City workers, and the move into qualification-bearing Level 2; obviously it is difficult. I think the great unknown in all of this, in a sense, is how much useful work is being lost; we have lost, it must be getting on for, nearly a million students across the country now, in adults, and that was not all unsophisticated, uncertificated rubbish, a lot of it was very useful to people, and individuals, in their careers, providing the sorts of soft skills which employers want, and so on and so forth. Because it could not be measured and catalogued, that has become unfashionable and has been replaced with another model.

**Q237 Jeff Ennis:** Going on and focusing once again, to some extent, on the brokerage situation, and obviously it is not working at all, at the present time, and we have mentioned the fact already that it has been very much an employer demand to set up some sort of brokerage system. The information we have been given from the DfES is that the reason they brought in the system was to try to address the issue of dead-weight, which the Chairman referred to in his opening remarks, and that it would help the smaller employer engage with training providers, etc. Can we focus on that; is the brokerage system addressing the dead-weight, is it addressing the small employer scenario, or is it failing in that regard as well?

**Ms Cavalli:** Let me pick up on Croydon, if I may. I am a director of Croydon Business, the sole function of which is to work with and support small businesses, to help with inward investment and support, once they are with us. There are no more small businesses which are engaged with training, as a consequence of Train to Gain and the brokerage than there were previously. It is worse than that as well in that they do not feel they are able to talk to

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their local FE provider in the way they used to but have got to go through a brokerage system to try to get the kind of training needs analysis done which we have talked about, by people who have not got either the experience or the track record in helping them to be able to do that. We are doing it but we are doing it for nothing, we are doing it to support them.

**Q238 Jeff Ennis:** On the brokerage system and the impact it is having, and we touched on, earlier on, the fact that, because you have been providers for decades, as it were, you have been signposting people to the brokerage system, and then sometimes they refer back to the college that particular individual through that brokerage system and on other occasions they do not, I think you said that, Mariane. To where would they refer those individuals, other than the recognised colleges?

**Ms Cavalli:** We are able to find out and we are not concerned about whether they have been lost to the college but if they have been lost to the system. It is the latter that we are finding, that they are not being followed up; the advice and information they are being given does not feel like it is the kind of solutions really they were looking for. I think one of the reasons why the brokerage system was introduced was to try to put more independence into the level of advice and guidance they were receiving; they are receiving independent advice now, but it is not expert advice.

**Q239 Jeff Ennis:** Do we know what sort of level of leakage, shall we say, to the system is occurring in the Croydons of this world?

**Ms Cavalli:** No. Personally I could not tell you that.

**Q240 Jeff Ennis:** Have the other witnesses anything to say on that?

**Mr Moore:** As a point of competition, usually they have to refer to three providers and you always assume that one of the other two providers has got the business, but actually, if you contact the other providers, you will discover that most of them are having the same experience as you are. I think most small businesses are coerced into having a training needs analysis, if you like; somebody rings them up and says "We want to come and help you," but most of those firms, on mature reflection, do not bother to take up the offer. I think that is what is happening too often; so you are getting the tick on the broker's box but you are not getting the result that you want.

**Q241 Jeff Ennis:** What do we need to change to make sure that does not happen in future, Graham?

**Mr Moore:** You want a much tighter supply-chain relationship, like you would have in any other situation. As training organisations, we are there to work with the people who want to use our services, and if we have been in the business for many years and are in the locality and are well known, our reputation will be known and either we will be respected or we will not, and if we are respected they will come to us and if we are not they will go to somebody else.

**Q242 Jeff Ennis:** We have not got a complete loop, as it were, from the college to the broker back to the college; basically, that is what we are saying, are we not?

**Mr Stone:** Working within a model, a long-established relationship between an employer and a provider is seen as a bad thing, because they do not have the ability to go somewhere else. There is an argument there, but also there is an argument for saying that people do need to work together over an extended period of time to get to the route for what they want from the relationship.

**Mr Moore:** There is a fundamental problem, which is that, by and large, SMEs do not take up training. We have struggled with that over the years and now brokers are struggling with the same problem, and you might say it is unfair to criticise them for failing at doing something we had great difficulty doing. All of us can make strides with large companies because the large companies are organised, but, small companies, we have not cracked it yet; we have not cracked it, brokers have not cracked it, whether Sector Skills Councils can crack it I do not know, but the nation has still got a serious problem there to solve.

**Q243 Chairman:** Does the private sector do better than you?

**Mr Moore:** Sometimes it does, but again in a very selective fashion. Health and Safety training, management training, and so on, they will go in and do a good job in a particular field. It does not galvanise a company necessarily to look at the breadth of their workforce, the four or five people who perhaps want to go on to a technical qualification; it is expensive. Think of the cost of going into a company for one person who wants a specific area of training, and the funding model you would need to support that; we do not have a funding model which well supports that at the moment.

**Q244 Helen Jones:** Just to go back to something we were talking about earlier, is this reluctance amongst companies to pay for Level 3 training a result of the free Level 2 training on offer, or has it always been there; is it any different now from what it used to be?

**Mr Moore:** I do not think it is a lot worse. There has always been a pyramid, with quite a good bottom but too narrow upper reaches. People come in at Level 4 through the degree route, they go academic university into companies, but, by and large, not into small and medium companies; most of them go into big companies or the public sector. Actually developing the workforce from the ground up is not something which we are that good at, beyond Level 2. I think employers have this mindset. "If you come straight from school into employment, you are not going to be in a top job perhaps, so we won't bother with the extra training. Maybe, as employers, we're not ambitious enough at developing our workforce, we're not thinking about it." That is why I say leadership and management. If the Government is going to put money in somewhere, and I am speaking with a Regional Skills Partnership hat on

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now, leadership and management of the small and medium companies is where you start. You have got to convince those people leading those companies that there is real sense in working with their force and developing it, and then I think you will get the follow-through.

**Ms Cavalli:** I think it goes back as well to a point which was made earlier. They do not want necessarily and need a full Level 3 qualification; they need to upskill various aspects of different employees' skills to a Level 3 level, they do not need to put them on a one-year Level 3 course. This brings back into play again the need for us to look at the Qualifications Framework, modularised provision and the ability for us to give them credit for what they have learned.

**Q245 Helen Jones:** This is a question perhaps for Mariane or Graham, about the role of the LSC in all this. What does the LSC bring to the party, if anything?

**Mr Moore:** It brings money to the party, which is quite helpful. I also have a hat as, until very recently, a Learning and Skills Council Board member, in Staffordshire, and they do look at what the needs are. There are a number of organisations, LSC is one, local government is another, the RDAs another, which look at what is the pattern of demand. We were hearing, in London, that they are not funding creative; they have taken a decision that creative industries are lower down their priorities. You may or may not agree with that but somebody is saying "Money is scarce; we have to put it in particular directions." Whether you think that is a necessary role or not, it is something the LSC tries to do with its local development plans.

**Q246 Helen Jones:** Perhaps Mariane can answer this: how good are they at assessing the demands? Because of this system, it depends upon them getting those predictions right, does it not; do they get them right?

**Ms Cavalli:** Clearly the LSC has assessed demand at a national level. The LSC has made the decision that what will be funded will be PSA target-bearing. The LSC provides national plans but they do not easily translate into a regional framework at all. Graham said the LSC brings money, which obviously is helpful, but I think what we struggle with at the moment is that we have got a sub-regional structure which exists currently, with decisions being made on a regional basis within the context of priorities which are set at a national level. In London, I can speak only for London and talk about the fact that we are not quite sure what the role is of the sub-regional LSC offices, except we know that is the route through which we talk to the region, there are a number of people employed as partnership managers, but it feels to us that if the LSC were lighter, in terms of its local structures and employees, we would still be able to achieve the same thing at a regional level. The bit we do not get through the LSC is the possibility of any local flexibilities, which we appear to have lost with that very, very top-down, central planning and almost

micro-management approach, to which I know the submission of the AoC has made reference for the Committee.

**Q247 Helen Jones:** You are asking for a different structure which allows us to plan more at the sub-regional level?

**Ms Cavalli:** I am asking myself what is the value which is added by a national, regional and sub-regional structure, and I think I and my colleagues feel that we have got a structure which is heavy, which is resource-hungry and does not add the value it might do, given the cost.

**Q248 Helen Jones:** That brings me on to my next question, because we have got this whole raft of intermediary bodies involved in this; we have got Sector Skills Councils, LSCs, RDAs, and does that simply make life more complicated, or does it allow us to plan better? Is there any evidence that having all those people involved gives us better planning, or does it just make it difficult for colleges and other training providers to navigate their way through all this maze?

**Ms Cavalli:** I think it makes us think we know more than we know. We know that the Sector Skills Councils know what they know, but also we know that small employers and small businesses do not necessarily think the Sector Skills Councils know what it is; really they need to know. The LDAs and the RDAs obviously have got a huge amount of local intelligence, but currently there are variances in the mechanisms for bringing together that information with that of the regional LSC. I hope, in London, the regional Skills and Employment Board will have some responsibility for pooling that information, but I would say, obviously, again there are regional differences. What we have got is a large number of organisations with a huge amount of information, but if the funding for skills is just going to fall down the PSA target-bearing route you may as well not have it.

**Mr Stone:** One of the central conclusions of Leitch was "the centralised planning of skills does not work" and I think every generation has to rediscover this for itself, and here we are, talking about a whole plethora of planning bodies at regional and national and local level. I think the implication of Leitch, and indeed some of the responses, is that the LSC, and indeed others, is moving more into a regulatory role and I think making demand led work, building up need from individuals and employers, and, while they are removing this fig-leaf, that we can, in some mystical and magical sense, predict what things are going to be like in the future, which we cannot do. I remember going to a presentation at the LDA from the GLA Forecasting Unit, which was preceded with the words "This is a forecast, therefore it will be wrong." I think they were very wise words.

**Q249 Chairman:** Thank you very much for what has been an excellent session. Will you please remain in touch with the Inquiry and the making of this report. If you feel frustrated, as I am sure you do, that you did not get a chance to say some of the things you

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wanted to say, will you communicate with us, because we want to make this an excellent report and we need your help? We have engaged with you in this very brief hour and 15 minutes; we want to carry on the dialogue.

**Mr Moore:** I have some DVDs here, engagement between further education and employers, which you might like. It is 15 minutes, if anybody wants them. I will leave those behind.

**Chairman:** We are grateful for those. Thank you very much.

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### Memorandum submitted by Protocol Skills

#### 1. EXECUTIVE SUMMARY

- The work based learning environment is often difficult, particularly in retail and catering. Available facilities do not enhance the learning process unless practical observations are taking place.
- The use of IT should be extended to improve the learning experience. Current systems are cumbersome and bureaucratic.
- Literacy and numeracy are key issues. Work based learning is often used to address the shortcomings of the education system.
- Funding should be demand-led and flexible between schemes/areas.
- Employers need to be informed, engaged and enthused. There is a general lack of understanding of the programmes available.
- Apprenticeship qualifications should be flexible and portable.

#### 2. PROTOCOL SKILLS

Protocol Skills is one of the three largest private work based learning providers in the UK. We deliver Apprenticeships in hospitality, retail, business administration and law and customer service. We also run E2E and hairdressing programmes. We currently deliver programmes to 14,000 learners.

Our principal contract is with the Learning and Skills Council (LSC) but we also deliver Apprenticeships in Scotland, Northern Ireland and Wales.

Our programmes are delivered by 400 Training Assessors who are supported by 60 specialists focussing on Key Skills and Skills for Life provision (literacy and numeracy). We operate from 60 offices throughout the country but the workforce is largely field based.

We hold Train to Gain contracts of a significant cumulative size with eight of the nine LSC regions.

We work with some 50 national employers and approximately 5,000 small to medium companies at any one time. We operate a business database which holds details of over 50,000 employers.

#### 3. 14–19 SPECIALISED DIPLOMAS

In our opinion the 14–19 specialised diplomas should go some way to better prepare more young people for entry into the world of work. However, we have, as yet, limited involvement in the development of this initiative outside our participation in a number of 14–19 network groups. Of interest will be how such diplomas are delivered from a practical perspective: it is vital that these diplomas fully meet the needs of prospective employers. In our experience, the biggest frustration that employers have is the lack of adequate numeracy and literacy skills that school leavers have prior to entry to work.

#### 4. POST-16 SKILLS TRAINING

##### 4.1 *Context of delivery*

To put our responses to the Committee's specific questions into context, we would like to paint a brief word picture of how work based learning is generally delivered at present. The majority of work based learning does not take place in a classroom environment where learners can concentrate for extended periods in a conducive atmosphere. This is particularly so in the sectors in which we operate. Learning takes place in the workplace, in short bursts of 15 to 20 minutes. Most of the employers with whom we deal operate in a frenetic environment and, for example, delivery in pubs, clubs, bars and fast food restaurants will take place either in the bar, the stock room or in the main customer area. There is generally little access to IT

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equipment. There is normally a high level of interruption, and the availability of the learners to spend time with their Training Assessor depends on the trading patterns of that business. Many learners will give up much of their spare time to complete their programme.

Given the above, what learners manage to achieve is impressive. The most successful learners are almost always highly supported by their local managers. Conversely, the fact that there are high failure rates is also understandable.

The system is bureaucratic and paper driven and this also can create a barrier to learning. Protocol Skills is developing an IT learning platform to address these issues and indications so far have proved very promising. Generally, we have seen better learner and employer engagement and an improvement in retention and success rates. It is disappointing that the roll out of this programme is hampered by the fact that electronic signature is not accepted by the LSC.

The catering and hospitality sectors have traditionally low success rates. Some of this is due to the points highlighted above but these industries also have high staff turnover which leads to failure to complete the programme.

#### *4.2 National Policy/Issues*

We believe that the Government's priorities for skills are broadly correct, and that the Level 2 qualifications are a standard that young people should achieve. Numeracy and literacy competence is critical and is something which we feel should be addressed prior to entering the employment market. As we have outlined above, the learning environment at work is tough. Providers are asked to deliver complex teaching with limited resources, and learners do better if they are already reasonably numerate and literate. If employers also have to cope with the lack of these very basic skills, it is unlikely full potential will be achieved.

Funding structures should be, but are not, demand-led. Contracts are set by the Learning & Skills Council annually and we believe they are restrictive and inflexible. We have little choice in determining how this money is apportioned and often find that we cannot meet all of an employer's requirements, eg we might be able to deliver 16–18 training but not 19+. This leads to discrimination against a proportion of the employer's workforce, although the needs are exactly the same. We are obliged to manage 43 separate LSC contracts, and inevitably there are overspends and underspends from area to area, but we have no flexibility to move these funds around.

Employers are surprisingly unaware of the level of government support available for skills development. Some employers are fully engaged but the majority are not. Employers are happy to accept government funded training since it costs them nothing but generally are loathe to contribute towards skills that many feel should have been delivered in earlier education. We also find that there is much resistance to the notion of contributing towards higher qualifications.

#### *4.3 Supply side*

There is a need for regulation but we believe that the system is over-regulated and there are too many intermediaries. The recent brokerage system put in place for Train to Gain is a good example of this. The principle of Train to Gain brokerage is sound. However, an organisation of the size of Protocol works with a large employer database and therefore working through third parties to engage employers is not relevant. Indeed, we find ourselves supplying leads to brokers to ensure that we fulfil our Train to Gain contract.

We work with other regional agencies but this tends to be on an ad hoc basis. Our relationship with Connexions is a very positive one.

The reforms within the Learning & Skills Council are very welcome. We have seen a more open-minded approach, a leaner structure and good two-way communication. The introduction of competitive tendering is a welcome development. However, the current contracting arrangements are too cumbersome. The move towards regional contracting will be a welcome development.

#### *4.4 Demand side*

The system is generally not demand led. Provision is centrally planned and allocated. As indicated above there is little flexibility to adapt to a specific employer's needs. We believe that the Sector Skills Councils have a difficult task and, in the sectors in which we operate, we are uncertain as to whether the SSCs are adequately reflecting employers' needs. As an example, the Sector Skills Council for hospitality represents employers ranging from campsite owners and leisure clubs to Michelin star restaurants. Many of the employers with whom we deal have little or no knowledge of the work of the Sector Skills Council and no involvement in the design of qualifications.

#### 4.4.1 Employers

It is our experience that it is not incentivisation that is needed by employers so much as education. They lack detailed knowledge, and many of the smaller ones need to be persuaded that training is of benefit. They become more engaged because the training is free but particularly with SMEs, employee training is haphazard, unplanned or non-existent. The larger organisations with whom we deal are much more aware of the Apprenticeship programmes. The most enlightened engage fully to cross map their training with nationally recognised qualifications. They recognise the value to employees and the contribution to the profit and loss account.

#### 4.4.2 Learners

In our experience, most learners don't consciously look for skills training. They are referred by their employer or a friend.

There is information, advice and guidance available to potential learners, but we believe it is not easy for them to access. The terminology used in work based learning is often confusing for young people. Available literature is unnecessarily complicated and does not spell out the benefits succinctly enough. Providers generally produce information which is passed on to employers but it is rare that LSC literature finds its way into the workplace. Equally, evidence suggests that many people leaving school are not aware of available programmes. Protocol runs a number of Entry to Employment programmes for school leavers with the very lowest skills. These generally take place in a classroom environment which is provided by us. These are expensive and often difficult programmes to deliver and the interest for private providers to expand these programmes is limited for that reason.

### 4.5 Apprenticeships

We believe that apprenticeships deliver enhanced skills in the learner's chosen profession, but those skills should be transferable. In the sectors in which we operate we find that learners will begin an apprenticeship in, say, hospitality, but then quickly leave the employer to pursue a career elsewhere. It is not always the case that they can continue the programme with their new employer. We therefore believe that as far as possible skills acquired in one sector should be transferable to another. The current situation is prescriptive.

The current Apprenticeship framework is good, and is seen as valuable by learners and employers. The nature of the framework is changing and these changes often require us to do more for less. In a competitive market we understand that the quality of our provision is the primary driver. However, as funding in certain areas becomes squeezed it is important that as a national provider we have access to the funds required to deliver economies of scale and value for money.

The inflexibility of the funding means that there are not always the right number of appropriate places available in the right areas. We are often faced with regional over and under spends because demand is not matched with supply.

Success rates for apprenticeships have improved significantly in the past few years with the national average running at 53%. This figure is, however, misleading, as in certain professions success rates are extremely high, whereas within hospitality for example they are traditionally low—for the reasons outlined above. Protocol Skills expects its success rates to exceed 60% during the current year.

In Northern Ireland, Scotland and Wales there are differences in funding, administration and methodology. Generally the biggest impact for Protocol Skills is the timing of payments, and in general the allocation of funding works less well than it does within England. Wales shares the same inspection regime as England whilst Scotland and Northern Ireland have separate inspection regimes.

The qualifications also differ quite significantly.

*January 2007*

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### **Memorandum submitted by VT Education and Skills (VTE&S)**

VT Education and Skills (VTE&S) welcomes the Committee's two inquiries into skills and is pleased to have this opportunity to submit our views on post-16 skills training. We have also submitted a response to the inquiry into 14-19 specialised diplomas.

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## LEITCH & NATIONAL POLICY/ISSUES

VTES broadly welcomes the final Leitch Report and, whilst still examining the detail, we wish to comment in general terms on some of its key recommendations.

1. Routing adult vocational funding through Train to Gain and Learner Accounts—VTES agrees with the Leitch Report's position that funding should support a demand-led system as far as practicable. Train to Gain is an existing structure and would therefore provide a useful route for funding whilst maintaining an element of continuity to the system.
2. Increased employer engagement—This is very important in ensuring that the benefits of increased skills are fully realised for the UK as a whole, as it ensures that employers make use of those increased skills and that the skills that are gained by individuals are those that are economically valuable.
3. The extension of Train to Gain—VTES holds Train to Gain contracts in seven of the nine English regions. We welcome the Leitch report's view that Train to Gain is a positive innovation that represents a shift to a demand-led system. We agree that it is important that this approach be embedded across the system and look forward to working with partners across government, the Learning & Skills Council, local authorities and others to take this forward.
4. The integration of skills and employment services—Through our contracts for Connexions services VTES works to reduce the number of young people not in education, employment or training (NEETs). Key to achieving this is a combination of improved skills, addressing individuals' barriers to learning, and good quality information, advice and guidance services. There is a need to recognise the role that training has in improving self-esteem and soft skills which can help to make the transition to employment sustainable. From our experience, we support the recommendation to integrate skills and employment services.
5. New universal adult careers service—Clearly there is shared concern about the rather fragmented nature of IAG provision for young people and lack of access to a universal adult careers service. We comment on this further below.

## SUPPLY SIDE

As Sir Andrew Foster has recognised and government has accepted, there is a need to raise the bar for the whole further education and training sector and to tackle inadequate and coasting provision. As well as this drive for higher quality and better performance, there is a need to increase the capacity of the sector in order to reduce the numbers of people with poor skill levels. Good quality providers from all sectors should be able to expand and we support the Government's proposals for commissioning alternative provision to secure better performance.

At the same time, government needs to avoid further segmentation of the sector. For example, DfES' current consultation on personalisation implies that this is only for those on skill-based courses. All young people need this approach whatever their pathway and a unified, integrated personalised approach across all post-16 education and training would deliver benefits. Therefore, the (generally good) approach to personalisation should not be aimed at vocationally related or skills based courses in FE but should be developed as part of the 14–19 curriculum with schools and colleges across all types of qualification pathways.

In addition, we believe that the best practice that already exists in schools and colleges (such as Beacon schools) should be shared and developed in local partnerships so that learners may progress through levels of learning with a coherent and integrated model of learning support centred upon them rather than the institutions in which they learn.

## DEMAND SIDE—EMPLOYERS

VTES agrees with Lord Leitch's observations that central prediction and planning for skills has not worked well in the past and that a demand-led system is needed. This will not only deliver greater economic and social benefits for the UK, it is also essential if employers are to contribute more, financially, to training. This financial partnership is key to unlocking greater investment in skills—itself crucial to the UK's competitiveness and productivity in the global economy.

VTES is already set to act as a major partner with the Government in delivery of the Train to Gain initiative. We believe that for employers to take more responsibility for training, as the government and the Leitch report are pointing towards, businesses need to see very clearly the improvements that such training will make to the financial returns of their business. We believe that this could be addressed by modifying the existing brokerage system.

At present, although the brokerage system has been designed to help the employer to step over the threshold of training by forming relationships with them and providing impartial guidance with regard to training provision, the brokers themselves are not charged with demonstrating overtly the commercial benefit to the employers' business that the training will deliver. The role of skills brokers could usefully be

expanded so that they can examine the business of each employer with a view to proving how training will make it more successful. This would require a simple tool kit which we ourselves have used to analyse the “Return on Investment” of training in VT’s shipyard.

Necessarily the additional expectations would place more of a burden on the broker but the potential outcome, along with greater commitment from the employers is so powerful as to make such a burden a creative one. Any scheme designed to address the longer term skills needs of our economy will work if sustainability is built into its core. Therefore it is well worth the extra pain and investment in getting the Train to Gain model right, from the outset.

#### DEMAND SIDE—LEARNERS

We wish to focus our comments in this section on the provision of information, advice and guidance (IAG). There is recognition that in England this is somewhat fragmented, and many are comparing this with the more coherent approach to careers information, advice and guidance in Scotland and Wales.

The patchy nature of careers education provision, the lack of a sustained approach to workforce development for those involved in delivering IAG (through front line tutors, careers co-ordinators to specialist personal advisers) and poor use of labour market information all mean that IAG is an area that needs consistent investment and improved national leadership. DfES needs to plan sufficiently ahead to allow the development of CPD packages to support the IAG workforce.

IAG is very important to the skills agenda. The Association of School and College Leaders (ASCL) notes in guidance to its members that:

“There is evidence that learners who receive good quality IAG achieve better and are less likely to drop out of learning or change course after they are 16.<sup>13</sup> There is also evidence that effective CEG [careers education and guidance] programmes contribute to . . . raising aspirations, increasing motivation, challenging stereotyping and enabling young people to make the most appropriate choices . . . ”

#### QUALIFICATIONS

Government is naturally concerned primarily with qualification and success rates but we would also stress that the real benefit of personalisation is the ability of the learner to become autonomous which leads to life-long learning and supports employability in the long-term.

It is also very valuable that information, advice and guidance (IAG) has been recognised as one of the core areas that must be developed for young people to benefit fully from the roll out of the specialised diplomas.

#### ABOUT VT EDUCATION & SKILLS

VT Education and Skills (VTES), a division of VT Group plc, is a private sector company working almost exclusively in the public sector where our major customers are the DfES, LSC, Home Office, Local Authorities and government agencies.

VTES is among the largest and fastest growing private sector providers of education services in value, range and quality. We are the largest provider of independent careers guidance in the country and one of the largest providers of work-based learning. VTES’ main areas of activity are information, advice and guidance (IAG), work-based learning and school support services, each delivered by a separate business unit. This coverage is unmatched in the private sector in the UK.

VT Careers Management is one of the leading IAG companies in England, delivering high quality and innovative services under contract to the DfES and LSC to seven Connexions Partnerships and managing eight Nextstep agencies.

VT Training is the largest work-based training provider in the UK, specialising in delivering NVQs and workplace assessment in five main sectors: hospitality; social care; engineering; active sport and leisure, retail and business administration. VT Training holds work-based learning contracts in each of the nine regions across the country and Train to Gain contracts in the South East, South West, London, East of England, East Midlands, West Midlands and North East.

For the last two years we have been involved in a unique partnership with Surrey County Council—VT Four S—to deliver school and Local Education Authority Services across the UK. It combines the best commercial practices with the values and principles of the public sector. Already this new partnership is one of the largest school support service organisations in the country, providing consultancy, advice, training and development

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<sup>13</sup> Bowes, Smith & Morgan, Centre for Guidance Studies, University of Derby (2005).

Most recently, we have become involved in the Building Schools for the Future programme, and in the last few weeks have been appointed as the long-term strategic partner of the London Borough of Greenwich. We are looking forward to starting work on this exciting project which will see the renewal of 13 schools within the borough in a way that will transform educational opportunity for young people in the area, and for the wider community.

*January 2007*

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*Witnesses:* **Mr Dan Wright**, Managing Director, Protocol Skills and Training, and **Mr Simon Withey**, Managing Director, VT Education and Skills; gave evidence.

**Q250 Chairman:** Can I welcome Simon Withey and Dan Wright. I apologise for the delay in bringing you in, but you will understand that we have had a very good session but have tried to cram an awful lot into a short period of time. Can I welcome you and thank you for your time, and you get the same chance to give a thumbnail sketch for two minutes, and saying why you think we invited you in?

**Mr Wright:** My name is Dan Wright. I am the Chief Executive of a company called Protocol Skills. We are involved in the delivery of work-based learning nationally; we contract with all nine LSCs, Scotland, Northern Ireland and Wales as well. We are probably one of the largest private providers in the country. We focus largely on the areas of hospitality, retail, business administration and law.

**Mr Withey:** Simon Withey, Managing Director of VT Education and Skills, part of the VT Group, which is about a £1 billion revenue company, with a long heritage in engineering. We have now a much broader base and employ about 13,000 staff, so we have some understanding of some of the needs of industry, I would like to think, and skills.

**Q251 Chairman:** From memory, VT is Vosper Thornycroft?

**Mr Withey:** Vosper Thornycroft is our heritage in shipbuilding, that is right, yes. These days though education and training is about 25% of our business, across a number of different sectors. Within that, rather like Dan's organisation, we are one of the largest providers of work-based learning, very active on the Train to Gain programme, a role in careers professional advice and guidance to young people and adults, and quite a large education consultancy business primarily to schools. Very recently we have been successful in two Building Schools for the Future programmes in London as well, with which we have been delighted, so hopefully we can cover a number of the angles coming out of Leitch and Foster this afternoon.

**Q252 Chairman:** You two hungry guys from the private sector, you would like to get rid of all this paraphernalia and have just a sheer market, get rid of the LSCs, and all that, you would like just a market red in tooth and claw for training and skills, would you?

**Mr Wright:** Yes, I think so. I think there is a lot of complexity in this marketplace and one of the surprises for me, coming into this industry a couple of years ago from the hospitality industry, was just how complex it is, and indeed to make real progress and to get simple things done actually is quite difficult.

**Q253 Chairman:** Hospitality seems to have a reputation of low skills and low pay; what do you train people to do?

**Mr Wright:** I think it does carry that reputation, but it is a broad range of skills, ranging from very basic skills, quick-service restaurants being a good example of that, to the very highest skills in Michelin star restaurants, so it is a very broad-based industry. I think one of the issues with the hospitality industry as a whole is that it is trying to cover a whole plethora of skills. The Sector Skills Council for the hospitality industry deals with caravan sites, bingo halls and Michelin star restaurants, so it is a very diverse area.

**Q254 Chairman:** Simon, the private sector goes for the soft, low-hanging fruit, does it not, by and large, not the tough, difficult stuff?

**Mr Withey:** Being a shipbuilder, I think probably we go for the tough end as well, Chairman. In terms of government business, and you say bureaucracy, I think quite rightly so, actually, it is public funds that we are spending here, providing the training education, and checks and balances have to be in place; there is quite a lot of that and some of that has been removed over recent years, we are pleased to see. Ninety-five per cent of our Group's business is in government sectors, so we are very used to working in partnership with the Government, with various different departments, and the voluntary sector. It is a sector we are very comfortable to work in and the sorts of arrangements we are comfortable to work in as well.

**Q255 Fiona Mactaggart:** If you had a completely marketised system, how would what you do look different; what would you be doing, for which there is demand, which currently you are not doing, and what would you not be doing, which currently is subsidised, which you are doing?

**Mr Wright:** I think it goes back to the demand led debate you were having earlier, which is that in conversations with employers you are quite restricted in terms of what you can do for them and with them. If you are driven by targets and driven by restrictions on what you are allowed to do then you can offer certain qualifications in some areas for employers at a certain age range but not for other parts of their workforce. I think you would have greater flexibility and be able to come up with a whole solution to an employer's training needs than currently we can give.

**Q256 Fiona Mactaggart:** Can you give us a specific example which will help me?

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**Mr Wright:** I have an employer, for example, which covers several regions and I do not have a contract for a Train to Gain contract in one of those regions, therefore I cannot offer that employer any Train to Gain provision whatsoever, simply because I do not have the contract. This means that some of his workforce can get it, if they live in the West Midlands, and they cannot get it if they live in Yorkshire and Humberside.

**Q257 Fiona Mactaggart:** You could partner organisations there, could you?

**Mr Wright:** We could partner organisations, absolutely, but if the employer says they want to work with me, as they do, and we are the preferred supplier of those services, what we are saying is we have to subcontract to them; it makes it a more difficult contracting arrangement.

**Mr Withey:** I think, at that point, we do partner with quite a large number of FE colleges to give us some national coverage, because we have certain skills and they have others, I think they are complementary. We would like to be more involved, to answer your original question, in the FE sector; we think the private sector has got a lot to bring to further education. Again, from us, our model is partnering so we would look to work with colleges, provide some efficiencies and some commercial best practice, along with their skill base. The sort of top-to-tail offering, perhaps I could give you an example of what we have done as an employer, rather than as a training company; we are back in our shipbuilding business. Shipbuilding is very cyclical, it is feast and famine, you win a great big contract, you have not got enough staff, then it is finished and you have got to lay them off, or do something. For about four years now we have been running a Skills for Life programme, which has got superb Government support for it, we brought in the unions, and they were a bit concerned as well, to start off with, where we provided a range of basic skills for the workforce, IT, literacy, etc., so that when things like the aircraft carrier programme finish eventually and the downturn comes, albeit it is 10 years' time, the workforce will be empowered and able to do other jobs, not necessarily in our company either, they could go elsewhere. It is the longer-term, sort of top-to-tail type view that we would like to be offering.

**Q258 Fiona Mactaggart:** Are employers more or less willing than they used to be to pay for training?

**Mr Wright:** I am not sure they have ever been particularly willing to pay for training, to be honest; it depends. There are some enlightened employers out there but I think the whole notion of employers paying for qualifications, to me, is a very difficult thing to say to them, and we are looking at other ways that we can explore them outsourcing more of their training to us, so that we can add on to that some of the Government-funded training to broaden their programme. If you talk to an employer, really, the majority of employers I talk to, about whether they are prepared to pay for training, the answer is, pretty much always, no. Some do, and as they see people develop through their

programmes they can see that the natural progression is to move it on. In terms of their overall training strategy, my experience, from most employers, is that they believe, certainly for the big employers, their internal training programmes are enough to carry them through. When you get to the very small organisations, they are loath to spend anything at all on training, and that really is an issue, and that is why this notion of free training engages them in the process more than the development of their workforce skills.

**Mr Withey:** I would agree. I think it is not only size; the larger employers tend to invest, as a broad-brush statement, more than smaller employers. I think also it depends by sector, so the hospitality sector, in which we both provide training, the staff move through much more quickly, and a small employer probably will not want to invest anything, actually, in training the more junior staff, in hotels and pubs, and so on, or restaurants. The bigger chains we find are more interested in it, but a local pub, round the corner, just would not invest at all. The larger engineering companies and sectors like that, yes, indeed, and we have got some big contracts with the likes of Network Rail and others, who put in a lot of their own money as well as Government funding.

**Q259 Fiona Mactaggart:** One thing which seems to me to connect from what you have been talking about to the evidence we had from the last group, who were talking about a framework for qualifications, is that I have encountered this thing about employers wanting bespoke qualifications, a little bit of this and a little bit of that; Waitrose engineering guys have a qualification which takes little bits. Do you ever spend time with employers trying to get them to rejig their bespoke qualifications so they become Level 2, or others?

**Mr Wright:** Some are doing that actively now, some of the bigger employers.

**Q260 Fiona Mactaggart:** Who are they?

**Mr Wright:** I think it is still in its infancy; there are not many that are doing it. It is difficult for us to get under the skin of those employers and really start to persuade them to rejig their training programmes in order to use them as accredited qualifications. What they would say is, "Why? What's in it for me?" Really, the attraction of qualifications is that they are giving something to their workforce which you can hang your hat on, and that really is the way that we drive those in. I think there is a lot of work to be done with employers generally in order to get them up this curve of saying their own in-house training programmes can be accredited and they do have a benefit to the profit and loss account, to the retention of their people, and all the rest of it. There is a different audience here. You have got the bigger employers much more enlightened and ready to talk and smaller employers very difficult to persuade. I would say also it is very difficult to hit the right level of management as well, in employers; it is very rarely you get engaged with the chief executive of a major company on issues such as training; it tends to be devolved down to the HR function. It tends to be

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quite a junior level you are negotiating at, and they have great difficulty in moving this up through the management chain.

**Q261 Helen Jones:** You said you would like to see a greater role for the private sector in FE, but what kind of FE do you envisage companies like yours taking on? You are not going to take on the Somali women who cannot speak any English, are you, or the people who need basic access courses?

**Mr Withey:** Our model for working with the FE sector is working with the colleges, and we will bring some industry best practice, if I can call it that, so we will provide some of the services more cost-effectively than they would themselves perhaps, running their own campuses, such as management, and so on. There are things that we could do together, perhaps bringing in third party income, and that could be Train to Gain contracts which together we could deliver which they could not on their own, or just standard apprenticeship programmes. Also we can provide some investment, because if we have a long-term relationship with a college we can take a long-term view on investing alongside their own investment, LSC funding, into there to provide bespoke training facilities for our other customers. I will give an example, if I may. We are an international company, we have a lot of customers in the Middle East and the Far East, we do a lot of English language training, in fact, and providing cost-effective, professional delivery vehicles for those, which meet our customers' specific requirements, is a key issue for us. It is that type of thing we could do together, just to give you one specific example, if that helps.

**Q262 Helen Jones:** Really you would be cherry-picking, would you not?

**Mr Withey:** No, not at all. I think we would be complementing their skills. We work with the leading colleges, we are working with four or five from the 157 Group, also some of the medium-size coasting colleges, where, in fact, typically their areas of weakness that I would be reporting would be on employer engagement, where they do struggle to get local employer engagement for their programmes and courses. It is the sort of understanding that we have of employers' needs that we could bring to such a relationship.

**Q263 Helen Jones:** That is interesting, but, Dan, you have just told us about how difficult it is to get SMEs engaged in training, and that is just as true, it seems to me, for your companies as it is for the colleges. What makes you think that you would be more successful in getting those types of companies, which is often, the gap is in training, engaged in training?

**Mr Wright:** I can speak only for Protocol. We work very hard at building relationships right the way across the country and we work on a database of small to medium-sized employers and we spend a lot of time getting out there and talking to them. In terms of our contact with those SMEs, we are pretty

good at doing that. I think, getting them fully engaged in a training programme which requires their investment is a different matter.

**Q264 Helen Jones:** That was my question, you see, because you may have the contact base but do you have any evidence to give to the Committee that you are any more successful in getting SMEs engaged in training than are the FE colleges, or any other providers?

**Mr Wright:** Again, I can quote Train to Gain. We know full well, and I think Simon is in the same position, that, with the success we have had in bringing learners onto the Train to Gain programme, we are probably the two most successful providers in the country for doing that, simply because we have the contacts, I have a network of people out there talking to them all the time. To go back to the brokerage issue, which we touched on earlier, we have not used the brokerage system at all; we do all of that assessment with the employers and then we refer back to the brokers, so actually it is a level of bureaucracy we could live without.

**Q265 Helen Jones:** Can you give us the figures for that? What percentage of those people on Train to Gain comes from small and medium-size enterprises?

**Mr Wright:** I cannot, off the top of my head, but I can get back to you with them.<sup>1</sup>

**Q266 Helen Jones:** If you could get them for us, it would be very useful. Protocol say in their evidence that, in your experience, most learners are not actively looking for training but are referred by an employer or a friend. Again, that seems to indicate that there is not recognition out there of the benefits that training can have for the individual. Is that what you are finding; when people are referred, are they hard to convince that they should take up the training on offer?

**Mr Withey:** I think, in our experience, you get all ends of the spectrum, quite frankly. You get the employer, for a start, some of whom are very keen and some who give minimal support to the employee, when he, or she, starts a learning programme. Looking at the individual, I think you get the same thing, you get some people being dragged into doing it and some who see it as a career opportunity. Most of our trainees have done a Level 2; we do quite a lot of Level 3 as well. I guess there is a difference by the time you get to Level 3 on that column where clearly they do see it as a good opportunity for them. Our experience is you can get a whole spread of attitudes.

**Mr Wright:** My view on that is, if the employer is a supporter of these programmes, and generally it is the local management which will support it when it is driven through, these tend to be managers who have been through the programmes themselves, if they have been on that programme, more than likely they

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<sup>1</sup> See Ev 106

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will endorse having their people go through it; but you have got a very mixed bag from one site to another, it tends to be driven locally.

**Q267 Helen Jones:** Leitch proposed a much more coherent, national careers service for adults. What are your views on that and how do you think it should work, because he was suggesting something on the Learndirect model, I think, was he not?

**Mr Withey:** Yes, indeed. We are a large provider of career services through the Connexions partnerships and we see quite a variety across the country. We have been hooked up with all the London boroughs, all of the South East, some in the Midlands, some in the North, so it is a fairly good coverage but it is not uniform by any means. There are some similarities, in terms of things like targets for NEETs tends to be a very, very key requirement on our Connexions contracts, so there are some threads going through, but actually the priorities and, if you like, the personalisation are very different from contract-to-contract. One of the concerns we have got going forward is, with the Connexions contracts coming to an end, certainly by next April, and going under the Children's Trusts and Children's Services through local authority control, the concept of which I think is fine, I think there are a couple of issues there. The impartiality of advice has to be completely integral, and if some of the local authorities deliver careers advice down at school level, and maybe college level, I think there is a concern that it will be very local advice, very local knowledge will be strong, but it will not get the coherent coverage across the country. We are quite lucky to have the 20 areas that we cover.

**Q268 Helen Jones:** Can I stop you there, because if people are getting advice like that in their local area, talking there about younger people, they will not be going to the other side of the country, will they? What they want is advice on what is available in their local area, surely?

**Mr Withey:** If they wish to stay local, yes. One of the concerns may be, if a school provides advice, there might be an emphasis on staying on to the sixth form, for example, which may be not the most appropriate advice to provide for that young person; it is that type of thing. There are a large number of national employers and the local view for those national employers might not be representative of the company's overall strategies, and so on. Again, that is another reason, I think, for the coherence which is required and it is something I think we should keep an eye on, as they transfer over to local authority control.

**Chairman:** Thank you very much for that. Paul will move on to intermediaries.

**Q269 Paul Holmes:** Just as background to what I am going to ask you, both of you started off by saying that really you would like a free market in this, and I notice, in particular, in the written evidence from Protocol, they say there are always frustrating caps on funding, there is too much demand for this area and not enough somewhere else. It is not a free

market, is it, because the normal strength of the free market is what the customer will pay with the cheque-book, and in this case it is the taxpayer who is paying, it is not the employer, it is not the learner, so really we cannot have a free market in operation on this, can we?

**Mr Wright:** I think you are right and I think it is difficult to be a completely free market. The issue is who is your customer here, is your customer the learner or is the customer the Learning and Skills Council or is the customer the taxpayer, and that is the difficulty you have. Inevitably, what you end up with, as a provider, is dancing to the tune of managing those funds in the right way, and it is very difficult to influence that in any other way, which means that, from time to time, you know that you are working to the detriment of the learner, or the employer, to some degree. I think the industry has become absolutely obsessed with managing the minutiae of this, rather than looking at some of the bigger picture. It is very difficult to determine a good training strategy with an employer which covers more than one region, when you have got different demands region by region.

**Q270 Paul Holmes:** The example you gave a little earlier, that you had an employer coming to you saying "We want training for this," and you say "We can't do that because it is not in the Government or the LSC criteria," but the employer can always say "I'll pay for it; do it anyway," if they really want the course?

**Mr Wright:** What they will do is just moan about that, "Why can I have it here free and not there free?" In fact, it is a very difficult argument to defend with an employer. It is not as cut and dried as that, but I think employers still see this largely as something to which they are entitled and why do they not get it everywhere.

**Q271 Paul Holmes:** You have a limited amount of public money, whatever the Chancellor makes available, and it has got to be planned and regulated somehow, but everybody who submits evidence is saying it is just so complicated, that you have got all these different levels of regulators and funders and inspectors and brokers and Sector Skills Councils. How would you simplify it; you cannot sweep it away because it is not a free market, but how would you simplify it dramatically so that it would work more efficiently?

**Mr Wright:** I think a degree of flexibility, in going back and being able to debate with the Learning and Skills Council about where money could best be spent. What tends to happen is you are given a contract allocation; that is monitored to death. You get to the end of that contract allocation and you say, "Well, there's still a greater demand here," then you end up with this bartering process of trying to move money around. You can end up, at a year end, being underspent on one qualification or age range and overspent on another. A couple of years ago there was quite a furore in the industry because any overspend which had happened was just not paid, and quite rightly, in my view. Actually what you

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tend to end up doing is really looking at this, managing it so that you do not overspend or underspend anywhere, and I think you can miss some of the bigger picture. How it would work in practice, I think a degree of flexibility in an area, I think there needs to be a bit more commonality from one region to another, and I think there needs to be currently a bit more dialogue between one LSC and another, to see where they can share some of these funds around. I do accept it is a very difficult thing to manage it more strongly.

**Q272 Paul Holmes:** Again, there is a tension there between what you have said and what some of the earlier evidence was, that, on the one hand, people are saying we need more regional flexibility and more local flexibility, because we heard that in London creative industries are out, and yet in Croydon there is a big issue that you want creative industries. On the one hand, you want more local flexibility, but, on the other hand, you are saying you want more national, innovative conduct?

**Mr Wright:** I suppose there is a bit of reflection of the type of business I am in, because if you look at any of the priorities across nearly all of the regions, hospitality and retail are way up there, so they always appear, certainly in the Strategic Area Review, which happened a couple of years ago, hospitality, retail and construction indeed were well up there. We do not see huge regional differences in those areas.

**Q273 Paul Holmes:** The bureaucracy and the checks and balances you have been talking about, they are there partly to make sure that there is not fraud in the system. One of the first things we looked at in this Committee when I joined it, in 2001, was Individual Learning Accounts, where the Government deliberately tried to avoid all the bureaucracy and it was just wide open to being ripped off, and it was ripped off. How much of the bureaucracy is essential to avoid that and how much can be streamlined?

**Mr Wright:** I think a lot is there to prevent fraud, and I think that is driven by historical experience, and clearly I think we are still living with some of that. It is an intensely paper-driven system; the amount of paper and forms and stuff that needs to be filled in on a daily basis is quite overwhelming, frankly. The amount of infrastructure that one needs to put in place to cope with that is huge. I think one of the areas where you could tidy it up, and I mentioned it in my evidence, was moving towards using IT better, using an electronic platform better, getting the information sent through electronically, rather than having to capture it on paper everywhere. I have offices throughout the country full to the brim with bits of paper that are used in an audit trail, so I think that is one of the ways that we can do it; but I accept fully that there needs to be the full check and balance on the way that the money is spent.

**Mr Withey:** I concur with much of what Dan has said. I wrote down digital signatures. We have 17 forms to fill in when we take on a learner and that takes over two hours before we have even started

and we lose a number of people because they just cannot be bothered to go through the process, even though we hold the pen for them, quite often, so just electronic uses would be great. One other thought I have is that if the annual contracts that we get from the LSC were longer; five years would be superb actually. The reason for that is because then you have got some scope to invest in the earlier days, you can put in some innovation, you can get some economies of scale, economies of process, and so on, and I think we would end up with a better product, at the end of the day, if we could take that out. I think also it would save the annual calculations of overspends and underspends, and so on, if we went for longer-term contracts, which are artificial really because it just happens to be the way that they are run.

**Q274 Chairman:** Why are there 17 forms, 17 forms for someone you have taken on for Train to Gain, for example?

**Mr Wright:** I do not know the exact number of forms for Train to Gain but there is a fair few. They each serve a different purpose and part of it is the way that you submit the paperwork to the LSC, some of it on retaining records centrally and some are just duplications, you have to keep one in one place and one in another. You are talking about, a mainstream apprenticeship, certainly that is 17 forms. Again, going back to information capture, which is why we are so keen to see delivery of electronic learning, the amount of errors which occur as a result of individuals sitting down filling in the same thing 17 times is just huge, so the amount of waste in the system is quite incredible. To put it into perspective, I have got something like 50 people who are employed full time on processing bits of paper, which is inordinate waste.

**Q275 Paul Holmes:** That could be consolidated fairly easily into six instead of 17 forms?

**Mr Wright:** We talk about fields of entry, which is the number of bits of information we put in, but probably three forms you could condense it down to, yes.

**Q276 Paul Holmes:** We heard again in the earlier part that you have got 16-year-olds coming out of school who are not really getting the advice from Connexions which they used to get from the old Careers Service perhaps, and you have got a brokerage system for the adult end which, we are told, is just not functioning so far. Is that your experience, from a private sector point of view?

**Mr Withey:** I was interested to listen to the FE answers. I think our experience is we work hard with the brokers; it got off to a slow start, the marketing really is not starting until now, it was a slow start, there were a lot of problems which had to be ironed out in the early days. The benefit is, clearly it is going to be as impartial as possible. I think if we provided that service there would be questions.

**Q277 Chairman:** What did you say about the brokers; you have used brokers?

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**Mr Withey:** We use them for Train to Gain, and in Train to Gain, to try to keep our numbers up, in the early days when it was slow, just to get the momentum going on some of the new machinery in place, we went to our existing employers and our other contacts and brought them back to the brokers just to start the process through. It is just a matter of working with them.

**Q278 Chairman:** Why not just do the job yourself?

**Mr Wright:** If there are some forms to be filled in, you have to do it, so you have to get what is called a unique reference number from the broker, which allows you then to start the training process. It is a bureaucratic process.

**Q279 Chairman:** You cannot break through the brokerage system?

**Mr Wright:** No.

**Mr Withey:** No.

**Q280 Paul Holmes:** Does the broker do quality control, because again with the ILAs people could say "I've got an upstairs office, with 20 computers and trainers" and these sorts of people, and nobody ever checked and they could claim what they wanted? Is the point of the brokerage that there is supposed to be some sort of "control" which prevents fraud?

**Mr Wright:** Yes. The way that we work it is that is retrospective, so once we have engaged an employer the idea is that the broker will then go in and check to make sure that the employer has all the information, and that is what we do, we give them access to the employer.

**Q281 Chairman:** Would you agree with the colleges, who were sitting where you are sitting, a few minutes ago, who said that brokers do not have any experience of training?

**Mr Wright:** I would agree.

**Q282 Chairman:** They are going to check something of which they have got no experience?

**Mr Wright:** I think also they referred to the tick-box exercise, which is "Have you done X; have you done Y;" does that fit in with the criteria.

**Q283 Chairman:** Who are the brokers then?

**Mr Wright:** We deal with a whole range of them; we have got brokers dotted through every LSC region.

**Q284 Chairman:** Which brokers are they?

**Mr Wright:** A lot of them are Business Link; that is the majority of them, to be honest.

**Mr Withey:** The majority of ours are Business Link as well.

**Mr Wright:** The London Business Consortium in London.

**Q285 Chairman:** Business Link are doing this because they have been so successful with the other things they do they have got plenty of time on their hands?

**Mr Withey:** Yes, I think so.

**Q286 Chairman:** You are smiling, Dan?

**Mr Wright:** In my mind, the whole thing was rushed. When the employer training pilot started, and that was when the brokerage system was formulated, it seemed like a good idea; there was a rush to get the contracts, people saw the pot of money and went for it. I think the system was not in place when the contract was awarded.

**Q287 Chairman:** What was reaching the ears of most of us, when the employer training pilots were on, was that the pilots seemed to be successful; so the Government wanted to roll them out because the pilots had been successful. Was that right, or not?

**Mr Withey:** I think they were successful. I think what we are seeing, the problems with the brokers, I would like to think are teething problems actually. You have got to work hard with the brokers to make it work; you will not just sit there and wait for them to come to you, the learners to contact you, I think we accept that you have got to push them as well.

**Q288 Paul Holmes:** Although that is their job?

**Mr Withey:** Yes, it is their job, but, there again, I think you could ask why FE colleges have to go out and market their capability; learners will find them, or somebody will. You have to deal with them.

**Q289 Chairman:** How much are you giving away? In Train to Gain, there is an employer, sitting there, unable to make up his, or her, mind whether he, or she, wants to train his, or her, employees; you appear on the scene, or any provider, and say, "If you do this training, this is what you get." What are you offering them?

**Mr Wright:** In terms of when we sit down with the employer, it gives entitlement to a qualification which is more available than some of the mainstream funding; i.e., on 19-plus learning, they are quite restrictive on funding, whereas Train to Gain is another area which we can offer, which opens it up to a wider audience for that employer.

**Q290 Chairman:** Just to get to brass tacks, what are they getting out of it?

**Mr Wright:** A qualification for their workforce.

**Q291 Chairman:** How much is it costing them?

**Mr Wright:** Nothing.

**Q292 Chairman:** Why; how much is it worth?

**Mr Wright:** You would have to ask the employers that, I suppose. At the end of the day, what we say to them is, "You're getting a value which is placed on your workforce productivity." We try to convince them that it has benefits for the retention of their people, it gets them better qualified; certainly it addresses some of the Skills for Life issues.

**Q293 Chairman:** I take that for granted; but how much are they getting, how much is this bit of training costing? Someone is paying for it: how much is it costing the Government?

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**Mr Wright:** It is about £1,200 per learner.

**Q294 Chairman:** Basically, you are in this terrible market where you have got to go out there and persuade people to accept £1,200?

**Mr Wright:** No.

**Q295 Chairman:** That does not sound like red in tooth and claw to me.

**Mr Wright:** No; no. That is absolutely right. It is an attractive proposition for an employer; but the point is that you are doing it either with the employer or to them, and I think that is the difference, if it is an integrated part of their training programme, and that is the bit of Train to Gain which it is intended to do.

**Q296 Chairman:** You are also giving it to people who, up until then, were paying for it anyway: McDonald's. You were in the hospitality business. McDonald's get it free now, when they were paying for it before, do they?

**Mr Wright:** McDonald's would not be eligible for Train to Gain because of the size of their business, but they are getting a sizeable chunk of funding through the mainstream apprenticeship programme, yes.

**Chairman:** It is a strange world, is it not, this training business; you are going around, encouraging them, saying "You can have this and it's free," and a couple of years ago, or last year, it was not free. There are dead-weight issues there.

**Q297 Stephen Williams:** This is a supplementary to something Paul was asking about earlier. We have heard, both from the witnesses we have before us and previous witnesses today and in previous sessions, the sort of classic acceptance that employers are not going to pay for certain modes of training. I think it was Dan who said, "Oh, they're just moaning about what is free somewhere else, if they cannot get what is free and what they actually want." Yet Lord Leitch has said that he wants employers to pay more and is going to give them until 2010 to up their game; but we know the answer to that already and the culture is not going to change?

**Mr Wright:** I think that is the challenge for the industry, it is the challenge for me, as a work-based learning provider, we know that is going to happen. The effect of that is simply, from what we can see at the moment, what will happen is the 19-plus funding will simply not receive inflationary increases, so unless they pay then organisations like mine will pick up the slack and we will subsidise it because we will do it for less. The driver for my organisation is to make sure that there is a contribution from the employer going forward and that what we have to do is start working with them on a much more strategic level about how they can tie their training programmes into accredited apprenticeships.

**Q298 Stephen Williams:** The Chancellor's answer to this, Chairman, is to appoint Digby Jones to go round prodding employers. Do you think that is going to work; does he frighten you?

**Mr Wright:** I think he will raise the profile of the debate, and that is important. I still think that there is a level of misunderstanding with employers, which is quite astounding really, the lack of knowledge that many employers have about the work-based learning environment and what is available. There is a lot of ignorance there, to be frank; so the more we can raise that the better. How effective Sir Digby Jones is going to be is a matter for conjecture, I suppose.

**Q299 Chairman:** That £1,200, which is going to be spent on that employee, what is your share of that?

**Mr Wright:** It is a pretty low-margin business, to be honest. Our operating margin is about 10%.

**Mr Withey:** That is the fee for the training provider to get the individual through his, or her, framework.

**Q300 Chairman:** If he, or she, goes through, that is the percentage?

**Mr Withey:** No; that would be our fee.

**Q301 Chairman:** What is the fee?

**Mr Withey:** Twelve hundred pounds, in this particular example, and it varies depending upon which course you are on.

**Q302 Chairman:** You get the £1,200 and then have to provide the training and you get about 10% profit?

**Mr Withey:** Yes.

**Mr Wright:** Yes.

**Chairman:** Let us move on, to talk about apprenticeships.

**Q303 Jeff Ennis:** Can I raise a point for clarification with you, Dan, to begin with; on your evidence document, your address is "Weston Business Centre Stansted, Parsonage Road, Takeley, CM22 6PU" CM, that is Chelmsford, is it?

**Mr Wright:** It is Stansted Airport area.

**Q304 Jeff Ennis:** Then at the bottom it says: "Registered in England and Wales, Unit 9C, Redbrook Business Park, Wilthorpe Road, Barnsley." I am just wondering why that is?

**Mr Wright:** That is my base. I happen to work out of Stansted, myself and a secretary, because I am field-based. Where we registered the office is in Barnsley rather than the West Midlands.

**Jeff Ennis:** What is the sort of operation in Barnsley now? Forgive my ignorance; it is not my constituency, it is Michael Clapham's.

**Chairman:** This is from a man who has a record; I think there has never been a session in this Committee when Barnsley has not been mentioned.

**Jeff Ennis:** It has been twice now; neither in my constituency.

**Q305 Chairman:** One of these days I am going to give you the chop. Sorry about that.

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**Mr Wright:** My Finance Director is based there, with the Company Secretary. We have a call centre there, which is where we generate leads for learners, also we have got a regional office which delivers learning in the Yorkshire and Humberside area.

**Q306 Jeff Ennis:** That is very interesting. Moving on to the apprenticeship scenario, Leitch is recommending expanding to half a million by 2020; does this seem like the right target for you? Obviously, this applies to Simon as well.

**Mr Wright:** What I do know is that currently, everywhere, people are struggling to meet the targets that we have in place now, so it will be a very challenging target and it will be dependent upon ability to engage small to medium-size employers. I think it is a very stretching target, to be honest, and I know full well that in a lot of LSC regions, and you have heard it today, particularly London, they really are struggling. In some others it works particularly well; the North West is performing particularly well and a couple of other regions also.

**Q307 Jeff Ennis:** Is that your take as well, Simon, on the target figure?

**Mr Withey:** By and large, yes. I think it is very important though that the jobs match the qualifications and the skills, and that goes not only for Level 2 but for the higher levels as well. I think we need to watch the growth of the apprenticeships to make sure it is matched with the UK's demand, or industry's demand, in those various sectors. In broad terms, I welcome going to 500,000 and I think it sounds right to us. What we will need to watch is that quality is maintained as well, because it is a big increase on current numbers, in a relatively short period of time. I know there will be some stretch on the supply side, so we are very conscious of the quality side.

**Q308 Jeff Ennis:** Were either of you disappointed that apprenticeships were not brought within the Specialised Diploma framework; should they have been?

**Mr Withey:** We see the Specialised Diplomas almost as a bridge between secondary schooling and the workplace, so quite where apprenticeships sit does not worry us particularly. We have been doing quite a lot of work with the Diplomas, mainly on the school side, so to us it is a continuum; and the fact that it is a different funding stream is potentially an issue, but apart from that we do not have a concern over it.

**Q309 Jeff Ennis:** Dan, in your evidence, with regard to apprenticeships, you said, and I agree with this, skills acquired in one sector should be transferable as far as possible. What needs to change to make that become a reality?

**Mr Wright:** The nature of the qualifications is very prescriptive and when you are in a sector, let us call it 'quick service', the number of bits of evidence you need to produce to get that qualification is highly prescriptive. They are not transferable to other sectors, and the problem you have got, particularly

with the likes of hospitality, is that a young person coming into the hospitality industry has not made up their mind necessarily where they want to spend the rest of their working life. They do transfer quite a lot between hospitality and retail. You can transfer across only some of the units, which are transferable, there is a lot they leave behind, and once they have left those behind they have lost the funding for that qualification, so they end up without having a qualification at all, albeit that they want to progress their career. I think it goes back to some of the softer skills we talked about earlier, in terms of how business works, how you interact in a service-driven economy with the customer, all those kinds of things, which the qualifications do not address necessarily; I think they try to but do not necessarily, because they are focused totally on the actual skills element and what you need to do that job.

**Q310 Jeff Ennis:** Have you got anything to add to that, Simon?

**Mr Withey:** Only the angle of personalisation of learning, which, from where I sit, is aimed primarily at schoolchildren, but I know it is going to FE and hopefully HE as well, and why not apprenticeships, quite frankly. For me, I think the opportunity is there not only to work at your own pace but also just to pick and mix the most appropriate elements that you can, wherever possible.

**Q311 Chairman:** Can I push you just a bit, Simon and Dan; you did not seem very interested in the new Diplomas at all. Is that because it is not a market sector for you, you are not going to make any money out of it so you are not very interested?

**Mr Withey:** No. We think it is a good opportunity for us, from a business point of view.

**Q312 Chairman:** You dodged the question rather?

**Mr Withey:** I did not mean to. I think it is fairly early days actually; what are they really going to be, are they going to be taken up well, are they going to be seen as, if you like, the poor man's GCSE. I think that is the real worry, that those who cannot or do not want to do an education route go on the vocational diploma route, and if there is any stigma attached to that I think they are dead in the water. I think how they are rolled out is really important.

**Q313 Chairman:** They have got to be high quality from the beginning?

**Mr Withey:** They have got to be high quality; they have got to be seen to be. It is like the early days of some of the NVQs and BTECs, and so on, what will they mean to employers, and they have really got to mean something to employers, just as GCSEs, A Levels, and so on, are recognised by employers. I think it makes good sense for young people who are not academically focused and biased to take a more hands-on professional route in some of their schooldays.

**Mr Wright:** I agree. I think the issue for us is how they are going to work in practice and how employers will see it. For an organisation like mine really to get under the skin of that, you have to put

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a huge amount of resource into it, you cannot just provide it, so we need to understand how that strategy is going to work and then what resource we need to bring to the party. At the moment, I think it is early days for us. We are looking at it, in one or two isolated areas, but, I have to say, we do not really understand how it will roll out going forward.

**Mr Withey:** I think perhaps this was an earlier question, of where we can help with FE actually. Schools are not going to deliver these Specialised Diplomas on their own; they need to team up with colleges and other training providers, perhaps like ourselves. I think that coming together is an area that we can add some more value to, in these consortia and confederated training organisations.

**Jeff Ennis:** To acknowledge really the point which Simon has just touched on, because if the Diplomas are going to be successful, and we on the Committee all hope that they are going to be highly successful, you have got to have both FE colleges and schools working collaboratively, every secondary school providing a certain level of these Specialised Diplomas. I would have thought there was a niche there for you guys as well to work collaboratively and work with the schools and the colleges.

**Q314 Chairman:** You can do some consultancy in Barnsley. Can I push you on a couple of other issues. What do you think of the Sector Skills Councils generally?

**Mr Withey:** Currently they provide a national view on certain sectors; we deal with, I guess, five or six of those in some detail and I think they have got an increasing role to play. What is important, from where we sit, is that it is balanced with a regional and a local requirement, with one system all across the country. I think it is important to get a balance locally and regionally with the national view, but I think it is important to raise standards, it has had the body like the Sector Skills Councils to do so, and we work very closely, as I say, with a number of those.

**Q315 Chairman:** Do you work well with them?

**Mr Withey:** We have our moments, in terms of some of the changes to the scope of frameworks, and so on, but we have some good, healthy dialogue with them and normally it is very constructive.

**Mr Wright:** I think it depends on the sector; some are more representative than others, I think.

**Q316 Chairman:** Which are the best and the worst then, Dan?

**Mr Wright:** I do not think it is about good and bad, I think it is about the complexity of what we are trying to do. I mentioned People 1st, which is the hospitality Sector Skills Council; it has an inordinately difficult job to do. It is trying to lay out qualifications for a broad range of businesses, many of which are very small; take caravan parks, these are small owner-operators, and how do you truly represent what they need. My experience as well is that whilst their job is to represent the industry it is very difficult for them to do it accurately, and in my experience, running businesses beforehand, I had very little contact with them, very little. It tends to

get fed up through the process, but actually, in terms of representing the real needs of what, for example, the hospitality industry wants, they have a very tough job to do. I think they lay down standards, in terms of the qualifications, reflecting what ought to happen, but when you talk to a lot of employers they have very little contact with a Sector Skills Council. Our job is to try to influence them, bring them back to the table, the sorts of things that we hear from employers, and try to influence them in that way.

**Q317 Chairman:** What role is there for quality of apprenticeships; how high a quality? You both said, certainly Simon did, that the important thing about rolling out apprenticeships is that you maintain quality; what is the quality now?

**Mr Withey:** I think there are a couple of measures to that. I guess what I had in mind most were things like completion rates; there are two things, the content and quality of the course and how many courses you get the individual to the very end of so they get the qualification, and I think, if we are going to be, in round numbers, doubling the output, we need to be cognisant of both of those. There is a lot of work. I think, quite rightly, the LSC have put a strong emphasis in recent years on completion rates and they have increased and we have been incentivised by the payment mechanisms to concentrate on that. It used to be just pull the seats out and I think that emphasis needs to stay there, as the numbers grow.

**Q318 Chairman:** We know that, very often, employers give apprentices a job and say they do not want a commitment?

**Mr Withey:** Sweep the yard, yes. I think, again, if you bring that together with some employer funding, which we touched on a few minutes ago, that will drive the employer to make sure he gets some value for money out of the programme. There is actually an upside, it is a challenge for our businesses perhaps, to make sure an employer does partly contribute, but if he is paying for part of the service he is going to demand some quality there.

**Q319 Chairman:** Do you not think it is a strange world this, of training, though, if you take one of my constituents and explain to one of my constituents? I visited a major engineering company recently and they said, "It's dreadful. On the one hand, we haven't got enough skilled engineering people coming through, applying to us for apprenticeships; we do get a certain number but we take only half the ones we need because the Government won't pay any more money for the other half." Is it not a strange world to explain to my constituent, that here is a highly profitable, international business which wants more qualified workers but will not take on enough to fulfil the jobs which need to be done because the Government will not give them any money: what crazy world is that? You are in engineering; is that the sort of thing that Vosper Thornycroft would say?

**Mr Withey:** We have never had that problem, as it happens; we have always recruited and planned, I guess.

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**Q320 Chairman:** You recognise the symptom?

**Mr Withey:** I have seen the issue in a number of companies around the country, yes, and obviously it is a result of budget limits, and so on. I guess we are where we are, in a way, on that.

**Q321 Chairman:** A profitable company and an international, global player will not take on more apprentices because the Government will not pay for them. You are red in tooth and claw; you started off saying about the market; but surely a company which does not take on highly qualified people should go to the wall, should it not?

**Mr Withey:** We would not stop recruiting young people just because government money dried up for apprenticeship training, for the VT Group. If we had used our allocation and we wanted another 20 young apprenticeships, we would fund those ourselves, if that was the requirement of our business, and I think any decent company probably would do that.

**Q322 Chairman:** What do you think, Dan; is it a crazy world?

**Mr Wright:** Almost certainly. I think it is slightly different, because if you take a company like McDonald's, there is just no way we are going to stop bringing people in and training them to do what they need to do. What we do is accredit their training and we give their employees a qualification to walk

away with; so it is slightly different. The hot issue in the hospitality industry is that for many years it has moaned about the lack of skills, of really top-class, qualified people coming through, and what they have not done is invest enough in the development of those people from their own programmes, so now I think they are suffering the consequences of that, because of years of lack of investment there. I think there is a bit of a crazy world scenario there and now, openly, the hospitality industry is criticising itself for many years of lack of investment.

**Q323 Chairman:** Do not hold your breath; galloping over the horizon comes the free training for Train to Gain?

**Mr Wright:** Train to Gain will not deal with the level of skills shortage which the hospitality industry talks about.

**Q324 Chairman:** Almost every training programme we are talking about is subsidised by the Government, is it not?

**Mr Wright:** Yes.

**Chairman:** That might not be all. It has been a really good session. Could you keep in touch with the Committee; you have complemented astoundingly and very well the information and the evidence we had in the first session. If that happens, that we get that kind of match, we are always very happy; so thank you very much indeed.

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#### Supplementary memorandum submitted by Dan Wright, Managing Director, Protocol Skills and Training

During the session I was asked what percentage of Train to Gain places are taken up by SMEs. Protocol Skills currently has approximately 1,800 learners on the Train to Gain programme, of which some 1,200 are employed by small to medium sized local or regional employers. The question was also raised regarding the cost of a Train to Gain placement. I can confirm that this is £1,200 per placement and the margin made by Protocol Skills is around 10%. I should add that some qualifications attract higher levels of funding (for example, Care) but we are not involved in the delivery of these programmes.

The issue of administration processes was also raised and I can confirm that on a paper based signup 14 forms are required. The electronic processes we have introduced in Yorkshire and Humberside have reduced the total number of forms to five, which includes one paper document (Health & Safety). The electronic system gives huge advantages in the reduction of administration and bureaucracy and is welcomed by the learner and the employer. However, I can confirm that we still do not have authority to proceed with electronic signature.

April 2007

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## Wednesday 28 March 2007

Members present

Mr Barry Sheerman, in the Chair

Mr David Chaytor  
Fiona Mactaggart

Mr Rob Wilson

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### Memorandum submitted by Crisis

#### EXECUTIVE SUMMARY

- The most vulnerable adults in society remain the least likely to take part in learning, despite the Government's Skills Strategy and having the most to gain by improving their skills.
- Learning for vulnerable adults is hampered by poor mainstream provision and a lack of available learning opportunities in the Voluntary and Community sector.
- Low participation in learning by vulnerable workless adults occurs in spite of their strong appetite for improved skills and employment.
- For vulnerable adults, skills are as relevant to secure housing, improved health and social inclusion as they are to sustainable employment.
- The danger posed by Lord Leitch's targets is a further redirection of resources to Level Two qualifications and away from the courses that act as stepping stones to Level Two.
- Many adult learners, whether disadvantaged or not, prefer flexible, personalised and bite-sized programmes which adapt to their needs.
- Vulnerable learners will not always progress smoothly and quickly from one level to the next but will at times stall, fall back, step sideways or even leap forward.

#### 1. CRISIS EXPERTISE—EDUCATION AND TRAINING FOR VULNERABLE HOMELESS ADULTS

1.1 Crisis is the national charity for single homeless adults. We are a leading provider of, and commentator on, education and training for vulnerable homeless adults. Working year-round we help adults get through the crisis of homelessness by enabling them to rebuild social and practical skills, secure their housing and move on to further education or employment. Our programmes are described below.

1.2 Crisis Skylight, based in East London, is a pioneering example of engagement, education and employment opportunities for homeless adults. Although open to all, Skylight specialises in enabling vulnerable homeless adults to succeed in learning. The centre provides:

- over 70 free practical, vocational and creative workshops including Woodwork, Interview skills, Art and Tai Chi;
- a high specification training suite offering accredited qualifications and basic skills training; and
- a social enterprise Café offering training in catering and customer service and ultimately the opportunity for employment with an external catering partner.

Learners are able to regain self-confidence and motivation, build on existing skills or develop new ones and progress through to further education or employment. Skylight is delivered through an exciting array of partnerships with a wide range of stakeholders including Newham College, Learn Direct, City Lit and Cardboard Citizens, as well as with support from Government. A second Skylight Centre will open in Newcastle in 2007.

1.3 Crisis Smart Move and Smart Skills are complementary nation-wide schemes that assist homeless and vulnerably housed people with comprehensive housing advice, access to accommodation in the private rented sector and accredited courses that support independent living.

1.4 Crisis Changing Lives is a UK-wide financial awards scheme for homeless people to access training courses, buy tools and equipment for work or set-up their own business. Crisis also gives essential mentoring support to ensure that the pathway back into education or employment is successful. We are currently developing small business excellence awards to help grow particularly successful candidates.

1.5 Working with Demos, Opinion Leader Research and Tribal, Crisis has delivered an invaluable programme of research exploring the relationship between skills and homelessness. The research demonstrates that improving the skills of homeless people offers benefits across Government agendas including: reducing homelessness; skills; welfare to work; drug and alcohol strategies; reducing offending; improving public health; and sustainable communities.

1.6 Building on this knowledge and experience, the Crisis campaign, Weapons of Mass Instruction: Fighting Homelessness through learning and skills, aims to maximise access to learning for those adults in greatest need. Adults with the most to gain from learning are the least likely to take part. We want to change this. In pursuing the campaign, Crisis brought together 35 leading stakeholders in adult education to warn the Chancellor, Gordon Brown MP, about the consequences of the Government's skills strategy. A copy of the coalition's representations is attached.

## 2. FACTUAL INFORMATION—THE PROBLEM

2.1 The 2003 White Paper *21st Century Skills: Realising Our Potential* was bold in its commitment to ensure that unemployed and disadvantaged people have the skills they need to meet employer demand and to succeed in the modern workforce. For homeless people, three years on, the reality on the ground remains different. Fifty-six per cent of homeless people have low or no skills.<sup>1</sup> 86% are workless.<sup>2</sup> Two out of three housing agencies do not offer any kind of wider activity like learning.<sup>3</sup> Four out of five homeless people do not take part in any kind of learning.<sup>4</sup>

2.2 Recognising low participation in learning and the need to improve the skills of the UK's low-skilled workless population, Lord Leitch recommends that "jobseekers who fail to find work within six months be required [our emphasis] to participate in basic skills training".<sup>5</sup> This recommendation demonstrates a lack of understanding into the reasons for low participation. The Ofsted 2003–04 annual report concluded the most vulnerable received the least effective provision, perpetuating underachievement.<sup>6</sup> The majority of Jobcentre Plus learning providers are ineligible for core DfES funding to ensure high quality facilities and provision<sup>7</sup>—only 30% of Jobcentre Plus basic skills trainees complete their course.<sup>8</sup> Learning and training activities that homeless and disadvantaged people do take up are likely to be through Voluntary and Community Sector (VCS) providers who have limited access to funding.<sup>9</sup> Over 83% of Skills for Life courses taken up by July 2004 were based in Further Education rather than in the VCS which disadvantaged learners are more likely to use.<sup>10</sup> VCS partnerships with colleges, which help to raise quality, choice and progression, are being forced to close due to Further Education funding pressures. Lack of information and a lack of awareness about educational activities act as major barriers, especially for those who have been homeless for more than three years.<sup>11</sup>

2.3 However, the appetite for learning and work amongst homeless people is strong. The vast majority want to improve their skills,<sup>12</sup> 77% want to work now and 97% want to work now or in the future.<sup>13</sup> Without compulsion, coercion or requirement week on week, year on year more homeless people arrive at Crisis Skylight to take part in learning and improve their skills. Where choice, quality and accessibility exist, homeless people participate, succeed and move-on.

2.4 The Government measures success on the basis of the number of adults achieving qualifications. As a result, the Learning and Skills Council looks set to meet the Government's Skills Strategy interim target of 750,000 adults with improved basic skills by "parking" more challenging learners, such as homeless people, and instead targeting recent school leavers.<sup>14</sup> In order to focus on long-term outcomes, Lord Leitch recommends a joint Learning and Skills Council and Jobcentre Plus objective of sustainable employment and progression. Skills are as relevant, however, to secure housing,<sup>15</sup> improved health<sup>16</sup> and social inclusion<sup>17</sup> as they are to sustainable employment. For a disadvantaged individual, improving skills is fundamentally about raising life chances. The National Reducing Re-Offending Delivery Plan recognises

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<sup>1</sup> Opinion Leader Research (2006) *Homeless People and Learning and Skills—participation, barriers and progression*. Crisis: London.

<sup>2</sup> ibid.

<sup>3</sup> Office of the Deputy Prime Minister (2005) *Key findings from the Supporting People Baseline User Survey*. ODPM: London. This survey found that although more than half of socially excluded people (the largest group of which was single homeless people) receiving Supporting People funded support wanted help with finding out about activities, less than a third received this help.

<sup>4</sup> Opinion Leader Research (2006) *Homeless People and Learning and Skills—participation, barriers and progression*. Crisis: London.

<sup>5</sup> Leitch Review of Skills (2006) *Prosperity for all in the global economy—world class skills*. HM Stationery Office: London.

<sup>6</sup> Ofsted, The Annual Report of Her Majesty's Chief Inspector 2003–04 [http://www.ofsted.gov.uk/publications/annualreport0304/annual\\_report.htm](http://www.ofsted.gov.uk/publications/annualreport0304/annual_report.htm) [18 February 2005].

<sup>7</sup> National Employment Panel Skills Advisory Board (2004) *Welfare to WorkForce Development*. NEP: London.

<sup>8</sup> Ibid.

<sup>9</sup> Public Accounts Committee (2005) *Skills for Life: Improving adult literacy and numeracy*. House of Commons.

<sup>10</sup> Ibid.

<sup>11</sup> Opinion Leader Research (2006) *Homeless People and Learning and Skills—participation, barriers and progression*. Crisis: London.

<sup>12</sup> ibid.

<sup>13</sup> Singh, P (2005) *No home, no job: moving on from transitional spaces*. Off the Streets and into Work: London.

<sup>14</sup> Public Accounts Committee (2005) *Skills for Life: Improving adult literacy and numeracy*. House of Commons: London.

<sup>15</sup> Basic Skills Agency *Basic skills for housing organisations* BSA.

<sup>16</sup> OECD (2005) *Learning a Living; First Results of the Adult Literacy and Life Skills Survey*.

<sup>17</sup> Feinstein et al (2003) *The Contribution of Adult Learning to Health and Social Capital*. Centre for Research on the Wider Benefits of Learning. London.

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through its seven pathways<sup>18</sup> the interaction that occurs between disadvantages, the holistic solutions needed to raise life chances and, therefore, the cross-departmental responsibility for delivery. To achieve long term outcomes, this all encompassing approach should be adopted to welfare and housing interventions.

2.5 Lord Leitch does not address the success rates of different learning environments or course lengths. However, people who left compulsory education without basic school leaving qualifications have done so partly because full-time, continuous learning in formal institutions did not work for them in their teens. A first full Level 2 entitlement based on full-time, continuous learning—mostly in formal institutions—is, therefore, not always appropriate. Adult Learning Accounts will only prove successful if learners are free to choose a course and a provider that match their personal needs and ambitions.

2.6 Lord Leitch maintains the Government's focus on identifying individuals with skills needs on the basis of lack of previous attainment. However, skills not applied during periods of worklessness and homelessness can be lost and need to be replaced. Whilst the majority of homeless people have low or no skills, one-third are educated to Level Two or above.<sup>19</sup> Despite this 86% of homeless people are workless. Of them 31% have been workless for over six months and 57% have been workless for over three years.<sup>20</sup> For many of these individuals, skills are now a disadvantage where once they were not. Re-skilling, both in terms of core competencies and qualifications, becomes crucial to improving their life chances. Lord Leitch does not propose to help them.

### 3. RECOMMENDATIONS

3.1 Lord Leitch recommends that by 2020 95% of adults have basic skills and 90%—with an ambition of ninety five%—of adults are educated up to Level Two. These targets are to be welcomed, as they require reaching low-skilled adults suffering from entrenched disadvantage. The danger, however, is a further redirection of resources to Level Two qualifications and away from the courses that act as stepping stones to Level Two. The effect of this will further reduce the opportunity for disadvantaged adults to succeed in education by requiring them to participate in courses for which they are not prepared.

3.2 To be met, delivery on the ground must take a different form and must be informed by examples of successful practice, such as Crisis Skylight. In seeking to maximise access to learning for those adults in greatest need, Crisis' "Weapons of Mass Instruction: Fighting homelessness through learning and skills" sets out a series of recommendations themed by Right People, Right Place and Right Approach. These recommendations are set out below:

3.3 Right People—Improving the skills of disadvantaged adults to be central to the national skills strategy and local Skills and Employment Board strategies.

#### *National*

- Personal and Community Development Learning should fund pre-accredited learning designed to widen participation and offer progression routes for disadvantaged learners. Homeless and disadvantaged adults are less likely to take up learning because they feel that formal qualifications are beyond their reach.<sup>21</sup> However, research has shown progression does occur from supportive environments to more challenging learning.<sup>22</sup> Specialist funding is required for supportive engagement activities which attract people back into learning, enable them to gain quick wins, build their confidence and move-on to accredited learning. This design is built into Crisis Skylight.
- Train to Gain should be extended to include workless adults. Train to Gain Skills Brokers should provide impartial, independent and comprehensive advice on learning needs to workless adults accessing, for example, day centres, hostels, drug and alcohol rehabilitation and voluntary and community facilities. The Broker would be responsible for recommending and providing easy access to flexible, high quality training which would enable the individual to raise their life chances. The Skills Broker would also work directly with employers to identify their recruitment needs and ensure workless adults develop skills which meet these needs. Crisis is developing a detailed Comprehensive Spending Review submission on this recommendation.

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<sup>18</sup> Accommodation; Education, Training and Employment; Health; Drugs and alcohol; Finance, benefit and debt; Children and families; Attitudes, thinking and behaviour. National Offender Management Service (2005) *National Reducing Re-Offending Delivery Plan*. Home Office: UK.

<sup>19</sup> Opinion Leader Research (2006) *Homeless People and Learning and Skills—participation, barriers and progression*. Crisis: London.

<sup>20</sup> ibid.

<sup>21</sup> Public Accounts Committee (2006) *Securing Strategic Leadership in the Learning and Skills Sector*. House of Commons: London.

<sup>22</sup> Feinstein et al (2003) *The Contribution of Adult Learning to Health and Social Capital*. Centre for Research on the Wider Benefits of Learning. London.

*Local*

- New housing and welfare applicants should be assessed against the seven pathways of Offender Management in order to identify and target wider disadvantage. Around two-thirds of Job Seeker Allowance claims are repeat claims.<sup>23</sup> 72% of homeless people who take part in learning believe they would have benefited from doing so earlier<sup>24</sup> and the longer you are homeless the less likely you are to participate in learning.<sup>25</sup> The National Reducing Offending Delivery Plan “demonstrates how the drug treatment worker, alongside the housing specialist, and the basic skills teacher together contribute to achieve a more stable and constructive future”.<sup>26</sup> Disadvantages interact with, compound and increase vulnerability to other disadvantages.<sup>27</sup> As a result, services that only deal with one issue at a time can be ineffective and wasteful.<sup>28</sup> To enable people to move out of homelessness, worklessness and disadvantage permanently, interventions need to be swift and holistic.

3.4 Right Places—High quality learning provided in the places disadvantaged adults are more likely to use:

- Thirty million pounds a year for three years to extend the current Hostels Capital Improvement Programme (HCIP). Poor physical conditions and services that don’t motivate people to address their needs can reinforce rather than break the cycle of homelessness.<sup>29</sup> HCIP should continue and be focused upon creating a nationwide network of high quality learning centres, particularly where provision is limited, where homeless people can take part in activities and get involved in learning.
- The Learning and Skills Council should offer strong financial incentives for colleges and Local Authority Adult Learning Services to create new partnerships with high achieving local voluntary and community providers. To create routes from the margins to the mainstream we need new partnerships that expand the reach of formal education and raise quality, choice and progression routes in the VCS.

3.5 Right Approach—Expanding the choice and availability of innovative learning provision which engages disadvantaged adults and lays the foundation for learning progression.

- Seventy million pounds a year for three years to enable the 40,000 homeless people living in hostels, night shelters and refuges to undertake the Certificate in Self Development, a recognised qualification designed specifically for homeless people. The Certificate in Self Development was developed by the Learning and Skills Council in partnership with homelessness organisations and is a recognised City and Guilds qualification. Learners must complete five modules from a choice of 80. Examples include: me and my learning; coping with change; being healthy; coping with conflict; looking after myself; handling my own money; and me and drink and drugs. Crisis embeds Skills for Life into the teaching of the Certificate in Self Development.
- A coherent foundation learning tier that encompasses pre-entry and entry level learning, and offers bite-sized modules and accredits progression regardless of the setting. Many adult learners, whether disadvantaged or not, prefer flexible, personalised and bite-sized programmes which adapt to their needs. Crucially, so do employers. If we are to move to a truly demand-led system it is these programmes that must be developed into a coherent framework, which has at its heart an unrelenting focus on progression. However, it must also understand that disadvantaged learners will not always progress smoothly and quickly from one level to the next but will at times stall, fall back, step sideways or even leap forward.

*January 2007*

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**Memorandum submitted by Remploy Ltd**

Remploy's evidence is focused around post sixteen skills training, the sustainable employability needs of disabled and multiple disadvantaged people in this group and the skill requirements of employers.

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<sup>23</sup> Leitch Review of Skills (2006) *Prosperity for all in the global economy—world class skills*. HM Stationery Office: London.

<sup>24</sup> Singh, P (2005) *No home, no job: moving on from transitional spaces*. Off the Streets and into Work: London.

<sup>25</sup> Opinion Leader Research (2006) *Homeless People and Learning and Skills—participation, barriers and progression*. Crisis: London.

<sup>26</sup> National Offender Management Service (2005) *National Reducing Re-Offending Delivery Plan*. Home Office: UK.

<sup>27</sup> Social Exclusion Unit (2005) *Transitions: Young Adults with Complex Needs*. SEU: UK.

<sup>28</sup> Social Exclusion Unit (2005) *Improving Services, Improving Lives: Evidence and Key Themes*. SEU: UK.

<sup>29</sup> Communities and Local Government (2006) *Places of Change: Tackling Homelessness through the Hostels Capital Improvement Programme* DCLG: UK.

Remploy is the leading specialist employment services group that focuses on enabling disabled people to maximise their potential through gaining and retaining sustainable employment. We enable individuals to maximise their transferable skills, helping them be more employable and to find sustainable employment with mainstream employers. Last year we helped over 4,300 disabled people and individuals with a long term health condition, to obtain new jobs.

#### NATIONAL POLICY/ISSUES

*Are the Government's priorities for skills broadly correct—for example, the focus on first "Level 2" qualifications?*

#### Need for Level 1 Qualifications

The priorities are correct in broad terms, though we are concerned by the focus on all routes leading to a Level 2 or Level 3 qualification. Over 40% of disabled people aged 19 lack a Level 2 qualification, compared with 23% of non-disabled 19 year olds and nearly 50% of disabled people have no qualifications at all. For many learners with learning difficulties and/or disabilities (LLDD), achievement of a Level 2 qualification may be beyond their capabilities, though employment is a realistic outcome.

It is estimated that 45% of LLDD learners are participating in a programme at Level 1 or below. If this provision was focused on achieving employment supported by on-going work-based learning provision as a recognised outcome rather than future progression to a Level 2 qualification, more employment outcomes could be achieved.

For many learners currently at Level 1 or below, they are already near to or at their maximum potential. Recognition of outcomes that are directly linked to employability or independent living, perhaps currently delivered via non-accredited learning, would encourage fresh and creative approaches to learning for this community of learners.

The Department for Education and Skills proposal on The Foundation Learning Tier (FLT) are welcome and should meet the needs of significant numbers of people with learning and other disabilities, whose capacity may not lead them to Level 2 and above, and this must be clearly articulated. Within the FLT, we strongly advocate moving forward quickly with the development of sector-specific Validated Progression Pathways as a meaningful and focussed way of linking learning into employment. We strongly urge that in the development of Foundation Learning Tier, the DfES considers input from "expert" supported employment agencies, such as Remploy, be sought in order to properly represent the employability skills needs by employers for learners at this level.

We are concerned that many disabled people acquire those disabilities later in life. There are substantial numbers of disabled people, on Incapacity Benefit who may have a Level 2 qualifications, as their impairment, or health condition excludes them from certain types of work. Many of these individuals need re-training in order to return to work, or seek redeployment. This group is in most need of funded learning, but are excluded due to past experience. We call for a review of the definition of priority learners to take such issues into account in order to address the issue of worklessness.

*How do other targets, such as the "50% into HE" fit with the wider skills agenda?*

#### Access to education for disabled learners

Access to education for many disabled learners is an issue, either due to personal circumstances—often lacking the confidence to move into further, or higher education; or environmental circumstances, with inaccessible college buildings, or local transport preventing disabled people taking part in the learning process.

Once in further education adults with learning difficulties and/or disabilities (LLDD learners) often do not progress into either Higher Education or employment. This may be through gaps in their education, where circumstances meant access to learning was denied at an earlier stage, or "The revolving door", where many LLDD learners re-register year after year to take up courses, rather than making the transition to higher education or employment.

Both FE and HE targets must take account of the skills needed by the labour market, since the links between skills and employment must be strengthened in order to address the issues facing the UK labour market. There is little benefit in equipping learners with skills or qualifications that will not enhance their sustainable employability, accepting there is a need for supporting independent living and recreational learning. Job outcomes need to be considered as a core learner outcome.

## Access To HE For Disabled People

At all levels of education disabled learners are less likely to make the transition into paid employment. Information produced by the Disability Rights Commission, demonstrate that as disabled learners progress upwards through levels of qualification, the differential transition rates between disabled and non-disabled learners is reduced. The reality, is only 7% of graduates who complete HE courses in 2004 actually declared some kind of disability. Given 20% of the population are estimated to have a disability; it is of concern that such a low proportion of graduates are disabled. It is critical that more disabled people are provided with the opportunity to access Higher Education.

*What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

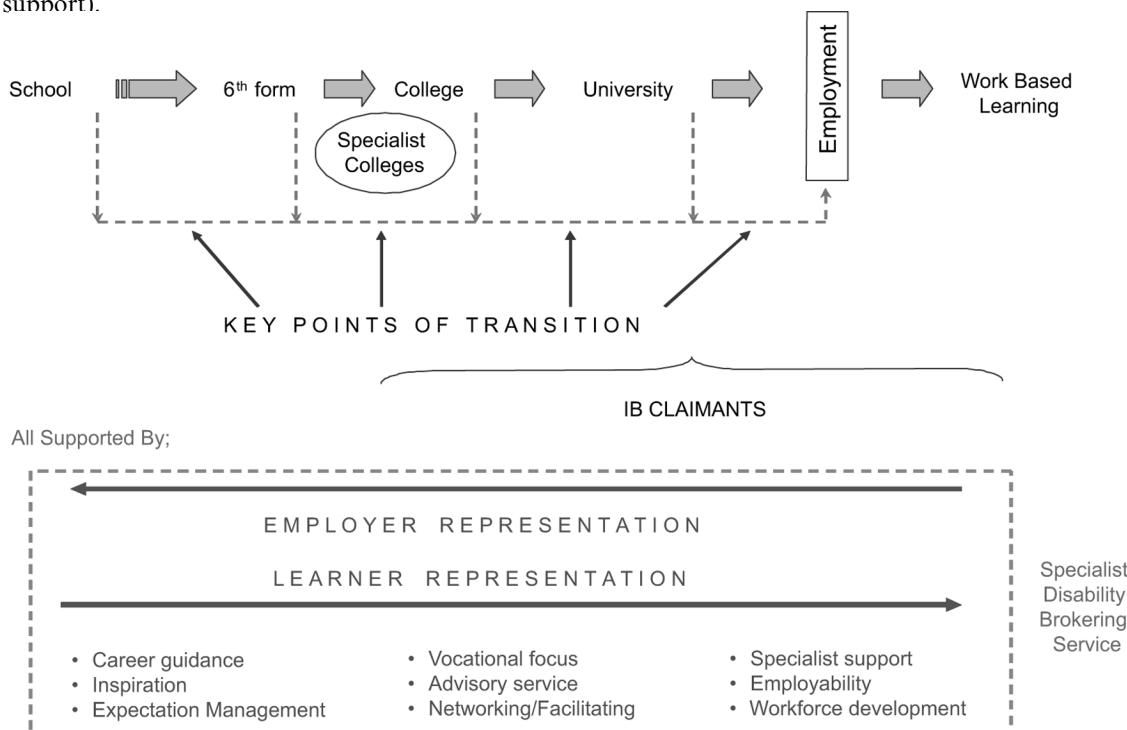
Agencies and Government departments often pull in different directions. Disabled young people may have to liaise with agencies accountable to the DfES and DWP, whilst linking to support services from the Health & Social Services. Collectively, this adds up to a wealth of support, though is disconnected and at times conflicting.

There is still a much greater need for DfES, DWP and their respective agencies to work together.

To illustrate this point we would like to focus on the issue of transition into education from employment. LSC seems to focus on qualifications, whilst Jobcentre Plus concentrates on short term job outcomes. This needs to change and a focus put on building sustainable employability, which requires a different approach to funding and a move away from potential silos.

Support during transition, either from compulsory education, or FE / HE colleges needs improving, given transitions are critical periods. It is a point when many young people are vulnerable and may fall out of the system, particularly when moving from education into employment. Disabled people are vulnerable at these points of transition. The system does not connect adequately between sixth forms, colleges, Universities, employment and work-based learning. Too many silos exist and no single organisation exists to provide such support for LLDD learners and young people with disabilities.

We would strongly advocate the FE and HS system be supported by a single specialist brokering service which links directly to supported employment to provide inclusive and integrated employment solutions for individuals. Such a model is illustrated in the diagram. We believe this service would not only support more transition into employment for LLDD learners, but would deliver substantial year-on-year costs savings on budgets as LLDD learners are progressed from high-cost learning support to a low-cost but highly effective model (The LSC has announced that the LLDD population currently costs around £1.5 billion annually to support).



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**SUPPLY SIDE***Does the LSC need to be the subject of further reform?*

Reform needs to continue, along the lines mentioned in our response to “joined-up working between Government departments”, with more flexibility in the system to allow the development of innovative programmes and the recognition that job outcomes are of equal importance to achievement of qualifications. This approach may blur the funding lines between the LSC and Jobcentre Plus, but it is incumbent upon both to ensure this learner population is not marginalised. The precedent for the LSC to recognise Job Entry as a recognised outcome is already set within the “Entry 2 Employment” programme and we would like this extended.

We are very much in support of the direction of travel announced by the LSC in the recent strategy for LLDD learners—“Learning for Living and Work”. We would like to see this strategy implemented more quickly. Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning? Greater consideration must be given to the access needs of disabled people and disadvantaged groups, many of whom either feel excluded from the learning process, or trapped unable to progress to sustainable employment.

Structural reform is needed to bring Government agencies and providers closer together to continue the learner progression that is critical to LSC strategy. We believe there are real and tangible links between job vacancies and LLDD learners.

Remploy specialist disability brokering service is designed to centre on the candidate at every stage of their learning journey, providing a seamless service of support, provision and opportunity and that will take the LLDD learner into the workplace. Remploy facilitates the bringing together of services and agencies, within an employer-led context, with the focus on supporting more disabled people in the transition from education into sustained employment.

**DEMAND SIDE—EMPLOYERS***What should a “demand-led” system really look like?*

Learning providers need to analyse the employment market and work back, identifying the skills gaps in local businesses and develop learning opportunities that enable disabled people to develop the skills required for sustainable employability in the labour market. This is the best way to meet the needs of the individual disabled candidate as it increases the chances of a successful employment outcome that utilises the individual’s skills and abilities.

Remploy works in partnership with over 3,000 businesses at a local and national level and has developed a modular vocational skills development programme. The programme enables disabled candidates to build local, sector specific knowledge and fundamental work skills to improve their employability and increase their chance of gaining local employment. The work with disabled candidates is supported by local employers, who often provide input and encourage candidates to apply for positions at the end of the programme.

Local employers keep Remploy informed of their skills requirements, which enable us to modify, or tailor programmes to meet local needs.

**DEMAND SIDE—LEARNS***What is the typical experience of someone looking for skills training?*

The needs and aspirations of many disabled learners are not being met as their education does not lead to employment, or advancement to higher education, rather a continual recycling on different courses, with no strategy, plan or goal.

*What information, advice and guidance is available to potential learners?*

There appear to be few organisations with the skills and experience to suitably represent and advise on local labour market opportunities for disabled learners, provide advice on which provision best meets the learner’s individual needs, and then facilitate the individual’s transition either into learning or beyond, with suitable referral to specialist agencies.

Unless a provider specialises in this area, they will struggle to give expert advice. Remploy’s proposition for a specialist brokering service that delivers inclusion solutions would respond to each of these areas of concern. At all times, the service would be seeking to maximise local partnerships and balance representation of the employer with the individual needs of the learner.

In recent Remploy market research disabled people were asked about a brokerage concept—working with people with a disability, or health condition, learning providers, and employers to ensure learning leads to real job opportunities, 86% responded that they thought the idea was either a “good” or “very good” idea.

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**Witnesses:** **Mr Gareth Parry**, Head of Learning, and **Mr David Knight**, Head of Group Marketing Strategy, Remploy, and **Mr Duncan Shrubsole**, Director of Policy and Research, and **Mr Richard Pace**, Head of Crisis Skylight, Crisis, gave evidence.

**Q325 Chairman:** Can I welcome David Knight, Gareth Parry, Duncan Shrubsole and Richard Pace to our proceedings. I apologise for a slightly smaller number of members of the Committee than usual, but, as I shall explain, the House sat until half past one last night, so I do take a more tolerant view of absentees than I normally do! As you will know, this is a very important inquiry for this Committee. We have never really tried to look in an holistic way at skills, and we thought it was a very good time to do it because skills have, thank goodness, become more fashionable, in the sense that we have a number of organisations looking at skills, skills have gone up the political agenda—something that I very much welcome—and we have had a range of reports. We have had Foster, we have had Leitch interim, Leitch final. There is a lot of work going on and this is already influencing how we are delivering skills, and today we want to see how it impinges on your particular area. I usually give people a couple of minutes to say who they are and why they are here. What do you know about skills and what is the potential for finding anything interesting from you?

**Mr Knight:** David Knight, Remploy, Head of Marketing Strategy and External Relations. I work very closely with Gareth on our learning business.

**Mr Parry:** Gareth Parry, Head of Learning at Remploy. I have been with Remploy for 18 years in various roles, but probably for the last seven or eight years I have been specifically focusing on skills-related issues. I spent some time developing an internal workforce development strategy for Remploy and really became familiar at that point with how the issue of skills and disability come together. Having taken that learning from inside the organisation, we are now taking that into the placement side of the organisation to say how can we enhance our recruitment services business with a skills and learning composition.

**Q326 Chairman:** Remploy has been going a long time, has it not?

**Mr Parry:** Sixty-two years now, I think.

**Q327 Chairman:** Who set it up then? The Labour Government?

**Mr Parry:** Yes, it was in the 1944 Act.

**Q328 Chairman:** One of the things, I imagine, that is still doing more or less the same sort of work. So, it has been going for 62 years. It always confuses me which department you look to. I know you to look to DWP, but you must have a relationship with the Department for Education and Skills as well.

**Mr Parry:** We are increasingly trying to have a relationship, because our agenda is to bring the employment and skills agenda together. Traditionally we have been more on the employment side but, again, having learnt the significance of the skills agenda, particularly to getting disabled people into work, we have been working closely recently with the Learning and Skills Council and their new policies.

**Q329 Chairman:** Which minister do you look to now?

**Mr Knight:** John Hutton ultimately in terms of DWP.

**Q330 Chairman:** I remember Margaret Hodge used to have responsibility for Remploy?

**Mr Parry:** Yes, she did.

**Q331 Chairman:** In which department?

**Mr Parry:** In DWP. She was the minister for disabled people.

**Q332 Chairman:** Good. Duncan.

**Mr Shrubsole:** I am Duncan Shrubsole, I am Director of Policy and Research for Crisis, and this is Richard Pace, Head of Skylight, our activity and learning centre. We are very pleased to be here because, as you said, there is not a day that goes by without a different report being produced on skills and, crucially for us, Remploy might be 62 years old, but we are 40 years old this year, and if we look at homelessness—

**Q333 Chairman:** You have changed your name.

**Mr Shrubsole:** No.

**Q334 Chairman:** Did you not start with Crisis at Christmas and then become Crisis?

**Mr Shrubsole:** Yes, sort of.

**Q335 Chairman:** So you have changed your name slightly.

**Mr Shrubsole:** Slightly. If we look at the challenges that remain for tackling homelessness, the real challenge is helping people break out of the cycle of homelessness so if they have been homeless before they do not become homeless again, and skills are crucial to that, whether it is skills to sustain a tenancy, to improve their health, to improve their mental health, being able to manage their health conditions using public services to get people ready to move into work, and if they are moving into work they have success in it. Through our own projects Skylight is an activity and learning centre which incorporates engagement, formal education and

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employability projects in London, and we are opening another one next month in Newcastle, and Changing Lives, which is a grants programme where we give money direct to homeless and formerly homeless people to pursue an education or work-related goal.

**Q336 Chairman:** What percentage have you got on skills?

**Mr Shrubsole:** In terms of our projects?

**Q337 Chairman:** Yes.

**Mr Shrubsole:** Actually the majority of our projects are either skills based or have a skills focus. So even at Christmas—we still do open centres at Christmas—we have a real focus. We have an internet area, we have a focus on outreach workshops to get people, when they leave, to get engaged in skills year round and take that forward. Alongside our projects we have had a whole programme of research with various research institutes looking at the relationship between learning and skills and homelessness, making the case for it, and last summer we launched a campaign which was snappily titled “Weapons of Mass Instruction: fighting homelessness through learning and skills”, which some of the Committee signed an EDM in support of, and that is really about saying that those adults most in need of learning, of which homeless people are a core group, they are the ones who are not currently getting learning, we need to be doing all we can to maximise access to learning for those adults.

**Q338 Chairman:** You sound very much like some of the people we talked to when we were looking at prison education. You always emphasise that when someone comes out of prison what they really need is the full package. They need a home, they need the skills, they need full support, which everyone in the prison calls “the full package”. It sounds very similar.

**Mr Shrubsole:** It is true. There is much read-across, whether you are looking at drugs or prison or homeless people. What is crucial as well is it is not just about doing things to people. Skills is about building up people's own capabilities. Their aspirations raise, they think there is more out there, getting involved in learning means they build up their own capabilities, their self-efficacy, in order that they can articulate for themselves and have the self-esteem and confidence to move on. We need to do things for people to help them, but crucially we need to help them help themselves as well.

**Q339 Chairman:** Richard, you actually run the training centre, do you not?

**Mr Pace:** Yes, I do. I am really very concerned about the way that we deal with individuals that come through our doors to assist them as best we can to find out what their aspirations are and to help them individually to move through the organisation so that they are in a position where they can access other agencies in terms of learning and skills as well.

**Q340 Chairman:** How many people work for Crisis?  
**Mr Shrubsole:** How many people work for crisis?

**Q341 Chairman:** Yes.

**Mr Shrubsole:** It is about 70, but we have over 7,000 volunteers in our different projects.

**Q342 Chairman:** Where do you get most of your funding?

**Mr Shrubsole:** Most of our funding is voluntary income. A key point for us is that when we developed our learning activities we developed them in order to be what we thought was best for the client group rather than what necessarily was available in statutory streams, and, as we have developed the model from open access engagement activities to more formal learning to employability projects, we have been engaging with the formal education system; so we have a partnership with a college, we have Learndirect courses, we have some Learning and Skills Council funding, but crucial for us has been using our voluntary income to shape the curriculum and the learning offer, as it were, that helps homeless people and helps our clients.

**Q343 Chairman:** Where do you get your money from, Gareth?

**Mr Parry:** The majority of our funding is block grants from different Jobcentre Plus.

**Q344 Chairman:** Do your two organisations work together on any programmes?

**Mr Parry:** We have not up until today, no.

**Q345 Chairman:** In terms of where we are coming from we really want to know, from your perspective, what kind of people you are dealing with in terms of their skills challenges. I was very disappointed recently when I visited my local Jobcentre Plus. I was trying to find out why in Huddersfield we had something like two per cent higher unemployment than some surrounding communities that actually historically had higher employment. I was trying to tease out from the DWP what sort of people were unemployed, could not get a job, trying to get a feel for it. I found it a bit disappointing that they could not really tell me. Can you tell me? Can you give me some impression about the sort of people you are helping and what sort of level of skills they have got, what they need and what you are trying to do for them?

**Mr Knight:** We work across all types of disability, all ages, all backgrounds, so it is a mixture of physical disability, mental health, learning disabilities. Within that we have a core focus on those people who have more complex barriers or additional barriers that they have to overcome to get into employment. To put that into context, this current year we will enable around 5,000 people to gain employment with mainstream employers. In terms of skill levels, again a huge mix, from very highly skilled people through to people who have no formal qualifications whatsoever. Increasingly, I guess, we face people who are at the less skilled or less qualified end of the spectrum, so we have to

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spend more and more time developing those skills to enable those people to be ready for work, and that is particularly in the areas of the more soft skills, as in confidence, team building, analytical skills as opposed to necessarily a formal qualification.

**Mr Parry:** From an academic context, the average academic level of the typical clients we work with, it is probably top end of Entry Level 2, Entry Level 3 in terms of basic skills, so significantly below national Level 1, Level 2 standards would be a typical candidate we would work with.

**Q346 Chairman:** Level 2, Level 3?

**Mr Parry:** Entry Level 2.

**Q347 Chairman:** What about the reputation you have at Remploy? Traditionally you have your own workshops. How many have you still got of those?

**Mr Knight:** There are currently around 80 sites. There are two parts to the business. Remploy own the businesses, if you like, that are engaged in manufacturing and service operations, and then there is the work that we do with mainstream employers, and it is more that context that we are coming from today.

**Q348 Chairman:** Have you been moving your emphasis and focus from one to the other?

**Mr Knight:** Very much so. We have been growing the external side quite rapidly over the last few years, and the reasons are fairly straightforward. It is the aspirations of disabled people by and large to work in mainstream employment.

**Q349 Chairman:** I used to be the shadow minister that covered your area, and in those days I can remember feeling a little disappointed in some of the settings in which your people worked. They were pretty basic and there did not seem to be much training involved. Has that changed?

**Mr Parry:** Absolutely. First of all, in terms of environment, the company has had a property improvement strategy for some time now, so I think the overall service is better. We developed the Workforce Development Strategy round about 2000, and part of that was that we put a learning centre into every Remploy facility across the UK, so each one of our 80 sites has got a learning centre. We introduced a basic skills strategy that said every individual who had a basic skills need who wanted to learn could learn basic skills in work time, and the way we did that was we brought in the local college to offer that facility. We introduced Learndirect programmes into our sites, we brought in NVQs on the employer training pilots, as it was then. So, everything we could do we did in terms of bringing that into shape. As I say, I think it is the experience of seeing how much of a significant impact that training strategy had on our internal workforce that made us think, if we could capture some of that and link it into our recruitment services business and provide employers not just with candidates who are willing and able to work but also supported with focused vocational training packages, then in terms

of the mainstream employment market that would offer added value, and we are starting to see the fruition of that now.

**Mr Knight:** There are around 5,000 people employed in Remploy sites, there are 2.7 million on incapacity benefit; so you can see why our focus increasingly looks at the bigger number. There is a big need out there.

**Q350 Chairman:** That could be interpreted as being you have been around for 62 years and you have not been doing your job very well!

**Mr Parry:** I think we have been delivering to the requirements of the Work Step Programme, which is where we are funded from, and the Work Step Programme has gone thorough a change over the last four or five years as well. It is much more targeted now at integration, transition and inclusiveness, and I think we want to trail blaze on that programme.

**Q351 Chairman:** Can I ask Duncan and Richard, one of the things that is coming in evidence and I think is part of the experience of visiting different schemes that we have, either as a Committee or individually, is that a large number of people say that qualifications are not the main thing about getting a job and getting some status. I am thinking of the East London Business Association Initiative in Canary Wharf. They look at the long-term unemployed in an area and what they do is do not go for any sophisticated qualification but they go for soft skills and mentoring and they find that is what a lot of their people need to get into work. How do you feel about qualification or more informal skills? Where do you come from?

**Mr Shrubsole:** Personally, it is a phrase that is always used: "soft skills".

**Q352 Chairman:** It is an unfortunate term.

**Mr Shrubsole:** It is unfortunate because the skills are some of the hardest skills you can develop, such as having self-confidence, being able to articulate yourself, work in teams, and they are key. What we offer through Skylight is the chance to get people to participate, to get them to engage, maybe for the first time. We do drama, Tai Chi, art, bike maintenance and, once people have done that, they move on to ESOL and IT and literacy and numeracy, and so that is key, developing those core competences or soft skills, whatever you want to call them. Alongside that, someone once said it is only those with qualifications who think that those without qualifications do not need them, but actually one of the things we see when we have certificate evenings for people who complete our courses is that they are really proud of getting a certificate and getting a qualification and that mark of achievement, and what is crucial is having the variety and choice of activities which engage people and then you accredit what they achieve through it. So we do something called the Learning Power Award, developed with the Learning and Skills Council. It is an entry level qualification for homeless people. They can choose from 80 modules. We do the element which is

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around literacy and numeracy, but some of it can be around even "me and my drugs" in terms of helping accredit somebody who is getting hold of their substance misuse. They can get a module and that builds up their confidence and they get a certificate, and so I do not think it is an either/or, I think you need the soft skills but you need to accredit and get qualifications to build up progress, but crucially you need progression as well. Once people start getting interested they have got to have somewhere to move on to. On the soft skills, there was a report a couple of days ago about graduates and the number of graduates that did not have the skills needed to move into work, never mind having a degree, and that is the same at the bottom level as well. You do need your basics skills. People want something that records the progress that they have made and to be able to show that to others, and people put certificates on their wall, but the learning itself, crucially it is not so much the qualification, it is what is the activity they are engaged with, and if that is broad and it offers choice, it gets people stimulated, it is enthusiastic and it is high quality, it is good quality teachers. You were talking about spaces. Good quality spaces is really key. It cannot just be a computer room in the corner of a homeless hostel, it has got to be a space which is bright and colourful and gets people out of the circumstances that they are in.

**Mr Pace:** Some of the people that come through our doors are really traumatised by their experiences, they are unable to do anything, even communicate. We spend a long time working with these people. Talking about soft skills, we spend a lot of time being there for them so that they can slowly begin to open up and begin to articulate exactly what it is that they actually want in terms of the future. Some of these people have been on the streets for an awfully long time and they come to us and have absolutely no idea what is going on, and we slowly work with them, individually often, to actually find out exactly where they stand in terms of their ability, and we try to nurture them, and we work with them very closely and we assist them and we try to progress them through all the activities we have in our organisation. It may be that they start taking a place in dance classes, or in art activities, and once they start doing that, they are able to open up and say, "Actually I feel that I am quite good at doing this. I am quite good at actually being around these people", and we would slowly begin to encourage them to take part in other activities so they have a broad spectrum of interests, and once we can capture that, then we will persuade them, if possible, to look at the more accredited courses that we are doing and, hopefully, progress them through so that they are in a position to access other agencies, maybe going into FE, maybe going into volunteering and possibly even into employment with HE.

**Chairman:** That drills down into Leitch, I think. David.

**Q353 Mr Chaytor:** In view of what you have all said about the nature and the level of skills of the people with whom you are working, is Leitch in any way relevant to your organisations?

**Mr Parry:** It is absolutely relevant, because I think that what we would be very supportive of with Leitch is the overall direction of travel which is making the skills supply side much more employer-led in terms of the direction of travel. We have argued for some time now that we need to make it much more realistically an employer-led approach. It picks up on something Duncan said. People need to know there is a progression opportunity for them as part of the journey, and I guess what we have done in Remploy is taken our background in understanding supply chain manufacturing and we have simply adopted that philosophy in a service environment and said, "Actually, if one of the key customer bases of this process is the employers, we need to understand their demands at the very start of the process and then drill that requirement as far back into the supply chain as we possibly can so that when people come to us they are much more readily equipped for employment." One of the observations we have as an organisation is that the many hundreds, if not thousands, of disabled people who come to us having been through some kind of education and training process may well have a paper qualification but fundamentally they are lacking some of those basic skills to be able to work. They have got a qualification, but they are far from being job ready. It is all of the soft and enabling skills we have described, but it is also things like the ability to get to work, the ability to get to work on time, the ability to go to work regularly. It is those kinds of issues as well. I think the direction of travel with Leitch, therefore, is significantly strengthening the focus on employer needs and pulling that back into the system is something we are very supportive of. I think there are details within the Leitch Report we have some issues with, but I think it is fair to say the overall direction of travel we would strongly support.

**Mr Knight:** I think that is right. One of the issues is that there is very little focus on the needs of disabled people within it, and, therefore, we have got to expand it to make sure it becomes much more embracing.

**Mr Parry:** To put that into context, 10% of the LSC learning population now are people who are declaring a disability, and this year they are taking up 15% of the budget. It does seem a bit odd to us that both those figures are forecast to increase, both learner numbers and the value of support costs, and yet issues around learners with disabilities are below the surface level, not just in the Leitch Report but in a quorum of reports that come out from government. We are surprised it is not becoming more of a mainstream issue than it is, because the size of the population demands it.

**Mr Shrubsole:** I think our view would be a mixed view. I think the interim report articulated quite a strong view about the social justice purpose of learning alongside the economic argument. The economic argument has won out a bit with the final report. There is a real problem out there for a whole range of agencies, not just Crisis, but of people when contracting with the Learning and Skills Council, or working with them, increasingly focusing on Level 2

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and Level 2 alone. We should get to Level 2, but you need those progression routes up to Level 2 to fund the entry level learning. The targets in Leitch, with an ever greater focus on Level 2, look like making that worse. Actually, you could turn it around the other way and say that Leitch's target is that 95% of people should have basic skills and 90% have Level 2. On the negative side it can have that focus on Level 2. On the positive side we can say, actually you cannot now any longer park those people who are a long way from Level 2. To reach 90% you have got to reach down, you cannot just take those just below the threshold, which has been one of the problems of *Skills for Life* at the moment. On the positive side, he articulates that the economy needs adults who are already in the workforce who are low skilled, he sets high targets for people reaching Level 2 in basic skills; the challenge now is to say, if you have got those targets, how do you help those clients of ours and at Remploy who are a long way below to get up to that? The real challenge is how it gets implemented. Do we just have a focus on, as someone has called it, "full-fat" learning, which is regular learning in formal institutions, or do we realise that lots of people, whether disadvantaged or not, learn best through informal modular or part-time learning? There is also a real issue about the difference between learning and qualifications, but for homeless people and other disadvantaged people, they might have qualifications. Thirteen per cent of homeless people have had Level 3 or above, but what they need now is to get involved in learning that re-engages those lost skills and competences, lost confidence and might set them up for training on a different path. So, even if they have got qualifications, they still need the opportunity to learn. There are some definite positives in Leitch, but it is how it gets implemented and where the funding priorities lie. There were some statistics which came out yesterday from DfES about the extent to which the number of people in adult learning had declined because of the focus on Level 2 predominantly, and that is a real challenge as to whether we are going to cut off those ladders of opportunity to get people up to where we want to go. Yes, we all want them to get to Level 2, but we need to help them get there first.

**Q354 Mr Chaytor:** So, you have no fears that the obsession with Level 2 or the high emphasis placed on Level 2 is going to work against the interests of your client group?

**Mr Shrubsole:** That is a real danger. The targets are taken and that focus on Level 2 becomes a focus on core Level 2 qualifications rather than a broader curriculum. It is interesting that at a time when we are saying that people within the Train to Gain programme or other programmes need choice but choice from an increasingly constrained range of what Learning and Skills Councils will fund, there is a real challenge to send the message that we need to not have too constrained a focus on just Level 2.

**Mr Knight:** I think we would agree with that. There is that real danger. If the funding and the targets actually follow that through, then, almost by

default, it creates a situation where there is less emphasis on those lower levels; so that is a real concern of ours.

**Mr Parry:** I think the targets in Leitch are so ambitious there is a danger that everybody will go for demonstrating progress towards those targets, and, therefore, there is a danger that the people who are most likely to achieve Level 2 will be focused upon first and that those people who are further away will get forgotten about. If there is a longer-term strategy for that candidate group and that learning group, that is fine, but the danger is that everybody will rush towards the quick wins, if I can use the phrase, and that the people in need of most support will be so far behind over a period of time that there is too big a gap to catch up in due course.

**Q355 Mr Chaytor:** Presumably people will be prioritised because of the number who essentially have got Level 2 skills already but do not have the qualification to prove it, so it is an issue of accrediting their skills pretty rapidly, is it not? In terms of the people you work with—again, a question to both organisations—what proportion do you feel have got the potential to reach Level 2 and what proportion have just reached their limits and are never going to progress beyond entry level?

**Mr Parry:** It is an almost "how long is a piece of string" question, I guess, because I think that often in the candidate group we work with it is very difficult to identify the true potential of the candidate until you can put them into a different type of environment. Our experience is that somebody who comes to Remploy for our services will experience the same kind of lack of self-confidence, lack of self-esteem. We do a lot of work with them to try and get them into employment, and once they have achieved the status of employment and they are in a different type of environment, which may open up different avenues for learning, suddenly you see a potential coming out that up to that point is hidden. It is very difficult to tie to figures. I know that does not answer the question, but there are so many variables around it. I think we would be reasonably confident in saying that maybe 30-40% of the candidate group could get to that kind of level. We have lots of experience of the candidates we work with who achieve fork-lift truck driving licences, heavy goods vehicle qualifications which are probably on a par with Level 2 but may not be categorised as Level 2, but lots of vocational qualifications that lots of people could move into. I think we would be reasonably confident that a third to maybe half of the potential IB claimant population and learners with disabilities could get there, but that still means there is probably in excess of 50% that would struggle.

**Mr Knight:** It is fair to say that the potential is greater than people realise. One of the challenges is that potential is often buried by all sorts of different factors, which perhaps we will explore later, which stops people from blossoming in the early days, if you like, and that is what we try and uncover, but

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given that 50% of disabled people have no qualification whatsoever, then we are starting from a low baseline.

**Q356 Mr Chaytor:** Duncan, homeless people are more likely to be more itinerant, I suppose. You have got a more shifting population than Remploy would be dealing with. What are the implications of that for what Leitch is proposing? Does it make it impossible to provide longer-term structure and work to longer-term targets if you have a more itinerant population?

**Mr Shrubsole:** I do not think it makes it impossible. I echo much of what was said by Remploy. Some research we did showed six in ten homeless people had no qualifications or qualifications below Level 2, but I think, as they were saying, we see it with actual individuals. I can remember somebody telling me that once they started doing something their aspirations were there, they realised they had gone there and then they just kept going. Actually, if you either go to work first or Level 2 first with the most vulnerable and say, "That is the thing you start with," you are setting people up to failure, particularly when 80% of homeless people have been excluded from school<sup>1</sup> and so their previous experience of education was a negative one; but if you start where they are—it does not mean it has got to be low-level, low-quality—and then work up and keep pushing them, they can get to Level 2. I would not like to put a percentage on it, but I think a high proportion could. Coming back to your crucial question about itinerants, what Leitch does not address is the place people learn, and too much learning is focused on formal education establishments, whereas people can often learn best in the workplace if they are in low-skilled employment but, crucially, voluntary and community sector organisations where people are already going, it does not have to be a homeless organisation, it might be the Bangladeshi Women's Group, it might be the drop-in centre, whatever the population is, they are already going to those places, they feel trusting and safe there, and what we need to do is deliver learning in those places, high quality learning, which is a partnership of FE working with that organisation. If you create those places for learning, like we have been able to do with Skylight and other organisations do, then people will come. We get people who travel for an hour and a half across London to come to us because they see that this is a place they want to attend.

**Q357 Mr Chaytor:** Realistically, is homelessness a difficulty that will permanently prevent someone from working towards a Level 2 qualification? Is having a permanent home a prerequisite for achieving a Level 2 qualification or can it be done with the kind of background of instability that many homeless people have?

**Mr Shrubsole:** Last week in our new structured learning suite, which has only been open a year, we had our first Level 2 qualification. The people who

use our services come from a whole range of homeless backgrounds, some are direct rough sleepers, some are sofa surfers, some in hostels, but people can do it. Homeless people want environments where they are challenged in a supportive way to stretch themselves. They do not want to go on a course where, if they have had a key appointment and they have to miss a session, then they lose out on a qualification, but they do want to go on something where they are challenged and where they see a purpose to it, just like anybody else. They do not want to do something which keeps them going round and round the same circle. As Richard said, you have got to work with them to get to that point. It is a challenge, but you can deliver learning in places where homeless people will stick to it in order to not necessarily get up to Level 2 but get on the way to it.

**Mr Parry:** There is a similarity in the intermittent nature of the learning process to that for people with mental health conditions who are fluctuating, because of the episodic nature of the disability, and the ability to do learning in bite-sized chunks on a "when it suits" and "when able" to do it is a good way forward. The idea of a credit-based accumulator to work up towards a Level 1 or a Level 2 I think is a very sound way forward because it does give that flexibility. I think the challenges there are not over bureaucratising, or not over complicating the credit-based qualifications framework along with the provider infrastructure capability to work to that kind of bite-sized chunk approach, but I think as a methodology, be it homeless people or people with intermittent disabilities, I can see that being a good solution.

**Q358 Mr Chaytor:** What are the one or two things that are missing from Leitch or require more emphasis in Leitch that would be of most value in the client groups with which you are both working?

**Mr Parry:** I think there is number of things. There is not enough clarity of thinking on below Level 1 in particular. It talks about a Foundation Learning Tier, and everybody seems to talk about foundations learning tiers and put it to one side as if a Foundation Learning Tier is going to be the answer to all problems, but we do not know anywhere near enough yet about the reality of the Foundation Learning Tier, how it can operate, how it is going to be constructed and, for us in particular, how it directly links into employment. I think that is one issue that remains clouded. I think a second issue is that there is a strong implication in Leitch in bringing employment and skills agendas together, but I think for the candidate group we work with progressing into employment has to be seen to be an outcome or an enhancement of the process, not something that falls outside of the process. At the moment we have got an absurd situation where if you have got a learner in a college or on a programme and, let us say, they get a job in the January—and most of us would think that is a fantastic success—the system records it as a failure because nine times out of ten they have to drop out of the education programme and they cannot

<sup>1</sup> Note by witness: Correction—over 80% of homeless people left school aged 16 or younger

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complete their learning. So, we need a much more flexible system that allows learners to take a learning programme with them across different environments and continue that learning. Again, Leitch kind of moves towards that agenda but does not really get into that in any great way, shape or form.

**Mr Shrubsole:** I would agree. On the Foundation Learning Tier, if that is the way to go, it encompasses pre-entry and entry level learning and accredits achievement and progression wherever it is achieved. So you can get modules accredited in an initial workplace setting, in a voluntary setting or in an FE setting, and there certainly would be funding for that pre-level two work. At the moment a lot of it is funded through ESF and EQUAL programmes, which are facing a real problem in that the current round has come to an end.

**Q359 Chairman:** ESF?

**Mr Shrubsole:** European Social Fund. Another homeless organisation in London, St Mungo's, particularly is facing having to shut all its services because the ESF round ended in December and the new round has not been announced and there is no funding in between. There is much debate around personal and community development learning and what happens to that. One option could be to use that to fund courses which are engaging particularly disadvantaged adults into learning, setting up those progression frameworks, but ultimately it has got to be a mainstream thing. Unless the Learning and Skills Council has on its priorities that it should fund, not just Level 2 but learning before then, that learning will not get funded.

**Q360 Chairman:** The Personal Community Development Programme. Who funds that?

**Mr Shrubsole:** It is DfES funding for adult education colleges.<sup>2</sup>

**Mr Parry:** I think it is the Learning and Skills Council that finances that. I think it has got a budget of about £210 million.

**Q361 Mr Chaytor:** I want to ask finally about the concept of demand-led learning, and this phrase comes through a lot in Leitch. Is that relevant to the people you are working with? If they were offered a learning account, would they be able to use that funding productively, would they be able to accurately identify what they are going to do and know where to go for it? Is there a relevant concept to homeless people?

**Mr Knight:** I think there are two separate things there. I guess it comes down to what we mean by "demand-led". Is it demand-led by the individual or demand-led by the economy, if you like? We very much focus on what employers want and then back that into the system, if you like, as opposed to someone coming to us and saying, "Hey, I want to become an astronaut, how do I become an astronaut?" We look at the demand in the local community economy, work closely with employers

and then work with the individuals to help them find the available opportunities rather than something that is fairly generic, and then make sure that they have got the right training and development that equips them to get that task. If that is what demand-led means, that is absolutely critical, and we cannot divorce what any of us do from the real world. One of the key issues is, yes, Leitch talks about demand-led, but what does it really mean in reality. The individual learning account—

**Mr Parry:** The individual learning account gives the individual choice, which is a very important dimension. I think there is a very simple issue with individual learning accounts, which is what is the value of the individual learning account and what will it actually buy you? If it is £150 you might be able to buy the occasional Learndirect programme, but there is not going to be an awful lot outside of college short courses and vocational voluntary sector short courses. As soon as you get into things like NVQs, particularly if you are somebody who has had a Level 2 qualification in the past and acquired a disability, you are an adult learner or you are trying to get back into work, the mainstream funding regime does not support you. If you have got an individual learning account voucher for £200, realistically that is not going to buy you very much. It can contribute to something and help with direction, but I think there has got to be a pragmatism here as to what value an individual learning account would get you. If an individual learning account, if we were to dream a little, could get us five, six, seven hundred pounds, then I think there is some real value-added learning that an individual could buy with that that could fundamentally change their lives.

**Mr Knight:** What is key with that is to make sure that person gets the right advice and guidance to make sure they use it effectively.

**Mr Shrubsole:** I agree, demand comes from both sides, and too often we have programmes which look either just to the employer, or just to the individual and do not link the two up. There is potential within Train to Gain, it has had teething problems but there is potential that that might be a way along the process. We have been talking to DfES about whether an adapted Train to Gain model could be used to work not just with employers, as it is now, but to work with homeless people themselves in order to get that brokering about looking at what are the employment opportunities in the local area and working with the individual, what sort of skills they have, and link them up. We think there is a potential role there. People do want to do courses and learning where they can see that there is a job that they can get to at the end of it, but, equally, that has to relate to where they are. To use an example, Crisis runs a social enterprise cafe to help people move into work. We set it up with Pret à Manger. We needed people who knew what they were doing about catering, and the manager was a Pret à Manger manager and we always say she knew what standards you have to be to serve customers and serve food and then work back to where the individual was to help them reach it. A lot of

<sup>2</sup> Note by witness: Correction—Personal and Community Development Learning (PCDL) is a Learning and Skills Council fund that is distributed through Local Authorities.

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programmes just try and work up and make allowances. You have got to train people up so they can work in the workforce to the standard you need to meet that employer demand and product demand and then relate that to where the individual is and help them fill the gap.

**Chairman:** That leads us neatly into the next section.

**Q362 Fiona Mactaggart:** I want to take something that Gareth was referring to and which is in the Crisis evidence, which is about people who previously had Level 2 qualifications because I think this is a problem with prisons. In your evidence, Crisis,<sup>3</sup> you referred to skills not applying to periods of worklessness and homelessness can be lost and need to be replaced. One of the things that I am interested in, all of the things you are saying, is actually how do we get a fair fix on these things? I understand that someone who before they became disabled might have had a Level 2 qualification might then not count in Leitch type targets; I can understand that someone who before they became an alcoholic and homeless, for example, might have had a Level 2 qualification and might lose it. How can one have a system which is fair but which meets those needs? I think it is a difficult thing for policy-makers and I want you to answer the policy problem that both of you have raised, imagining that you were responsible for doing it in a way which is a fair and reasonable investment.

**Mr Parry:** Ultimately there are choices to be made. Everybody understands that there is a finite pot of resource available and there are choices to be made, but I think all too often we fall into the trap of making blanket policy decisions which do not allow for flexibility, recognising, on the one hand, we are talking about upskilling the workforce for the national economy needs and, on the other hand, we are talking about 2.6 million incapacity benefit claimants who we need to get back into work, and the policies do not always go hand in hand of how one helps the other. Our view would be that the policy framework should be targeting those in most need of support to get into sustained work, accepting that there are some independent recreational learning arguments in there as well, but, fundamentally, those people most in need of support should be doing that. The way that standard national government programmes are organised at the moment, a lot of money is invested into people who perhaps do not need as much as others do in that they are already in employment, they are on the route, employers would otherwise be supporting their developments, because employers do support a lot of workplace developments, and yet they are getting subsidised training from the Government because the one-size-fits-all approach says they can. If we can target the investment for those in most need, then that would actually be a more intelligent way to spend the money, but what that requires is much greater flexibility in the funding regime, and, to be honest with you, it also requires the funders to trust the provider base a bit more than it does in

terms of making the judgments on how that money is spent. I think if that flexibility could be introduced, I am sure that the provider base could deliver a lot more value for money in terms of outcomes and people in other departments.

**Mr Shrubsole:** I think there are three main points. The first would be that homelessness costs the taxpayer money anyway. The extent to which people are cycling round the system, some estimates have said that a homeless person can cost up to £50,000 a year and, crucially, how do we help people break that cycle. One in four people who move into tenancy, the tenancy then fails because of debt and isolation. Getting people involved in learning and improving their skills is crucial to tackling that. One argument is the taxpayer is paying anyway; we need to be investing to help break that cycle. The second point would be the Government's own strategy, its own targets. If it wants to get 80% of people into employment, 90% up to Level 2, it is looking at improving health, looking at tackling worklessness and housing together. For its own purposes, too much of what DfES does is often done in a silo and that education role needs to support what is going on in those other agendas across government. You were throwing the challenge out to us as policy-makers. There will always be some things that someone else might see as unfair. There is a lot of dead weight loss in the education system.

**Q363 Fiona Mactaggart:** There will be a lot of people who think that providing Tai Chi to ex cons is unfair?

**Mr Shrubsole:** There would. We fund it through our own voluntary income. It is people who give us £5 a month who fund the Tai Chi. The Learning and Skills Council is helping us on the IT side, but equally lots of other people cannot get that voluntary income to fund the Tai Chi.

**Q364 Chairman:** IT and Tai Chi. It sounds a very good combination!

**Mr Shrubsole:** But if you look at the deadweight loss in the system, the employers who always benefit key from skills programmes, they are those who believe in skills and education, and then some chance to fund it comes along and so they take it. You will not get it perfect. You will always get some people who see it as unfair or a deadweight loss, but, as Gareth said, you focus on those most in need and you have frameworks for quality inspection monitoring so that people know that provision that people said was going to be delivered is being delivered. But crucially, if you look from the ground up—what do learners need, what is working for them—to often we look from the top down—what should be the framework for this policy or this funding area for the Learning and Skills Council—rather than rewarding success and looking at what is happening on the ground.

**Mr Parry:** I think that is a good example of what I was trying to say in terms of trusting the provider base. If we understand what the strategic goals are, the strategic goals are getting people into employment and then to the right skill level within

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employment, and the journey for some people to get there might only be six to nine months, but for other people it could be five years, and the very start of that process can be a very soft engagement process which at that time does not feel like it has got anything to do with employment. I think if the providers were given the flexibility to interpret how they spend their money, but the accountability for that money has to demonstrate back to the funder that we are delivering outcomes on a journey towards that end point, and providing they are held to account on that, I think we would strongly argue that providers like ourselves or Crisis should be given as much flexibility as possible as to how to use that money, because you do need to look for bespoke solutions for individuals, and the savings potentially, we believe, are considerable. If we take the issue around young people with disabilities for a moment and the whole process of statementing and moving young people into further education, our observation is the majority of young people with disabilities who transition into further education do not go there because they are on a journey towards, a route to, employment, they are there because somebody needs to occupy them, somebody has got to find a solution for them: "I know, let us put them in further education college." The costs are huge. The per capita cost is £22,000 a year, whereas if we can progress some of those learners out into a workplace learning environment and find a more employment-related one, there are much more cost-effective solutions that can be found which will return to the funders significant savings.

**Q365 Chairman:** You say "bespoke service". When do you break in? I thought Connexions were supposed to do that for disabled people.

**Mr Parry:** We thought that as well, but the reality of it is Connexions struggle to do it because their remit is largely to support the transition of a young person with a disability into adulthood, and "adult" is a broad-ranging definition.

**Q366 Chairman:** Why is it? A child is a child in our country still to 18. Why is this transition difficult?

**Mr Parry:** Why is it difficult?

**Q367 Chairman:** Yes, from where you are coming from?

**Mr Parry:** I am not sure I know the answer to that question. Obviously there is a community of people there with complex needs and there is a whole range of services. I guess it becomes difficult because of the system, because you have got the Department of Health involved, you have got the Department for Education and Skills involved, you have got the Department for Work and Pensions involved and you have got lots of professionals who are all trying to do a good job but actually the whole process does not join up.

**Q368 Fiona MacTaggart:** Your evidence is suggesting another one, a broker?

**Mr Parry:** To facilitate all of that provision and to put that end-point. Our evidence was around if the end-point is a work-based learning solution in employment on the lifelong learning agenda, then take that end-point and drill it back into the system. We have got experiences where young people with disabilities were attending transition meetings, and they have all and sundry there, but the focus on employment is not there. It should be there from the age of 14 onwards. There should be a discussion around ultimate employment aspirations for the individual, but, more often than not, employment is not on the agenda because the people round the table do not understand the employment agenda, do not understand the employment market. What we are saying is we think there should be a much stronger focus on employment, because we believe we can get younger people with disabilities into an employment-based solution at a much earlier stage than they currently do, which in the medium to long-term will deliver substantial savings.

**Q369 Chairman:** I am still waiting for any of our witness to say something nice about Connexions, but is not Connexions supposed to be your bespoke evaluation of a young person, whatever their background, disabled or whatever, and say, "Given your background, what you did at school or what you did not do at school, your achievements, this now is the best direction for you as a human being to develop yourself." That may be work, it may be training with work, it may be FE. Why is not Connexions doing that? The criticism we have is it only does it for people in the NEET category who are disabled but it does not apply to the average and other students. So all this resource is going into the area that you are describing but you are saying it does not happen there either.

**Mr Knight:** I think we might see it the other way round, to be honest, that the focus is not in our area.

**Q370 Chairman:** What do you mean?

**Mr Knight:** There is not the focus on disabled people with Connexions.

**Mr Parry:** I think there is a focus on disabled young people, but it is the focus on employment that is missing. Connexions do not have the routes to the employment market in the same way that organisations like Remploy do. We work with thousands of employers across the UK, many thousands of individuals. Connexions simply do not do that. The Connexions advisers, when they are giving employment advice to that individual or to their parents, the reality of the labour market needs just is not there. What we are saying is we think there should be an input from practitioners who are out there working with employers, putting people into jobs, dealing with skills issues every day as part of that process.

**Q371 Chairman:** Who is this person?

**Mr Parry:** We believe that Remploy could do that process.

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**Mr Knight:** It is about expertise, focus and consistency, expertise in dealing with disabled people and particularly the more complex needs within disabled people.

**Q372 Chairman:** Duncan and Richard must be in this business. What is your dream scenario? When somebody comes into you, do they get this full package of an assessor, a broker, a NEET person who understands? Is Connexions the answer if it worked well? What is the answer?

**Mr Shrubsole:** Our client group is generally an older client group, so they are too old for Connexions.

**Q373 Chairman:** But do your people need a life coach, mentor?

**Mr Pace:** Yes.

**Mr Shrubsole:** Yes, crucially the value of one-on-one support is proven by research evidence and what we see with our own eyes. Our progression worker working with somebody one-on-one is crucial in helping them articulate themselves, what they want, sign-posting them to opportunities, whether we provide them or others provide them, and that is crucial as well. We have to be looking out to the whole range of opportunities out there, and that is why we have been talking to DfES about whether there is the possibility for adapting the Train to Gain model, to have a skills broker who can do that link between the individual and the employer but with them having an understanding of homelessness and the employment world. The value of one-on-one progression support is key.

**Q374 Chairman:** Because people who have everything have this, do they not? They have life coaches and personal trainers. We all need those, do we not?

**Mr Shrubsole:** Yes, people pay a fortune for it.

**Q375 Chairman:** For the people you deal with, that is what you want, is it not?

**Mr Pace:** Yes. We have a life coach coming in to run a class for our members, our client group, on this very basis. We treat people individually, and it is very important because they have such complex needs.

**Q376 Chairman:** How do you do it systematically, Richard? How do you get it into the system that people get this individual treatment?

**Mr Pace:** Everybody that comes through our door, when they enter into any of our activities, is formulated with an individual learning plan and we deal with the person and we try to get them to articulate what it is that they actually want to do as a result of coming to us, what are their requirements, we try to help them through that. So, we will offer them a range of different activities and we will try to engage them with other people. In areas where we cannot directly help them, we will refer them to other agencies. It is getting people to appreciate that much of this is up to them. They have to tell us what it is

that they actually want. We can help them, we can provide them with support and guidance, but it is trying to get them to come out of themselves really.

**Chairman:** Fiona, it is very rude of me, but I got taken away. It is Gareth's fault. He talked about the individually designed bespoke service. I want everyone to have a life coach and a personal trainer.

**Q377 Fiona Mactaggart:** I think what is interesting about both of your evidence is that in a way you have looked at the present system, the brokerage system or Train to Gain, and you have said, "Okay, we will try and fit what we think is needed into the shape of what is going on." I want you to do something else. I want you to imagine that there was not a kind of existing shape and to tell us what, if you had a blank sheet, you would design for the client group that you work for, and then I want you to tell me what proportion of the clients you work with would succeed in achieving the ambition of employment or Level 2 qualifications and what proportion would fail? Those are the two questions that it seems to me are the killer questions on this. I think you are adapting stuff that you would like to make it look like what you think the DfES wants, and so I would like to see what it would be like if you did not adapt it in that way.

**Mr Shrubsole:** As part of our campaigning work we have coined the slogan "Right People, Right Places, Right Approach", which is that in the learning system the right people we should focus on are those most in need of learning, the right places we should crucially think about are where those people want to learn, could learn and get support in learning, and the right approach is ensuring that there is the right offer and the variety and choice that really engages with them. To unpick that a bit, on the right people, that is about having the focus nationally and at local level and funding and supporting learning for disadvantaged groups and having that explicit focus on it so that funding follows. Right places, yes, we need to support voluntary community facilities. There is a programme called the Hostel Capital Improvement Programme, it is a CLG programme, which is funding not just hostel spaces but day centre spaces, and that has been crucial in creating new types of spaces which are high quality. A high quality building leads to high quality expectations of clients and leads to high quality outcomes; so continuing and rolling that forward but bringing partnerships with FE, FE having financial incentives or being compelled. Your local FE should be reaching out to your local voluntary organisations, either supporting them doing their own learning or delivering learning. We have a partnership with Newham College which has been crucial. They helped us to accredit in our early days, now we can accredit ourselves. We have City Lit coming and delivering classes, we have Learndirect coming in and that partnership between the statutory and voluntary sector is key. Then, the right approach is what we have said before about pre-Level 2 learning, but the key role is the information, advice and guidance role. So, you have a wide offer and you work with people individually and say, "This is what

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is available. What works best for you?", and making that happen, and that individual advice and guidance needs to be within an institution and a project but crucially linked wider, dual-facing, looking at the client and looking at the education that is available and the employment that is available. Your second question was how many would it work for? Seventy seven per cent of homeless people want to work now and 97% have said they would like to work at some point in the future. Six in ten want to get involved in learning and three quarters of those who do get involved in learning say, "We wish we had got involved in learning earlier." Most people when you work with them want something meaningful to do during the day, they want to be expanding their brain and, ultimately, they want to work too and even some in quite low-paid jobs.

**Q378 Fiona Mactaggart:** They also want to give up the alcohol habit and they do not succeed. I am not disagreeing with you, but I am saying where will the failures be?

**Mr Shrubsole:** A lot of them cannot give up the alcohol habits because they do not have anything to do to fill their time. They hang around the—

**Q379 Fiona Mactaggart:** There are other reasons why they cannot give it up.

**Mr Shrubsole:** There are, there are clear reasons as well. One of the guys that we work with has just won an adult learners award, is now doing some work for Bart's Hospital training people. He was a heroin addict for 30 years on the street and he came to us one Christmas and he realised that he could not do this any more. He had done it for years. He gave up, and he was taught to read and write. He now writes a blog, which he does for the Hansard Society; he interviewed Yvette Cooper on *You and Yours*. It does not happen for everybody, but he is crucial. Until he got involved in that learning process, there was nothing out there for him. So, yes, we need residential rehabilitation places, we need that drug support. This is getting people involved in meaningful learning. You cannot just have standard Micky Mouse courses that are put out.

**Q380 Chairman:** We do not allow Micky Mouse.

**Mr Shrubsole:** You do not like Micky Mouse?

**Q381 Chairman:** No.

**Mr Shrubsole:** The actual rate on Jobcentre Plus has very low success rates—three in ten complete basic skills courses.

**Q382 Fiona Mactaggart:** I am just asking you how many do you think would fail. I am not saying: would you be worse than someone else, would you be better? I am asking for an honest assessment about how many you think would fail.

**Mr Shrubsole:** We have 150 people come through the door of our activity centre in London every day. Last year 350 people went on to take qualifications and, of those, 70% succeeded. So, in total across the piece, probably—I do not know, I am putting my

finger in the air here—half would succeed and then you could work with more by continuously working with them.

**Q383 Chairman:** Richard.

**Mr Pace:** I think we that could deal with everybody. I think we could be successful with everybody's lives, given enough time. Given enough resourcing, I think we can move everybody forward, and that is exactly what we try to do.

**Q384 Chairman:** You said the cost of not succeeding is £50,000 a year or could be as high as £50,000?

**Mr Pace:** Yes.

**Q385 Chairman:** Where does that £50,000 come from?

**Mr Shrubsole:** Mostly funding for temporary accommodation or hostel accommodation, crime costs, inappropriate use of health services, using A&E rather than a doctor's surgery, but the bulk of it is the high cost of rent in temporary accommodation and then you add on lost economic output, and all the rest of it.

**Q386 Chairman:** Gareth, David, you have not answered Fiona yet.

**Mr Parry:** I think the starting premise is that the vision would need to have everybody signed up to a shared single objective which is about sustained employment. Our view would be that employment is the key route into independent living. Therefore, if sustained employment is the end objective, then all partners throughout the whole process are working towards that end objective rather than being distracted along the way by their own short-term measures, and we want to see that going right through, and when young people with disabilities are making choices round about the age of 14, we are already thinking, or the agencies involved are already thinking about that end objective, that the funding mechanism is flexible enough to allow the individual to progress across the different silos but still with an end focus in mind, and we would see everybody working to that overall transition and flexibility in the system that says you do not have to get over hurdles along the way because it is that end point that we are all working towards. That is the vision. Once you have got the infrastructure set up and the various government agencies are providing that route and working to that system, from young people going through to sustained employment, then adults who are outside of the labour market can come in and take advantage of that system as well, because it is all set up and they just join the process where it is appropriate. So it is a real cradle to grave approach, but everybody sharing a common objective of sustained employment. I think systematically that is where we need to be. I think the majority of the system is in place, it is just there are black holes in the system where people fall down.

**Q387 Chairman:** You rubbish the Connexions service!

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**Mr Parry:** I think I said they were under resourced as well.

**Mr Knight:** I think what we are trying to propose is something that makes the transition points that much better.

**Q388 Chairman:** One minute you are saying it is nearly there, the next minute you are saying you are the only people that can replace whatever is there.

**Mr Parry:** I do not think we said we are the only people who could replace it.

**Q389 Chairman:** You said you could do this essential job.

**Mr Parry:** We could do it, but there is a whole sector out there of people working with employers.

**Q390 Chairman:** Fiona is giving you the opportunity with this question to dream an impossible dream if you were given the resources. These are the problems that we see, you for disability, you for the homeless sector. Thinking beyond all the normal parameters, this is what would work. I thought I was getting it from Duncan and Richard, I not sure I am getting it from you, David and Gareth.

**Mr Knight:** What we are proposing, we believe, is something that would pull everything together. So it is not trying to reinvent everything, it is not saying that everything out there is bad. What it is saying is that it is not right, and where it goes wrong is at the transition points and that is where we start to lose people. What we are suggesting is that there is a service that pulls that all together so that for any one individual they have got a relationship with that service all the way through. To give you an example, of all the people we deal with, less than two per cent come direct from education. The other 98% come from some kind of benefit. That presumably means that people are in education, then ending their course, going into to benefit, going into Jobcentre Plus and then coming to us, and that does not seem right. So there is the potential there to get that much more seamless.

**Mr Parry:** If we could dream, the dream would be that every school, college, university that has got anybody who is declared disabled who wants to work, Remploy would be available to support them into work and we would have all of that process set up; and, by having that process set up, people who are outside of the education system who come to us because they want to work as well but have got longer-term development needs, we could broker back into the system. It is a facilitation service we would be looking at. That is what our dream would be, because we think that would work.

**Mr Knight:** Then we would maintain that relationship for the rest of their working life, so they would keep coming back to us every time they got to a transition point, which maybe education, it may be a change of job.

**Q391 Chairman:** Are there any of the disadvantages that we found when we looked at special educational needs? There is a big flag above you that says, "We are different. We are only for disabled people",

where people might put off. What we were discussing was inclusion and the philosophy has been inclusion in terms of education for disabled people for a very long time. We cannot always achieve it, but you are very special. You have got a big flag that says, "Only come here if you are special." Is that not a disincentive?

**Mr Parry:** But we deliver completely inclusive solutions. The end point of our service is an individual completely included in the workplace, completely integrated in the workplace. We are a specialist service that delivers inclusive solutions.

**Q392 Chairman:** Would you not do better if you were working with something like Connexions. So the gateway is Connexions for everyone, perhaps, but you are standing there offering a particular service when it is needed.

**Mr Parry:** Absolutely. I do not think we would have a problem with that at all.

**Mr Knight:** So long as the experts in any particular situation are involved at an early stage so that we are not putting artificial barriers in front of someone which say, "You have to go to this group, and if that does not work you go to that one, and if that does not work you will finally get to the people who could have helped you in the first place." That is the only caveat.

**Q393 Chairman:** My dream is a life coach and a personal trainer for every person. My dream would mean they come to you if the life coach said, "This is what you need." That is the gateway, is it not?

**Mr Knight:** It is potentially the other way round. They would come to us either at the same time or before somebody else, and then we would be able to help them into a link with the other agencies.

**Mr Parry:** It is working on the assumption that we are the people who deliver the end-point, which is sustained employment, and all of the services lead to that point. If an individual does not want to work, then they do not fit that model.

**Q394 Fiona Mactaggart:** I have heard from both of you that one of the things that you need to do in the learning activities you do with your clients is give them things which are useful to them—skills that can help them sustain a tenancy, for example—which can be very hard, it is very complicated to understand all those pieces of paper—or you were talking about fork-lift truck qualifications and the fact that they do not fit into the Level 2 model, *et cetera*. Do you think that one of the problems with the Leitch model is that those kinds of qualifications do not fit, and am I hearing from you that you would like to amend it so that they get some status or some fit which means that they are more accessible to people, that you can provide them with the funding there? Is that what I am hearing?

**Mr Shrubsole:** Yes, the fit can be in two ends: (1) does it fit within the qualifications framework and target, and (2) does it fit within the funding priorities? I talked about the Learning Power Award, which is a qualification specifically developed in our sector, the homeless sector and the

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Learning Skills Council working together. There are opportunities to fit things within the wider qualifications framework. People talk about whether the Foundation Learning Tier can incorporate other elements, but that funding has to fit too and within the Leitch framework the funding for the, as someone has called it, "full-fat" Level 2 has to be within that Leitch framework too.

**Mr Parry:** The supply side seems to have defined this thing called Level 2 as the definition of employability. What we would like to see is more flexibility around the definition of "employment" that actually makes it much more employer-led, and any qualification or skill that means an employer will take an individual into employment is almost the rubber stamp. At the moment we are dictated to by a qualifications framework that says: here is a Level 1, here is a Level 2, here is a Level 3. If we are working towards a demand-led system, why cannot we let the employers make more of a standardisation as to what are the entry level requirements for that sector?

**Q395 Fiona Mactaggart:** Because employers love bespoke little qualifications which mean you cannot work for anyone else. That is why, surely. Because it does not free people to actually transform themselves. Both of you are looking at people who are right at the entry level of employment a lot of the time, but one of the reasons for not doing that, one of the reasons for us as politicians not doing that, is because of the habit of employers, not malignly particularly, of getting their own bespoke neat qualification which is absolutely untransferrable into other employment and, therefore, that employer gets their oven-ready employee and keeps them because they are not oven-ready for anyone else?

**Mr Parry:** But that is where the role for the Sector Skills Council could be, because they can make that judgment as to where the levels of specificity sit. If we go back to what we talked about before, both of our organisations talked about a range of soft and enabling skills which are generic skills. If we can then put those generic skills in the context of a vocational sector—it could be a fork-lift truck driver qualification, it could be an IT keyboard qualification, or whatever—you are then putting together very bespoke employability standards that could be sector-specific. Our experience is that the entry point for somebody to go and work, for example, in the warehousing distribution sector is a different profile from the entry point of someone going to work in the retail sector, but what we get with Leitch and what we get on the supply side is this generic definition of Level 2, and I think we could and should perhaps be moving towards a situation where we are looking at sector-specific qualifications because that is closer to what the sectors and the employers are saying they need.

**Mr Shrubsole:** The employer does need to shape some end of it, but that is where the role of the broker can come in. If you had brokers who went out to see what is in their local labour market, and if you had (which happens in some areas) employers who

did not guarantee jobs but would guarantee interviews for people if they were considered good enough and ready to move into it, the broker can then say, "This is the general package of skills which are transferrable", so basic might be Level 2 or whatever it might be, and then we can develop work with you because we know in this area there is this opportunity, whether it is retail or fork-lift truck driving, and you need this extra bit, you need the client I am working with get you there. That is where the role of the broker comes in, because it is completely moving. You cannot have the employer specifying every single little package if you do not know where the job is, but if somebody can link up a general package of skills which are both some form of qualification but also the core competences of soft skills, the broker can make that link with the employer as to what the employers wants (specifically that employer), then the individual can get interview and, if they are good enough, get the job. Too often we either specify things for what we think employers want but then employers have either forgotten they wanted them, or want something different, or the landscape has moved on without the jobs, or we specify a general qualifications framework. We have got to try and bring those together, and there are different ways you can do it, but the role of the broker could be one way of doing it.

**Q396 Chairman:** The people we heard from on Monday did not like the broker; they wanted a one-to-one relationship; they rather saw the broker as a parasite. You like the idea of a broker but only if you are going to be the broker. Is that right?

**Mr Shrubsole:** No, it does not have to be, it could be anybody who could be the broker, who has got the expertise.

**Q397 Chairman:** Who has got the expertise? This is what we keep coming back to. They were complaining that the broker was Business Link, and the one thing Business Link do not know about is skills.

**Mr Shrubsole:** This is one of the problems with how Train to Gain has been rolled out and who their contracts have gone to, and there have been real teething problems. You actually need a smaller level of contracting. What we were looking at for our potential model was that you scaled up, you worked in one a small area, even one sub-region within London and somewhere else, and you look at the employers in the area and the learning providers and you have people who work on both sides. It can work; we know of projects. I talked about our relationship with Pret. We know of another project where crucially they have helped to get homeless people into the building trade because there was a builder who worked with them because he understood what was needed in the labour market and he knew the standard of professionalism that was needed. We cannot have a one-size-fits-all brokerage. A one-size-fits-all brokerage would have as many flaws as any other system has.

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**Q398 Chairman:** You know better than most people that politicians are looking at one-size-fits-all in a sense. You can see what the Minister has decided. He has said, "Look, who the hell could be this broker? What is relevant? Business Link is the closest."

**Mr Shrubsole:** This is one of the problems across the Learning and Skills Council. The Freud Report on DWP has some really good things, talking about intensive help to help those furthest from the labour market move to the labour market, but on the second section it moves to saying we need to have fewer contracts and a lean contracting model in a region and then it is their job to sub-contract out. We know of an example of an organisation that works in the South West who went for a Jobcentre Plus contract under the old model, did not get it. The people who got it then went to them and said, "Can you deliver it for us?" The bigger organisation had the ability to write the bid and get the contract but knew they did not have the skills. Subcontracting can be good, and, again, it can be useful if you say, "We can do this bit, let someone else do this bit", and do some subcontracting, but you have to move into a massive prime contractor model where it will only be the working links, the work directions, the business links, the private or semi-private organisations who can win them and it will mean that the little guys, whether it is the clients or the voluntary and community organisations that work and represent them, are likely to lose out.

**Q399 Chairman:** Is there enough talent out there to do this? It is a difficult job.

**Mr Shrubsole:** It is a difficult job, but there are people out there who can do it. You have to start with some successes, and that creates more successes. A crucial role as well as the role of role models and peers, people knowing that people who are like them, as it were, have managed to get skills and move into work, and good news spreads, as it were, on the moving to work, and good news spreads amongst employers. We have had employers who have come to us and have said, "We have had a couple of people and the workforce was really nervous, but now it is working out. Can more people come through that route?" What you need is to have solutions on the ground working up but have a skills framework to support that. Too often, with the kind of alphabet soup of organisations that change around, their specifications are changing and that makes it too internally focused. If you are in the Learning and Skills Council, the Sector Skills Development Agency and your job title keeps getting changed every three months, you cannot get out on the ground, know what is happening in your regional area and know what the success is to then come back and say, "Actually, this is working, this is quite a good way of doing it."

**Q400 Mr Wilson:** The deeper we seem to dig into this whole skills area, I am certainly finding that lot of evidence is suggesting that we have the wrong structure. What I mean by that is a very complicated, over bureaucratic, overlapping structure within the

skills area. I am also getting the impression now that it seems to be concentrating in the wrong areas. Would any of you agree with that as an over-arching summary? David, you seem nodding both ways?

**Mr Knight:** I was looking up and thinking.

**Q401 Chairman:** I thought you were praying!

**Mr Knight:** I might have been doing that as well. It is not necessarily the case structure, it is getting the objectives aligned, and that is one of the things we would have an issue with. There are a number of different parts to the overall structure, be it in education, be it within employment, and they are trying to do differing things, so what we would be keen to do is to get the whole thing working together. How that is structured from there on is another issue, but that would be a good start.

**Q402 Mr Wilson:** You are happy with the current structure of skills provision?

**Mr Knight:** I think there are still some issues there.

**Mr Parry:** I think that the structure is cumbersome, I think it is complex and it is confusing, but I suspect if it needs change it needs wholesale change, and the effects of wholesale change balanced against what can we do with the existing infrastructure to make the system work better. I would come down on the side of the latter and say, if we can position the front-end service, whether it is the service to employers or service to the learners, and make the front end of it seem simpler, then the machinations of how it all works behind the scene probably can be worked out, but the front end needs simplification. One of the issues, as I have said, is the continual cycle of change, which means that nobody ever gets to a point of being held to account for anything: because every time somebody is held to account—"You said you have delivered this, have you delivered it?"—"Oh, that is okay, we are changing, so we know that already, we are changing"—it just seems that that continual change creates an awful lot of further confusion in the system. Sometimes even for an imperfect process, leaving it alone for a bit in order to let it bed down and taking more of a continuous improvement approach to it rather than wholesale change can be a more pragmatic way forward.

**Q403 Mr Wilson:** Very little accountability in the system is how you feel?

**Mr Parry:** I think there is accountability within the system, but the system keeps changing to let people get away without being held to account.

**Chairman:** It sounds like the Civil Service!

**Q404 Mr Wilson:** Can we move into the second part of what I said. We have heard a lot of argument on this Committee and evidence recently about the narrow economic assessment of the benefit of skills training and whether the Government really values the softer skills enough. Do you think that we as a society should only encourage training development skills that increase productivity or help somebody get into a job?

**Mr Parry:** As a society?

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**Q405 Mr Wilson:** Yes?

**Mr Parry:** No. There is a great role for learning as a process for the improvements of self-confidence, self-esteem, social integration and social cohesion. There is a great argument for that. So it is not about one or the other, there is a role for both, I have to say, particularly for the candidate group that we work with.

**Q406 Mr Wilson:** Can I ask Duncan, I think you come from the sort of organisation that might have strong opinions on this. Do you agree with that assessment, firstly, that that there is a role for it?

**Mr Shrubsole:** I would agree with much of what Gareth has said that there are clear both economic and social justice arguments for learning, and too often we focus just on the economic. It is not to say that people we work with and other disadvantaged groups do not want to work, ultimately they see work as what they want to do, like anybody else does, but there is a real need for both to help them get to work and to help them change their lives through learning and development, to focus on those earlier levels and those earlier stages of learning and not just the higher level qualifications.

**Q407 Mr Wilson:** I thought you would both say that, but do you think that the Government is valuing that part of the skills agenda enough and is it funding it sufficiently to make it work?

**Mr Knight:** I am not sure it is always right to separate the two areas. The economic, as in the economy, is going to grow, et cetera, et cetera, and we need the skills versus the social justice thing, because they become so interlinked, do they not, one actually feeds off the other? If we can get people to the point where they can work and can stay in work and develop in work, that is economic, but at the same time we are totally transforming that person's life and, through transforming that person's life, they are going to work better, be happier, healthier, et cetera, which leads back into the economics; so it is difficult to separate the two.

**Q408 Mr Wilson:** I hear what you are saying, but my question was a bit simpler than that. What I was asking was: do you feel that the Government values those soft skills and in demonstrating that value is it funding the support of those soft skills to the degree that you would like it to?

**Mr Knight:** I think the answer to that question is, no, because we would not be raising some of the questions if the answer was yes. We are both sat here as organisations saying a lot more focus and investment on the soft skills area, which actually is very strongly linked to employability but also helps social integration, can lead to voluntary and community work. The very fact that they are generic soft skills means that they can add value in all aspects of an individual's life, but most of the skills as we as organisations have described them do not feature in mainstream funding qualifications. So, I think, in simple terms the answer to that question would be, "No".

**Q409 Mr Wilson:** There does seem to be a preoccupation within the skills industry now, and I think it is being pushed by the Government, that success is really defined by qualifications. That is the sort of output from it. Do you think that qualifications are the best way of judging the value of somebody's skills?

**Mr Pace:** Not always. You cannot always measure a person's skill set by the qualifications they actually have. Somebody may well have a degree or a higher degree but not be equipped to deal with everyday situations. I think that is a common thing we come across with our client group. I do not think you can separate the soft skills from the hard skills. I think they are all part and parcel of the same thing. If somebody is going to be successful, I would measure their success not by whether somebody has a job, but whether they are able to support themselves within our society in whatever way that is, whether that is actually accessing benefits, housing agencies or any other thing, as well as being able to get a job, if that is what they want to do, if that is what they are able to do. That is the measure of success that I would use. Some of that is qualification-based, but a lot of it is not. Certainly the people that we see we are dealing with, the very low end of people's abilities, even getting them to be able to speak in public amongst their own peer group it is a success for us.

**Q410 Mr Wilson:** Do you think those sorts of people find the whole idea of formal qualifications a quite frightening prospect?

**Mr Pace:** I think they do. I think they find many things that we take for granted to be daunting, but that is what we try to do, we try to encourage them by simple steps, by very slow measures to integrate back into what we call the common world that we live within.

**Mr Parry:** The very fact that people sometimes are daunted by qualifications, if you can ultimately work with that individual that results in something called a qualification that is relevant to what they have learnt, then actually the sense of achievement that can instil in the individual is quite important. So, I think qualifications, so long as they validate the true learning, can be incredibly powerful.

**Mr Knight:** I think, ultimately, we would regard success as sustainable employment. For people who we help into employment, 50% are still employed by the same employer four years later, and we would regard that as a success; and that is a hard measure, if you like, but I think we would also agree with our colleagues here that there is a softer success as well.

**Q411 Mr Wilson:** You have gone back to my original question: should training be seen as an end to get people into jobs? I asked everybody about that, asking about the soft skills, and you said, "No, we want to develop the soft skills", and then you have put it right back to the opposite, saying, "Actually we want to get them into jobs."

**Mr Knight:** Yes, because the soft skills are a key part of that. I am not separating them out. They are still critical.

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**Mr Shrubsole:** There is also a real change about getting people into work and sustaining that work, not just getting people in it so that they come back out again, which is another failure notched up of often many failures. So you have got to get people into sustainable employment that they can sustain and that they see a progression path. Some of that is about working with them before they go into work, it might even be work a bit longer before they go in, and it is about supporting them once they are in work as well, and that is where the next stage of welfare reform needs to start moving to.

**Q412 Chairman:** Your people are obviously vulnerable and do need that support that other people take for granted from networks and friends and family?

**Mr Shrubsole:** Yes, and they need it to be of a good and high quality and to push them. We talk about tough love sometimes—

**Q413 Chairman:** I am very impressed with Richard. I think we ought to get him cloned. He has impressed me with his commonsense and wisdom, not that the rest of you have not!

**Mr Shrubsole:** I am hoping some of it will rub off.

**Q414 Mr Chaytor:** I would like to stay with Gareth specifically about your view of the future of the labour market for disabled people, because the irony that I see is precisely that the Government is giving more attention to getting people off incapacity benefit and encouraging more disabled people to enter the labour market. The predictions about the changing nature of the economy suggests there are going to be fewer and fewer jobs at the bottom end of the schools level, so is there not some conflict here, and how do you see things developing over the next 10, 15 years (I think Leitch is quite specific about this) and a reducing of the number of jobs at the lower schools level? Are we not likely to be encouraging more people to get back into the market at precisely the moment when there are going to be fewer jobs for them?

**Mr Parry:** I know you said the question was specifically for me, but I suspect Dave is better at answering that question.

**Mr Knight:** Ultimately, I think it is a positive situation going forward, providing we have the right support mechanisms to enable people to get into roles, but those roles, you are right, cannot just be at the bottom end of the spectrum, they have to be right across the board, and that is a challenge for us as a supporter and provider as much as it is for the disabled person and the education system, et cetera, et cetera. The route to solving the problem actually starts at school and getting that situation right and moving through so that when someone is sitting in front of an employer they are much better equipped rather than necessarily trying to resolve the problems later, but, overall I think it is positive.

**Mr Parry:** I think it is worth saying, on a very short-term basis, as an organisation we are currently in a position where we have more vacancies given to us by employers than we have job-ready disabled

candidates to take jobs. At this moment in time we do not have a shortage of employer demand, we have a shortage of suitable supply.

**Q415 Mr Chaytor:** That may be the case in 2007, but in 2017 that is less likely to be the case, is it?

**Mr Parry:** I think increasingly as we move into a service sector economy, there are an awful lot of jobs which people with disabilities can do. I am not sure I fully understand where all of the figures in the Leitch Report come from. It is almost an elimination of jobs that would be classified as low-skilled. I think the issue is how you learn to adapt the job and the job process to the ability of the individual that is trying to do that job. I think that that should not be dictated to by qualifications, that should be dictated to by what the employer needs and what the ability of the individual is. That is the solution. We are absolutely convinced that there are tens of thousands of jobs out there for a range of disabled people to do in the short, medium and long-term.

**Mr Knight:** Within that there is still a lot of work to do with employers. The picture is very mixed. There are some very good employers who have a very positive attitude to employing disabled people, recognise the skills benefits, recognise the corporate social responsibility benefits that it brings as well, but there are some that are not so good, and within the SME sector there is a lot of work to do as well. The public sector itself presents its own challenges, because the public sector sometimes lags behind the private sector in terms of employment of disabled people.

**Q416 Mr Chaytor:** Public sector agencies are still bound by the three per cent targets of recruitment, are they?

**Mr Knight:** I do not think so.

**Mr Parry:** I do not think so.

**Q417 Mr Chaytor:** That was an item in previous legislation: three per cent of the work force should be recruited from disabled people?

**Mr Parry:** I think that might be an aspiration as opposed to the reality.

**Q418 Mr Chaytor:** Within the public sector whereabouts do you think it is at the moment? Do you have any idea of the figures?

**Mr Knight:** I would be guessing, but it is low.

**Q419 Mr Chaytor:** This is a question for Duncan, because the people you are working with are more like to have chaotic backgrounds and less stability in their lives than a conventional disabled person may have. Is it the case that we should simply accept that some people are never going to be able to function in the conventional labour market and that, therefore, either they are left to sink or swim or there is a case for structured employment that may be with third sector organisations as a permanent solution? Would you accept that some people could perhaps never function with a “normal”, whatever that means, private or public sector employer?

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**Mr Shrubsole:** I think I will go first and Richard will fill it. I have a nervousness about the word “accept”, because as soon as you accept that somebody might not be able to work, that sets up expectations for them. If you do not have expectations they can do something, whatever their previous level of experience. Anecdotally, we have had people do everything from beauty therapy, to police community support to working in various catering establishments to developing their own artwork such that they can sell it, and often where they come out is not where you expected them to go in. There needs to be a range of solutions. There needs to be working with individual employers that you build up a relationship with (the issue about a guaranteed interview which I talked about before), there is a role for social enterprises (we run our own cafe; other organisations run different forms of social enterprise) and there is a role for working with people, and an employment goal could be a good few years off, not least because they have got to stabilise other issues in their lives, and that learning bit could be a bit of stability. Some people use our art room—that is the bit of stability in their lives when everything else is really hectic, so they are not going to go straight into work. We need recognition: work for those who can, support for those who cannot, but activity and learning for all (to kind of adopt that welfare reform phrase) and we need to have the expectations and working to help everybody we can but accepting that for some people it is a long, slow process. It is about two steps forward, one step back for some people.

**Mr Pace:** There are a very few people we could not help in the short term, but over a sustained period of time we should be able to help everybody, not necessarily to get the best job in the world but to be able to benefit society.

**Q420 Mr Chaytor:** In your experience, Richard, in terms of employers, what is most needed to encourage more employers to be sympathetic to the idea of recruiting people?

**Mr Pace:** Success—people going in and being successful.

**Q421 Mr Chaytor:** So previous track record?

**Mr Pace:** Yes.

**Q422 Mr Chaytor:** Are there other specific practices or specific prejudices or systems that employers have that get in your way that you think could more probably be done to eradicate?

**Mr Pace:** It is a difficult area really, because people do have their own prejudices. Providing you can get over those, our client group are as able as anybody else to do specific jobs. There is no problem there.

**Mr Shrubsole:** You need some realism in how the relationship is constructed, and actually it needs to be done through the employment route, not the CSR route. It cannot be a CSR manager saying, “You are going to have joining your team today someone who is homeless or disabled”, or whatever, because it sets everybody up for failure and you have to think it through. People who have done it . . . We were

talking to DHL the other week and they have been working with ex-offenders and they have had some real nervousness around it, but it has worked. She says, “But how do we help the other bits of the workforce know about it?” I said, “Do not you tell them. Get those guys who were working with them and get the guys who you have taken on to and go tell others about it” and, in the end, they might say, “I happen to be homeless”, but up to that point they were someone in the DHL workforce. So there is needed success around there. It takes some commitment from the employer. It tends to be either an employer who wants a commitment to their local area, so they are a local employer, or a larger employer who can absorb people coming in and out. There needs to be success, it needs to be worked through and crucially it needs the employer to work with an agency who understands the client group to work out what is realistic and to work out a programme of working through things for six months and the people going on formally. The voluntary sector cannot just put some people into jobs when it does not understand the job. Equally, there have been times in the past where people have said, “We will take on some people”, and everybody has gone, “Wow, that is great”, without thinking it through. That is as bad, because every time you knock someone back, that is them back down the process of their confidence and their self-esteem again.

**Q423 Chairman:** Here you are, you have got 70 employees, you are operating under a restricted canvas, doing a very good job, I am absolutely convinced, but are you not frustrated that you cannot roll your programme out to help a much larger number of people?

**Mr Shrubsole:** We run a number of different programmes. The Skylight Activity Centre Programme, we are about to open another one in Newcastle in the next month. We have had capital help from Communities and Local Government to do that, but you need the funding to help you open somewhere else. The Smart Skills Programme we run, which is around working with people we give a rent deposit to get into the private and rented sector, now has our skills and training programme alongside to do not just the tenancy support, and we have had people going into work through that, and the Changing Lives Programme where we give direct grants to people. You talk about the individual learning accounts: we actually give up to £2,000 directly to homeless people across the UK who apply with a support worker to help them pay for either a course or some equipment. We would love to do more, and we are talking to DfES about what more we could do, but I think we should be judged like others. If you are successful and have a successful model, then people should come behind it and fund it, whether from government or the voluntary or business sector.

**Q424 Chairman:** Or your success should inform government policy?

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**Mr Shrubsole:** Exactly, at which stage I would encourage you all. If any of you would like to come for a visit, please do so.

**Q425 Chairman:** I was going to suggest that perhaps you should apply for a job in the Civil Service and apply some of the lessons you have learned, but you have been there and done that.

**Mr Shrubsole:** I have been there and done that, yes. I wanted to do the reverse.

**Q426 Chairman:** Why did you move?

**Mr Shrubsole:** To find out what it is like in the real world.

**Q427 Chairman:** Which secretary of state did you work with?

**Mr Shrubsole:** Alistair Darling.

**Q428 Chairman:** Was that enough to send you off?

**Mr Shrubsole:** I had an amazing two years working for him, but once you have done that long on the railways, you certainly need a respite.

**Chairman:** Thank you. Let us go on to the final section.

**Fiona Mactaggart:** I think we have got from you a pretty powerful picture of the potential contribution of the third sector to particular groups with high levels of needs in this field, but what I am quite interested in is Joe Citizen who may be homeless, does not think of himself as a homeless person but actually is homeless or has a disability and, again, might not label themselves as a disabled person. Can they navigate this system? Is it clear? We produced a set of maps of the skills system which Alan Wells, the former Director of the Basic Skills Agency said, "I do not know how anyone could see their way through that", and he is right. How do people find you? How do they find something that can help them, and are the people they end up being forced to find, Jobcentre Plus or whatever, helpful?

**Q429 Chairman:** David, you are doing that praying thing again.

**Mr Knight:** It is terribly complicated. The simpler we can make it the better because it gets people a solution faster, which is the most important thing. How do they find us? Either directly. We are opening a network of High Street branches which are very professional, work focused, training, recruitment, development centres, if you like, but very much literally on the High Street, but most people will come to us via Jobcentre Plus. Are they doing a good job? It is very mixed. In some areas they are doing an exceptional job, in some areas it is very difficult for them?

**Mr Shrubsole:** I think one specific is how you might find us and then the bigger issue is how the hell you find your way round the system? On the first, I was interested in the point about labels. One of the things we did when we first set up Skylight is we said it should be for homeless and non-homeless people to have some integration, because you do not want to label people. In reality it only happens to some of the physical stuff, but people in the city do a bit of Tai

Chi alongside some homeless people, and the karate tutor is a black belt and he is from the city as well, so we get volunteer tutors, which is quite unique, and we call people members rather than clients to try and break out some of the barriers there. How do people find us? We do quite a lot of outreach work across homeless projects, day centres, soup runs, hostels, but we need to do more. In general, you do get people who say, "If only I had found you earlier." How do people find their way to us as specialists but more generally round the system? More generally round the system is a nightmare. The route for funding or for accountability or direction is complicated, but for the individual it is very complicated. The Mayor is supposed have powers, but then the budget announced that there is another Employment and Skills Board and then there are different arrangements coming out of Leitch and different arrangements coming out of Freud. It is complicated. It is not just in the education area. We expect our most vulnerable to navigate a system which you and I would find hard, and yet we are asking them to do it. There needs to be getting learning and education about learning out of the learning sphere. If people are going to Citizens' Advice about housing advice, or benefit advice, they might get help for that, but somebody might also give them a leaflet which says, "Have you thought that you are eligible for a qualification? You can do basic skills here." It might be in your college or it might be in a voluntary or community centre. We need to get information about learning into employers and to the workforce and in ways that learners can learn about. Some of the things that Learndirect have done have been quite good, but whether it is how we structure the system as a whole or how we get information to people, we need to think about what it is like for the guy at the bottom and steer the system round that, because it is too complicated. Those that know about it get more of it

**Q430 Chairman:** This is where my life coach comes?

**Mr Shrubsole:** Exactly, a life coach, a broker, a service navigator, whatever it might be, you need that point of contact where you go and where people who might come to you about learning issue but might come to you about something else and you are able to suggest a learning solution.

**Q431 Chairman:** This is what an MP does in his advice surgeries. I sit there, most of my people come in and they need something that they do not actually present. It is only when you have the discussion with them about the problem that you realise that it is a very much more complex problem.

**Mr Shrubsole:** That would be your experience, Richard, every day. You talk to them and you find out more.

**Mr Pace:** Yes.

**Q432 Fiona Mactaggart:** What that issue about complexity highlights is that, as well as the difficulties for the individual citizen to find their way round the system, there are bits of the system which bump into each other. I like your take on how the

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bits of the system work together. Do government departments work in a way which is joined up and which helps, or do they not, and what would you change if you felt that it could be improved?

**Mr Parry:** I think it has to start with policy and integration of policy. An observation of where I do not think policy is as integrated as it could be: we have spoken a lot about Leitch and Leitch talking about the need to improve skills and skill levels for the economy. Duncan has mentioned the Freud Report, which talks about getting workless people back into work. It is interesting that in the Freud Report, a substantive piece of work, it does not talk about skills, and yet we have had a significant report coming out by Leitch. You have got one talking about getting people back into work, which does not really address the skills issue, and then you have got the Leitch Report saying low-skilled jobs are disappearing and it is all about skills. There you have two major policy documents, or discussion documents, which do not seem to be as connected as perhaps they could be in terms of working through a solution from two different departments. But let me give you a very simple example.

**Q433 Chairman:** When did the Freud Report come out?

**Mr Knight:** A couple of weeks ago.

**Q434 Chairman:** Which department?

**Mr Knight:** DWP.

**Q435 Chairman:** Is it DWP? I have not seen that.

**Mr Parry:** Again, this is probably a manifestation of the complexities of the silos that we have got, but the DfES report that came out this week, *Raising Expectations*, only has two paragraphs in the whole document that refers to issues around learners with disabilities, but one paragraph that does talk substantially about it talks about the LSC consulting on the draft documents for that policy issue. The LSC published its strategy, following consultation, last October, so even within one government department you have got niches of expertise that are not joined up.

**Q436 Chairman:** *Raising Expectations* is a Green Paper.

**Mr Parry:** Sorry, yes.

**Q437 Chairman:** So it is consultative. You can improve it. We can improve it?

**Mr Parry:** Yes, all I am indicating is the detailed level, but it is the detail that often drives the practicalities of policy; so I think it starts with the policy, and if we can get policy alive through common objectives, which Leitch says we should work towards, then I think the system will start to change and behave differently, but I think there is something missing in that integrated policy level, it seems to me.

**Mr Shrubsole:** The disjunct between DfES and DWP is key. You will go and talk to their officials and they will be quite clear, "This is for DWP, we are only concerned with work outcomes." DfES will say,

"We are only concerned with education outcomes", and there is a clear divide, but it is a moment of hope, as it were. Some of the things that have happened around offender learning where the Home Office has got together with DfES where it was very much Phil Hope and Baroness Scotland getting together and helping to drive some of that through the system, there are bumps that need ironing out and it needs to link on to the job agenda, but at the top there is a real divide between DWP and DfES which at the bottom is replicated by the divide between Jobcentre Plus and the Learning and Skills Councils. You then in the middle—I mentioned before about London—say, "The Mayor should link it up but then separate", but if the Learning and Skills Council have to operate to a set of national targets which are Level 2 focused and other things, but then you have a broker at the bottom which is supposed to be getting the skills that the employer needs but within a menu which is defined by national targets, you can see it starts getting quite complicated. Yes, there needs to be a joining up at the policy level, but that needs to follow through. It does not necessarily mean they all join up around a single goal, because then everybody is entirely immediately work focused. Some of Freud, even though it does not mention skills, is hinting that you need to focus on the sustainable work, so therefore you need to focus on skills, but, as Gareth says, there was not any mention in the Freud Report of Leitch and the budget, which came out a week after Freud, did not mention Freud but mentioned Leitch because Leitch was seen as a good thing because it came out of DfES and Freud was seen as a bad thing because it came out of DWP; and that drives through the system that people are facing on the ground, and that lack of consistency of approach and the complexity and the extent to which it is constantly evolving, with new responsibilities transferring, means that the people within the system are not clear, never mind those who are trying to use it.

**Mr Knight:** The City Strategy represents an opportunity to do something about that at ground level, where cities are given more freedom get the people on the ground working together, particularly Jobcentre Plus and the LSC. It is early days to see whether that is going to be successful or not, but the potential is there.

**Mr Parry:** I think in the disability area as well we are expecting some protocols to be published shortly between DWP and about how at ministerial level departments can work together.

**Q438 Fiona Mactaggart:** Do you think that the emphasis on your clients is partly a product of high level employment and do you think it would still be there if we did not have high levels of employment?

**Mr Shrubsole:** In terms of?

**Q439 Fiona Mactaggart:** It seems to me that one of the issues, one of the reasons why Estates is investing, one of the reasons why Press is investing is that there are actually job needs in the economy at the moment. What do you think would look differently if that was not the case? What impact do

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you think that would have on what you do? The reason I am asking you this is because I think there would be a big impact and I think we need to look at that impact to work out what is most valuable at the moment?

**Mr Shrubsole:** I think that goes back . . . On the employment side, over half of working age adults in 2020 are already over 25 now, so we need to have that focus on adults and we need the focus on kids as well but keep the focus on adults. So the future workforce does mean looking at those, whether they are on incapacity benefit or whether they are on long-term jobseeker's allowance or whether they are out of the system altogether. So we do need that for future employment, but other bit would be going back to some of those earlier points about social justice alongside economic efficiency arguments. But actually, yes, we want to help people into work, people want to work, the key to getting them into work is the stepping stones along the way. The reason why we are doing it, but also we need to be articulating that, is the arguments that even if they do not make it into a work outcome, that learning that they have gained, that self-confidence, those qualifications have benefits on reducing costs elsewhere in the system and the outcomes for them as an individual, and that is that economic efficiency alongside the social justice arguments together.

**Mr Parry:** I think it comes back to the positioning of the whole proposition of the supply side to the employers and, in terms of a demand-led approach for employers, it needs to be dressed up as skills, recruitment and retention issues because employers will always have skills, recruitment and retention issues. They may not have them in the volumes that they have today, but they always have those issues. If we promote the benefits of our candidate group on the back of a corporate social responsibility agenda, the very fact we are talking about corporate social responsibility highlights the disadvantage the individual has, the disability and the negative side of things rather than concentrating on the business case, which is all about the ability of the individual. I think the more we can embed that in the way we position our services, the more we engage employers. Our experience is that employers, once they are through that process, are more than happy to take on people from that candidate group because they see loyalty, they see retention, they see a willingness to learn in the workplace, far more so than they do when recruiting people from the mainstream client group. I think it is fundamental. The supply side really has to understand what demand-led means and work those solutions through, and then I think that the disadvantaged groups are less vulnerable to economic change.

**Mr Knight:** There is no doubt that a strong economy helps our call in terms of building up the skills, getting more and more people into work, but at the same time society has also moved on, has it not, and I think there is a much greater recognition and awareness that we need to support people across the spectrum rather than just the chosen few.

**Q440 Chairman:** Why do you think a healthy economy is the right environment in which to do the stuff you are talking about? How do you explain the

stubborn resistance? The NEETS category of those between 18 and 25 seems for quite a long period of time to have been quite stubborn, with high levels, 11%, 225,000 young people. Why do you think that? We touched on it earlier. Is it because there are less unskilled jobs out there? What is your analysis of that?

**Mr Knight:** I am not sure it is about the jobs necessarily, it may be more about how these people have fallen through the gaps. I talked about transition points earlier, and maybe that is one of the causes of that. In terms of the economy in general, the more jobs that are available the easier it is to place people.

**Mr Parry:** I do not think we have got particularly extensive experience of the NEETS issue.

**Q441 Chairman:** But a lot of them have a background of special educational needs, so it might impinge on your—

**Mr Parry:** My observation from the limited experience I do have, is that we are too much concentrating on trying to solve the NEETS issue by developing high-side solutions instead of going to employers and saying, "How can we engage you as a community in developing the solutions and opportunities for this candidate group?" Everything I read around NEETS and all the solutions I see all tend to be supply side led and I do not see much about what is the role for the employers in addressing this issue, but that is only an observation. I do not have any expertise in that area.

**Q442 Chairman:** Duncan and Richard, do you have the forensics of where your people come from? Are they the sort of people who drop out of school, truant become a NEET, is there a kind of profile there that you are picking up the kind of post NEET syndrome?

**Mr Shrubsole:** You can count everyone and everybody, and some have had high level qualifications and employment. I was talking to a guy who was a computer scientist for NASA and he became homeless. You get that whole range, but you do get a large number of people who dropped out of school pre-16 or who were excluded from school and who might have not been in education, employment or training, and there is a real issue. We crucially need to be getting that right, that crucial transition period from 16–19 and then 19–25; but what is very interesting is that some people who come in later, it is later that they realise what they have missed out on, and the opportunities for them post 25 are much more limited. So, yes, we need to do more in the up to 25 age group, but the opportunities after that are much more limited, and even within our own sector there are more homelessness agencies that work and provide training and employment opportunities for the younger age group than the older age group, and when people get to the point where either we are working with them and that awakens that enthusiasm or they have had it for some other reason, they need to be able to get into some form of provision which works with them.

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**Q443 Chairman:** We are coming to the end of this session. We have may have been three or four rather dozy politicians after a late night, but we have learnt a great from this session, we have really enjoyed it. Is there anything you think we should have asked you but we have been helpless because we perhaps are not operating at 100% efficiency? Richard, you are a man of wisdom. What have we missed out?

**Mr Pace:** Sometimes. I do not know really. It would be really nice if you came down to see what we actually do within our centre.

**Q444 Chairman:** How far are you from here?

**Mr Pace:** It is in the East End, it is not far, 15 minutes from here.

**Mr Shrubsole:** District Line to Aldgate East.

**Mr Pace:** We have got an art show on at the moment that you would be more than welcome to come and see.

**Q445 Chairman:** You have to be careful at Aldgate East. Someone once arranged to meet me at Aldgate East; there are 32 exits! Duncan, what about you?

**Mr Shrubsole:** The last thing I would say would be something I said earlier. If we think about the whole system, which does look so complicated, if we think about who are the right people we want to help; where are the right places to help them; and what is the right approach for the learning we want to offer, and then use that as a guide. Those would be my final thoughts.

**Q446 Chairman:** Gareth?

**Mr Parry:** We have not really spoken about higher education. I think we are anxious we do not really understand, and it is an observation rather than information, why only seven per cent of graduates declare a disability. There is evidence that says the higher the qualification level an individual can achieve the lower the differential between a disabled person and a non-disabled person in terms of employment rates, and yet the number of people going into higher education who have got a disability seems disproportionately low. I do not know what the answer to that is, but I am conscious we have not spoken about it.

**Q447 Chairman:** In a parallel world we are doing an inquiry into higher education. Perhaps you will have to come back for that or submit information on that as well. That is a very good point. David?

**Mr Knight:** Just to emphasise that it is the people on the ground who are the people who are best placed to help, be it the employer, be it the learning establishment, be it the individual. We need to avoid the top-down approach that we sometimes get.

**Chairman:** Can I tell you that we only write a good report if we listen to what is out there. We are not a research institute and we are not a think-tank. We are what we are and we write a good report on skills if we have listened and picked up the resonance out there. If you can continue communicating with us, and we will visit if you invite us, perhaps not all of us but some of us, and if you, as you go away, think about the kind of things we are trying to do and help us write a better report, we would be grateful. Thank you.

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#### Supplementary memorandum submitted by Remploy Ltd

#### SUMMARY OF THE ARGUMENT FOR A SPECIALIST BROKERING SERVICE SUPPORTING DISABLED LEARNERS INTO EMPLOYMENT IN ENGLAND

##### SUMMARY OF THE CURRENT SITUATION

Overall, the rates of successful transition to employment direct from education for learners with learning difficulties and/or disabilities, are appallingly low and cannot be allowed to continue;

##### STATISTICS

Statistical data is very sparse but includes the following:

- Young People: Approximately 15% of pupils aged 14–19 are identified as having special educational needs. PLASC statistics do not record the sustained destinations of pupils post-schooling.
- Connexions service reported in 2002 (last national survey available) that 54% of learners with learning difficulties and/or disabilities, were progressing onto post-16 education, compared to 72% of non-disabled learners.
- Statistics on sustained entry to employment for this learner group does not exist nationally.
- Further Education—there are over 640,000 learners with learning difficulties and/or disabilities in the FE system (10% of all learners), costing the LSC £1.47bn annually to support. Within this population, only 3,000 are in specialist college provision and 71% are over the age of 19.
- The LSC does not have any statistics available as to the successful transition rates into employment for this learner population.

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- Higher Education—Only 7% of learners in Higher Education are declared as having a disability. Of these, 51% of graduates with disabilities remain out of work 6 months after completion of their courses.

## SERVICES

### *Disabled Young People with a “Statement of Entitlement”*

For young people with a declared learning difficulty and/or disability who are given a “Statement of Entitlement”, transition is a statutory process and certain agencies have legal duties as part of it. It should be noted that all young people go through a transition when they leave school, what is distinctive about this time for young people with a Statement is that this is not a private process.

From Year 9, the statutory process of transition for disabled young people begins with a “transition review meeting”, involving the young person, their parents/carers and Connexions to discuss what support is needed for the young person to progress. Connexions are the only organization with a legal obligation to attend. It is good practice for other agencies to be invited to the meeting including health and social care professionals so that the range of issues discussed go beyond education, taking a holistic and personalised approach to planning the young persons future.

The young person should meet with professionals annually until Year 11 to plan for their transition and ensure that their aspirations for education and/or employment are accounted for and managed by the key professionals involved.

The key issue is that this should include employment aspirations, but in reality this is not the focus of attention and those in attendance have little realistic expertise about meeting employer needs.

Connexions has a legal obligation to support learners with a statement of entitlement until the age of 24, after which support for the learner ceases.

### *Disabled People without a “Statement of Entitlement”*

Young people with disabilities who are not given a Statement are expected to go through mainstream transition services, with little to no expert support available.

### *Further and Higher Education*

There are no specialist support services compelled to support the transition from education and into employment for learners with learning difficulties and/or disabilities from Further or Higher Education.

The Learning & Skills Council, in October 2006, published “Learning for Living and Work”—its national strategy for this learner population. This report strongly emphasizes the shift towards improving learner progression rates, and states an intention to work towards what it calls “the supported employment model”, but the strategy fails to explain how this will be done in reality.

There is no equivalent strategy in place for Higher Education.

## THE MAIN ISSUE

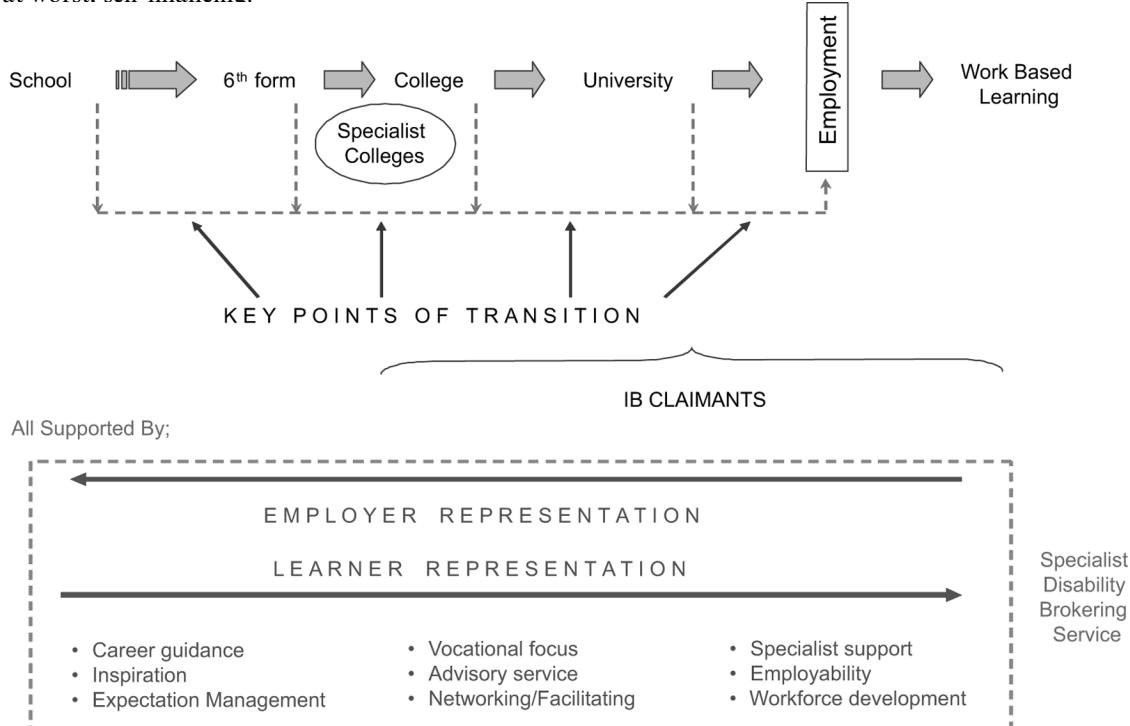
Overall, therefore, there is no universal support for learners with disabilities, with inconsistent approaches being adopted across different silos of education provision. The quality of Information, Advice and Guidance provided to disabled learners is generally low, lacks inspiration and motivation, and demonstrates little to no understanding of the reality of local labour market opportunities for disabled people. Given that achieving employment is the key enabler to achieving social inclusion and financial independence, the whole process of transition should be increasingly focused on the aspiration of work.

## THE CASE FOR A SPECIALIST BROKERING SERVICE

There is no need to totally replace the existing infrastructure as some of it works well. However, it is important that the service is enhanced in order to join it together and focus more on employment outcomes. Therefore, there is a strong economic argument for investing in a specialist brokering service that is targeted at delivering inclusive and cost-effective solutions, and which complements and works alongside existing services and agencies at a local level.

Remploy believes that a specialist brokering service that has a direct and detailed understanding of local employer needs, as well as the needs of disabled learners and learning providers, is essential. Understanding the reality of the employer perspective will drive the integration of the employment, skills and health agendas. This clear work focus will result in many more disabled people making the successful transition from education to sustained, paid employment. The service will deliver many more disabled learners

successfully entering the world of work, and at an earlier stage than at present, hence reducing long-term support costs for Government departments. This will make the investment in a specialist brokering service, at worst, self-financing.



## SUMMARY

A new, universal specialist brokering service working across all education sectors and focussing on the single objective of supporting more disabled learners into work will:

- Complement existing infrastructures.
- Enable the transition process to become increasingly led by the employment agenda.
- Provide the learner with consistency of support in transition periods.
- Provide high quality, current, relevant and realistic Information, Advice and Guidance from an employment perspective.
- Deliver higher volumes of disabled learners into sustained employment.
- Be self-financing in the medium term.

## KEY POINTS FROM REMPLOY'S SELECT COMMITTEE APPEARANCE: 28 MARCH 2007

The full version of our evidence is currently available publicly in uncorrected form. However, we thought it might be useful to very briefly summarise the key points of our case in a shorter document. Please do get in touch with us if you have any questions or comments on this:

- The best way to help disabled people to live fulfilling and independent lives is by getting them into sustainable jobs.
- Crucially, this means employers must be at the heart of the strategy for developing skills.
- If all the various agencies engaged in the skills agenda were signed up to this end-point from the beginning it would be easier to work together. It would make it much less likely that different agencies would get distracted by short-term issues and objectives (something which can happen when governments introduce new targets).
- A new brokerage service is required to pull together the needs of the disabled learner, the learning provider and the employer to help ensure that employment outcomes are at the heart of the learning process.
- Ultimately, we should find out what employers need and then try to feed that back into the system. Remploy, for example, works closely with local employers and then helps to equip people with the specific skills that those employers need.
- We should be wary of one-size-fits-all approaches to skills. Remploy has dealt with many disabled people who have qualifications on paper but who still need help to develop skills to equip them for the workplace—things like help with getting to work etc.

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- We should also make sure the funding for education goes to those most in need. At the moment, a great deal of money is spent on those already in employment. These people are important but there should be more focus on those people actually trying to get into employment.
  - There should be more trust in providers to determine where money is spent. People on the ground tend to have a better feel for the best way to allocate resources—which in turn would provide value for money.
  - We are generally supportive of the overall direction of travel of the Leitch Report that is making employers more important in developing the skills agenda.
  - However, despite progress, we need to go further. Leitch gives a rather generic definition of Level 2 skills. We should be creating more sector-specific qualifications that are directly useful to employers and therefore directly useful to people looking for sustainable employment.
  - Leitch did seem rather too focused on Level 2 skills. There is a danger that, as groups try to demonstrate progress on Level 2, people with lower skills will be forgotten. That said, we believe that a significant minority of the people Remploy deals with could achieve skills approaching Level 2.
  - Also, despite the fact that the number of people engaged in learning is increasing (10% of the LSC learner population declare a disability), Leitch had relatively little to say about the needs of disabled people. Given the number of people declaring a disability, it ought to be more of a mainstream issue.
  - There are going to be many jobs available for disabled people to do in the longer-term as the economy moves towards more of a service-sector focus.

**REMPLOY IS THE MARKET-LEADING EXPERT IN THE PROVISION OF SPECIALIST EMPLOYMENT SERVICES FOR DISABLED PEOPLE AND THOSE WHO FACE COMPLEX BARRIERS TO EMPLOYMENT, ENABLING THEM TO ACHIEVE SUSTAINABLE EMPLOYMENT WITH MAINSTREAM EMPLOYERS**

- Remploy creates independence for disabled people through work. At Remploy we believe that employment is a key foundation of equality and social inclusion. We believe that employment is the best route out of poverty, enabling people to transform their lives.
- Remploy enables disabled people to gain mainstream employment, working in partnership with Jobcentre Plus and many of the UK's top employers.
- Remploy offers its candidates a range of vital services to develop jobseekers' skills, including pre-employment training in vocational skills, "soft skills" development such as confidence building and team building, and recruitment programmes.
- Remploy last year found over 5,200 jobs for disabled people with employers such as BT, Asda and Christian Salvesen.
- The company is opening city centre branches as part of a drive to significantly increase the number of people it enables to achieve mainstream employment. The first of Remploy's high-street branches are open in Birmingham, Plymouth, Leeds and Nottingham.
- To support this work, Remploy recently launched Remploy Learning, a new business stream which aims to help more disabled people into work by improving the links between disabled learners, training providers and employers.
- Remploy also have a range of manufacturing and services businesses

*Did you know?*

Remploy's specialist employment service saves the taxpayer £9,000 per annum, for an initial £5,000 investment for every person it helps into sustainable employment

*April 2007*

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## Monday 14 May 2007

Members present

Mr Barry Sheerman, in the Chair

Mr Douglas Carswell  
Mr David Chaytor  
Paul Holmes  
Mr Gordon Marsden

Fiona Mactaggart  
Mr Andrew Pelling  
Mr Rob Wilson

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### Memorandum submitted by Skillfast-UK

#### INTRODUCTION

1. Skillfast-UK is the Sector Skills Council for apparel, footwear, textiles and related businesses, ranging from the processing of raw materials, through to product manufacture and the after-sales servicing of productions. The sector employs over 384,000 people across almost 40,000 enterprises, generating output of almost £10bn a year.

2. Skillfast-UK fully welcome the opportunity to contribute to this inquiry, believing it is both pertinent and timely given the vigorous skills debate which has been stimulated by the recent publication of the Final Report of the Leitch Review.

3. This submission provides a broad picture of many of the key skills issues faced by employers in the apparel, footwear and textile sector. It is our belief that this analysis strongly supports the case for significant changes to the pattern of public investment in the skills development of the sector workforce, in line with the Leitch recommendation to develop a simplified, demand-led skills system.

4. Skillfast-UK would be pleased to provide oral evidence or supplementary evidence if this would be helpful to the Committee.

#### *What should we take from the Leitch Report on UK skills gaps?*

5. The SSC believes that the Leitch Review clearly sets out the scale of the skills challenge facing the UK. Without doubt, to succeed in the new global economy, the UK must raise its sights and aim for “world class” skills. As Lord Leitch has noted, without effective collaborative action, the continuing skills shortfall will have “profound implications” for the UK economy and society/constraining prosperity, the ability of business to compete, and individual pay and job prospects.

6. In addition to the analysis provided by the Leitch Review, it is important to remain cognisant of the fact that skills and productivity issues vary greatly across and between sectors. In this connection, the research conducted as part of the development process for the SSC’s Sector Skills Agreement provides a clear insight into the existing and emerging skills issues within the apparel, footwear and textiles sector. These can be summarised as follows:

- Recruitment problems in respect of operator and other entry-level roles. A wide range of operative roles are affected, including sewing machinists, textile process operatives, warehouse operatives etc.
- Skills shortages and skills gaps affecting design roles, with appropriate technical and commercial skills in short supply. Apparel and fashion design are chiefly affected; however there is also an impact on footwear and some textiles industries.
- Shortages of graduate technologists with the industry skills and knowledge needed to drive innovation and business performance in areas such as technical textiles.
- Lack of capability in business skills relating to international trade and control of global supply chains. This issue has a widespread impact and is of critical importance to apparel suppliers, independent designers, technical textiles, and knitting industries.
- Deficiencies of specialist craft and production skills. A wide variety of occupational categories are affected including skilled leather trades (eg shoemakers), handcraft tailors, textiles technicians, textiles operatives.
- A need to intensify effective multi-skilling and flexibility across the sector workforce. This particularly applies to workers at operative level and affects all manufacturing industries contained within the sector footprint.

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*What are the demographic issues which need to be taken into account in skills policy?*

7. The analysis provided by the Leitch Review places into sharp relief the importance of improving the skills of older groups in the workforce, with adults aged 50—65 years expected to account for 60% of the growth in the working age population through to 2020.

8. This is an issue of particular salience within the apparel, footwear and textiles (AFT) sector, where the age profile of the existing sector workforce is skewed towards the older age bands relative to the UK norm. Less than one in ten of those employed are under the age of 25, while 30% of people working in the sector are aged 50 years or older.

9. In this context, Skillfast-UK's sectoral research indicates that the scale of future replacement demand is a key challenge facing the sector. In some intermediate roles, for instance, demand will be significant over the next 15 years as older workers retire, even though those jobs account for a decreasing share of employment.

#### NATIONAL POLICY/ISSUES

*Are the Government's priorities for skills broadly correct—for example, the focus on first "Level 2" qualifications?*

10. Skillfast-UK fully endorse the Government's target to reduce the number of adults in the workforce lacking a Level 2 qualification by 40% by 2010. As Lord Leitch has rightly noted, Level 2 provides an effective platform to enable people to get on in work, and will increasingly be the minimum standard expected for employability as the UK economy evolves through to 2020.

11. This is an issue of particular salience in the apparel, footwear and textiles sector where some 49% of the sector workforce possess no qualification or are qualified below Level 2. Significantly, recent international research suggests that there is significant positive correlation between growth in total factor productivity and the presence in the sector workforce of individuals educated to intermediate level (up to and including S/NVQ Level 3 equivalent).

12. A growing body of research suggests, however, that the success of the Government's target for increasing attainment at Level 2 will be largely contingent on the extent to which qualifications deliver skills valued by employers and individuals. In this connection, we are most optimistic that the recommendations set out in the Leitch Review in respect of vocational qualification reform will work to ensure that investment in skills at Level 2 is channelled into the skills that drive business productivity and wage returns.

13. While the focus on first Level 2 qualifications has redoubtable benefits, it is the SSC's view that there is also a need to target investment on the development of adult skills at level three. Skillfast-UK's research shows that skills at this level are critical to competitiveness, underpinning product development activity and enabling firms to tap into new market opportunities.

*How do other targets, such as the "50% into HE" fit with the wider skills agenda?*

#### Higher Education

14. The SSC's consultations with employers highlights that there is a particular concern that the educational system has, over the past 15 to 20 years, tended to elevate academic over vocational learning/the "50% into HE" target being a clear manifestation of this trend.

15. Significantly, international evidence suggests that parity of esteem of the vocational route is needed to achieve world-leading levels of post-16 participation in education and training. While the introduction of 14-19 Diplomas represents a welcome new approach to engaging young people in the value of skills acquisition, we would encourage the Government to give further consideration to how this target can be better reconciled with need to give parity of esteem to the vocational route.

16. In addition, our sectoral research suggests that there is, across the UK as a whole, a significant disparity between the increasingly large size of the fashion/textile design student cohort and the relatively small number of people employed in graduate design roles within the sector. More significantly perhaps, feedback from employers and the evidence of institutional inspections (QAA) indicate that HE provision is of variable quality in terms of technical and commercial content and the extent to which sector employers shape curriculum, delivery and assessment. This is reflected in a deficit of technical and commercial skills among many design graduates seeking to enter the sector, combined with a lack of industry understanding and orientation.

17. In this context, there is a need for increased vocational orientation within HE/we are currently developing and piloting approaches in this area, encompassing a new mechanism to deliver higher-level skills for fashion design students.

## Skills for Life

18. While the SSC fully endorses the targets set out in the Government's basic skills strategy, Skills for Life, there appears to be much greater scope to contextualise basic skills support to workplace roles. Evidence appears to suggest that "embedded" teaching and learning of literacy and numeracy would serve both to raise achievement, since people generally learn more effectively in areas in which they have a high level of interest, and enable learners "hit the ground running" once in the world of work. Employers indicate that there is greater potential to mobilise their staff around a contextualised programme of learning because of reduced stigma from the point of view of individual employees and more direct business benefits.

### *What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

19. The experience of the SSC to date suggests that there is a pressing need for improved joined-up working between Departments with a view to expediting progress towards the established targets for the UK's economic and social welfare performance.

20. A prime example of the need for joined-up Government it is in the policy area of employment. Although the DWP is the lead Department for the Government's Employment strategy, many other factors, responsibility for which rests with other Departments, have a considerable bearing on the success of the policy initiatives aimed at assisting people into work.

21. Skillfast-UK fully welcome the conclusion of the Leitch Review that the support available to help people move into work must be joined up across the Government Departments and Agencies. In this connection, there appears to be particular scope to establish more effective links between someone moving into work (eg from the New Deal) and in work support (eg Train to Gain) which can help them stay in work and progress.

22. In this context, Skillfast-UK's "Intro" proposal, developed as part of the SSC's Sector Skills Agreement, puts forward a vision for a fully integrated approach to recruitment, retention and training issues, drawing together the existing work of partners including Department for Education and Skills, Jobcentre Plus and the Learning and Skills Council. We believe that there is significant potential for further collaborative action of this kind to provide enhanced services to employers and learners.

### *Do current funding structures support a more responsive skills training system? How could they be improved?*

23. In view of the demographic trends detailed above (paras 3–5), it is the SSC's view that there is a strong case for greater flexibility in funding arrangements for learners aged 25 and over. At intermediate level, our consultations with employers indicate that take up rates for apprenticeships are limited by the fact that funded participation in apprenticeships is currently restricted to young people aged 16-24. This is out of kilter with the fact that employers are less able to attract recruits from a dwindling pool of young people and increasingly reliant on an intake of mature adults seeking a change of career.

24. The SSC's current assessment of the situation regarding publicly funded training is that the capacity of much of the mainstream provider base continues to deteriorate as the ongoing fragmentation of the industry reduces the scope to deliver training profitably under traditional models. This trend has been accelerated by the high costs associated with technical provision relative to traditional "academic" courses. As a consequence, the sector is heavily reliant on in-house skills development resources, which impacts on its ability to build the capacity of employees in key areas of under-pinning knowledge.

25. This is evidenced by the decline in registrations for publicly funded education and training programmes in England. In the two years between 2002–03 and 2004–05, the number of Learning and Skills Council funded registrations for sector-specific learning aims fell by more than half, from 15,800 to 7,100. Drilling down on learning opportunities with a clear vocational focus, including NVQs, the number of funded registrations fell by almost 80% from 2,100 to less than 500. The level of funding attracted by vocationally-focused FE courses fell from £2.7m to less than £500,000.

26. As a result, the need for increased availability of learning provision covering technical subjects is the most common concern among sector employers in terms of supply-side issues. We would therefore urge the Government to give further consideration to the need to ring-fence funding for the technical provision needed to drive productivity and wage growth in many sector industries.

27. The SSC estimates that sector employers derive direct benefit from less than 10% of the current public expenditure on education and training that notionally relates to the skills of our sector. Although training carried out in the workplace is, without question, the key mechanism for developing the skills needed to drive productivity within the sector, annual public expenditure on sector-related work-based learning currently totals less than £1million. In this context, the SSC believes there is a clear rationale for diverting public funding away from courses that employers don't want, into workplace learning that employers do want.

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*Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

28. Skillfast-UK fully endorse the recommendation of the Leitch Review that there should be a much clearer financial balance of responsibility, based on the principles that Government funding ought be targeted at market failure and responsibility shared according to economic benefit.

29. As Lord Leitch has rightly noted, securing greater effort and investment by employers will be crucial to deliver the skills improvements that the country needs. But while sector employers overwhelmingly accept the need to invest more in skills, any move to introduce a statutory entitlement to workplace training for individuals who do not have a full Level 2 qualification is likely to be met by firm resistance.

30. As such, the SSC believes that the most effective way to deliver increased employer investment in skills (at Level 3 and above) is to ensure that public funding is channelled into the types of provision that employers need. We believe that under the revised system set out by the Review, the Sector Skills Councils will be aptly placed to stimulate additional employer investment in skills at all levels.

31. In this connection, our consultations with employers indicate that, under a more industry-led model, the sector would increase its contribution in the following areas:

- Curriculum and programme design and student assessment.
- Provision of student placements.
- Business mentoring.
- Recruitment of staff.
- Enhancement of HR infrastructure.
- Support for employees in undertaking accredited training.
- Development of staff to become industry trainers.
- Development of staff at management level.
- Release of surplus equipment and materials for training purposes.
- Investment in productivity techniques, such as lean manufacturing.

## SUPPLY SIDE

*What do national and regional agencies currently do well? How are bodies such as the Regional Skills Partnerships working?*

32. The establishment of Regional Skills Partnerships has encouraged the development of partnership structures and operations which now underpin the SSC's regional approach to implementation of our Sector Skills Agreement. To date, we have made particular progress working through mechanisms such as the Textiles Sector Skills and Productivity Alliance (SSPA) in the North West and the East Midlands's Clothing and Textiles Group which forms part of the region's Employment and Skills for Productivity Partnership—both of which serve to bring together key partners and stakeholders in a coherent approach to the sector's needs.

33. We are particularly encouraged by the recent decision of the North West SSPA to align its delivery action plan with the key proposals contained in Skillfast-UK's Sector Skills Agreement for England; an approach that will harness the concrete support of partners with an identifiable interest in the development of the sector. We are pursuing similar opportunities to consult further with stakeholders in other regions to establish how such mechanisms might be created to embed our priorities within join action planning proposals.

34. However, experience to date suggests that SSCs tend to lack the resources to maintain a close dialogue with nine regions and to project manage the development and implementation of SSA proposals with nine sets of partners.

35. In addition, there are still problems arising out of the fit between SSAs and the regional policy structures that pre-date them. Key issue in this respect include:

- Regional Learning and Skills Councils, the main purse-holders in the regions, are driven by central targets and lack the discretionary funding to support developmental work proposed in SSAs.
- A set of sectoral priorities is integral to most Regional Economic Strategies. This acts as a constraint on those SSCs who do not cover a RES priority sector.
- Under the current regional model, SSCs bring only intelligence and influence to the partnership. While this is assumed to be an essential element to the system design, it is not always valued or acted upon in practice.
- Variance in regional priorities and structures creates particular difficulties in providing a national standard of support demanded by employers.

*What is the typical experience of a college or other provider who wants to put on new provision in response to local employer demand?*

36. The experience to date of the SSC suggests that the level of business and stakeholder commitment is the key determinant of the success of efforts to develop new provision in response to local employer demand.

37. Working with Bridgwater College, Learning and Skills Council Somerset and Bath Spa University, Skillfast-UK has recently helped luxury leathergoods company Mulberry to put in place a leather production apprenticeship programme. 10 young people were recently recruited as apprentices with the support of Connexions. Innovative aspects of the plan include the use of in-company “expert witnesses” to facilitate the NVQ assessment process and the opportunity for other small businesses in the region to use Mulberry’s premises as a specialist technical training hub. We would welcome the opportunity to provide the Committee with further information on this initiative, as required.

#### DEMAND SIDE—EMPLOYERS

*What should a “demand-led” system really look like?*

38. Skillfast-UK fully endorse the vision of a simplified demand-led skills and qualification system set out by the Final Report of the Leitch Review. It is the SSC’s belief that the clear and coherent analysis provided by Lord Leitch strongly supports the case for significant changes to the pattern of public investment in the skills development for the sector workforce, underpinned by a new, more focused role for the Sector Skills Councils.

39. In terms of developing a demand-led system, the Leitch recommendation that only those vocational qualifications approved by SSCs should qualify for public funding is to be strongly endorsed. The SSC estimates that sector employers derive direct benefit from less than 10% of the current public expenditure on education and training that notionally relates to the skills of our sector. Empowering SSCs as the “gatekeepers” to funding for work-based learning qualifications should be a significant step towards ensuring that public investment is channelled into the types of skills provision that employers want.

40. Interventions such as Train to Gain will undoubtedly be central to efforts to develop a demand-led model. In this connection, it will be of the utmost importance to ensure that the SSCs can be effectively positioned within the system to ensure that the work of skills brokers is informed by an appropriate understanding of sector needs.

41. The creation of a demand-led system is also likely to mandate substantial structural reform at the regional and local level. Again, the recommendations of the Leitch Review have provided important policy orientation in this respect. We would hope that the forthcoming HM Treasury review of sub-national governance will provide clarification on how the work of the proposed Skills and Employment Boards will intersect with the multitude of vehicles currently operating at a regional and local level in England

42. It should be noted, however, that a lack of appropriate supply-side infrastructure to meet sector-specific needs could still present problems in a demand-driven system—at least in the short to medium term. This observation would appear to be particularly apposite in cases where the fragmentation of the industry is such that local demand is likely to be insufficient to incentivise the development of provision. In this connection, it is the SSC’s view that the Sector Skills Agreements will play a crucial role in facilitating the transition towards a more demand driven model by developing the necessary supply-side infrastructure.

*Do employers feel like they are shaping skills training—for example through Sector Skills Councils?*

43. Since its inception in 2002, Skillfast-UK has represented apparel, footwear and textiles employers in efforts to shape a demand-led approach to the supply of education, training and skills. According to the Skills for Business Network evaluation almost two-thirds of employers in the Skillfast-UK sector who were in a position to comment believe that the work of the SSC has had a positive impact on skills development.

44. The SSC has worked to ensure that the voice of employers is centrally placed in its development work. This has been achieved through a programme of employer research and consultation that is unprecedented within the sector in terms of its scale and the degree of detail of enquiry, ultimately involving more than 2,000 establishments.

45. What is more, employers have been consulted on a continuous basis throughout the SSA process; to assess their skills priorities in the first instance; secondly, to review their workforce development practices and their perceptions of the education and training provision available to them; then, as part of “Stage 4”, employers were asked to comment on the fitness for purpose of draft proposals for action and to indicate the nature and level of commitment they would be prepared to make in support of the proposals. Skillfast-UK’s employer-led Council has also played a crucial part in ensuring an appropriate direction of travel for the SSA process.

46. Many of the 15 proposals developed through the SSA process offer employers the opportunity to tailor provision to their particular needs. A prime example of this approach is the SSC’s “Skills HQ” proposal which aims to bring together employers, training providers, funding agencies and awarding bodies with a

view to providing structured technical training provided in the workplace for new recruits and existing workers. Under the programme, Skillfast-UK acts as a broker to guide the company through the process and to ensure that it receives a joined-up service.

47. Case studies show that the following benefits can be achieved through the implementation of the “Skills HQ” approach:

- Improvement in the organisation’s ability to recruit and retain staff.
- Access to public funding to support structured technical training carried out in the workplace.
- Reduction in the bureaucracy often associated with publicly funded training.
- Development or enhancement of the company’s training infrastructure.

#### *What is the role of Union Learning Reps?*

48. Skillfast-UK’s strategy identifies a potential contribution by Union Learning Reps in the following areas:

- Developing enhanced understanding of career development opportunities among those working in the sector through Union Learning Representative network.
- Promoting the scheme to Union members.
- Supporting often vulnerable new entrants at work.
- Promoting opportunities and benefits of further learning.
- Working with employers to provide appropriate support to new entrants.

### APPRENTICESHIPS

#### *What should apprenticeships look like? How close are they currently to this vision?*

49. Skillfast-UK seeks to realise employers’ vision of flexible, employer-based apprenticeships. The sector needs apprenticeships that can be delivered entirely on employer premises, without sacrificing the element of under-pinning knowledge; apprenticeships that support a collaborative approach by employers and that fit the skills needs of specific companies.

50. The evidence from ALI inspections suggests that there is a base of providers who offer high quality work-based learning; learning that is employer-led, relevant to the workplace, that demonstrates good practice in respect of general process quality, and delivers satisfactory levels of learner achievement.

51. However, the size and scope of the delivery infrastructure has declined significantly in recent years, with a pressing need to promote collaborative arrangements among employers, supported by local providers, to achieve the necessary increase in the supply of high quality places for young people and adults.

#### *Are the number of places available appropriate, and in the right areas, and at the right level?*

52. Although apprenticeships are a crucial method of delivering work-focused intermediate skills, our assessment of current education and training provision for the sector that the apprenticeship delivery infrastructure in England is now limited in terms of its size and the scope of its coverage—with particular industries reliant on small numbers of providers or, in some cases, having no providers at all. The Textiles Technical Certificate, for instance, is available from only two providers, in the East Midlands and Yorkshire and the Humber, severely limiting the availability of the Advanced Apprenticeship in this discipline. Consequently take up of sector-specific apprenticeship opportunities is thought to be low.

53. At intermediate level, our consultations with employers indicate that take up rates are limited by the fact that funded participation in apprenticeships is currently restricted to young people aged 16–24. In this context, the assertion contained in the Leitch Review that more adult Apprenticeships will be available to fill skill gaps is to be welcomed in principle; however, we would urge the Government to give further consideration to the need for far greater flexibility in funding arrangements for learners aged 25 and over in order to stimulate take up.

### QUALIFICATIONS

#### *Do the qualifications which are currently available make sense to employers and learners?*

54. We broadly endorse the findings of the Foster Review, which described the English qualification system as “confusing and complex”, noting that “the qualifications system is not easy for learners, employers and others to understand or navigate”.

55. In response to this situation, Skillfast-UK’s Sector Qualifications Strategy (SQS) has been devised by Skillfast-UK and sector employers with the support of UK regulatory bodies to ensure that sector qualifications better meet the needs of the sector—including those who aspire to and currently work within

the sector. We envisage that the SQS will drive the development of qualification titles that reflect the changing demands of employers, ensuring that employers, employees and potential learners have an understanding of how sector qualifications relate to specific areas of the Skillfast-UK sector footprint.

56. We believe that endorsement powers for SSCs would contribute further to the rationalisation of the qualifications system. In addition, strong communications between SSCs and Train To Gain brokers should mean that employers receive the advice they need when selecting a suitable qualification to underpin workforce development activity.

57. Skillfast-UK's Qualifications and Curriculum Funding Forum provides an opportunity to both employers and stakeholders to consider and steer the development of qualifications and curriculum within the sector.

*January 2007*

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**Witnesses:** **Ms Dinah Caine**, Chief Executive, Skillset, **Ms Linda Florance**, Chief Executive, Skillfast-UK, and **Mr Brian Wisdom**, Chief Executive, People 1<sup>st</sup>, gave evidence.

**Q448 Chairman:** I welcome Brian Wisdom, Dinah Caine and Linda Florance to this very important inquiry into skills. In this session we want to learn more about the role of the Sector Skills Councils. We thought that it would be very interesting to bring together here the rather diverse sectors represented by the witnesses. We usually give witnesses the opportunity to say a few words, not lasting more than a couple of minutes, about themselves and their organisations. If that is acceptable, we will begin with Mr Wisdom.

**Mr Wisdom:** I am Brian Wisdom, chief executive of People 1<sup>st</sup>. People 1<sup>st</sup> is the Sector Skills Council for the hospitality, leisure, travel and tourism industry which comprises approximately 180,000 employers and about 1.8 million employees. In the past 18 months we have conducted research with over 5,000 of our employers. My board consists of the two largest employers in the sector, the second largest visitor attraction business in the world and three small to medium enterprise chief executives.

**Ms Caine:** I am Dinah Caine, chief executive of Skillset which is the Sector Skills Council for the audio-visual industries. Effectively, our board comprises large companies like ITV, BBC and Channel 4 and a large number of small to medium size enterprises—we have a number of levies running in our industry—but also 60% are micro-enterprise or freelance, which is a significant issue. Further, over 60% of our industry are graduates. That is our skills profile. We were a trail-blazer Sector Skills Council; we were one of the first four pathfinders to develop sector skills agreements. Like all other Sector Skills Councils, we are led by our industries. We are not non-departmental public bodies but limited companies led by our industries who work in social partnership with the trade unions where they are recognised within the industries.

**Ms Florance:** I am Linda Florance, chief executive of Skillfast-UK which is the Sector Skills Council for apparel, footwear, textiles and related businesses. It sounds like a very long title, but that is everything from the production of fibres through to high-level couture fashion, and certainly new and innovative industries have been born out of that sector. For example, at this moment our weavers are weaving the wings for the new Airbus and knitters are knitting products that will end up in heart valves and ligaments for surgery. Our industry is dominated by

small to medium size enterprises and micro-businesses, many in niche product areas who trade internationally with some global brands that are well known around this table, for example, Mulberry, Jasper Conran and so on. In the past two years we have been linked in to about 2,500 employers directly to look at their needs across the sector and each sub-sector, which differ quite significantly. It is worth mentioning that we three represent the 25 Sector Skills Councils which themselves have representation across the FTSE 350 companies but, importantly, build on those links with small businesses and the trade union movement.

**Q449 Chairman:** We may well have other Sector Skill Councils before us later in our inquiry. We want to hear what you think and you can generalise if you like, but do not feel it is too onerous. I open the questioning by asking all of you what sort of budgets we are talking about to do your jobs and who provides the money.

**Mr Wisdom:** The core funding that comes via the Sector Skills Development Agency to People 1<sup>st</sup> has been an average of £1.3 million for the past three years. The rest of the income for the Sector Skills Council comes from industry or our own commercial enterprises.

**Q450 Chairman:** You get £4 million from the Sector Skills Development Agency. How much do you get from other sources?

**Mr Wisdom:** In terms of total revenues for the past four years it is £21 million.

**Q451 Chairman:** Therefore, the £4 million is quite a small part of that?

**Mr Wisdom:** The £4 million is a relatively small part.

**Ms Caine:** We manage levies on behalf of our industry. We manage funding of about £8.3 million which is a mixture of levies and industry contributions and money from the UK Film Council which supports the training of people within our industry. Much like Mr Wisdom, we then have about £1.3 million a year from the SSDA and about £1 million from our industry. In addition we raise approximately £1 million in project funding from a range of agencies across the UK. Therefore, our core resource is relatively small in relation to the growing list of things that we are expected to deliver as part

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14 May 2007 Ms Dinah Caine, Ms Linda Florance and Mr Brian Wisdom

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of our licences with Government. Obviously, we have to deliver those roles right across the UK. Am I right in understanding that all the Members here represent English seats?

**Q452 Chairman:** Yes; they must be to be on the Committee.

**Ms Caine:** Obviously, training and education is a devolved power, and our role is to represent our employers and interface with those many different agencies and governments right across the UK, which is a significant additional pull on our resources. It is welcome but nevertheless significant.

**Ms Florance:** To repeat what has been said to some extent, our Sector Skills Council has also had core funding of £1.3 million a year for the past three years. In addition, we have sourced another £3 million worth of funding approximately to deliver on specific pieces of work, many from regional development agencies; some on the qualifications development front and others through the LSC to pilots and strategies for them.

**Q453 Chairman:** How much are we talking about?

**Ms Florance:** It is £3 million per year in addition to the £1.3 million that we receive in core funding.

**Q454 Chairman:** Where does the second £3 million come from?

**Ms Florance:** The second £3 million per year has come from a range of bodies, in some cases regional development agencies.

**Q455 Chairman:** What comes from the industry itself?

**Ms Florance:** In terms of the industry we have had very low investment into the Sector Skills Council for the industry. I believe that is a key point on which to build. Our objective is to get our industries to invest in skills within the industries themselves rather than in the Sector Skills Council. In an industry driven by small to medium size enterprises the actual onus to get them to invest significant amounts that would be easy to manage by the Sector Skills Council has been quite difficult.

**Q456 Chairman:** The original intention was for all of them to be self-sufficient, was it not?

**Ms Caine:** You are quite right that that was the stated aim and intention of DfES. I have to say that that aim was decided upon without consulting the Sector Skills Councils and Ms Florance's point is very well made. Currently, the network of 25 enjoys something like £36 million worth of core investment. Perhaps we can go on to discuss later that the percentage of satisfaction and recognition by employers is increasing. When looking forward to the Leitch expectation, one perhaps has to begin questioning the proportionality around which agencies have been tasked to do what and where that resource is being applied. The original proposition that we should be self-financing in three years was extraordinary and misguided. Our practice shows what we can deliver in terms of the benefits to which Ms Florance has referred but we believe that for that

we require authority and further resource. I just draw to the attention of the Committee that currently the Learning and Skills Council has a budget of £10.4 billion for England alone and a significant part of that is applied to staff and overheads.

**Q457 Chairman:** My question is not a criticism; it is just to get the balance right and compare it with the original intention. What are the great challenges facing the Sector Skills Councils? It has been going for some time. How successful do you rate yourselves?

**Mr Wisdom:** It depends on how one measures it. I believe that the sector skills movement has achieved a lot in a very short space of time. I think the first Sector Skills Council was established in April 2003 and the last one in January 2006. This is a relatively young network. I cannot talk about every Sector Skills Councils. If I take my own first, on 7 March the Minister for Tourism and Creative Industries launched the first ever national skills strategy for hospitality, leisure, travel and tourism based on a massive breadth of research, including four skills summits that had involved in the region of 200 employers, to develop solutions for the industry, and all of that was from a standing start with fairly minimal investment.

**Ms Caine:** It is interesting to note that at lunchtime today CIPD launched its research which looked at its employers' views on skills and agencies. Given that we are, as Mr Wisdom said, a young network, it is very pleasing to see that 87% of those employers rated our performance either as good or average. That is better than the RDAs and is pretty level pegging with the Learning and Skills Council.

**Q458 Chairman:** You are being a bit selective. I chaired that launch of CIPD at lunchtime and KPMG said some quite hard and rather nasty things about the performance of other parts of the Sector Skills Councils.

**Ms Caine:** I am sure they said that we probably needed to improve.

**Q459 Chairman:** No; they said they rated you below FE colleges and private trainers. You were in the third tier. It is true that you were not as bad as the LSC but by some criteria you did not achieve quite that result.

**Ms Caine:** I think that is right. What I am saying is that given that the network has only just been finalised we were pleased to see the result. One must not forget that we are also strategic bodies and do not deliver training. If you ask employers about the benefits from training FE and HE are institutions that deliver, but it is also worth pointing out that when asked about factors that would increase employers' contact with training bodies one in three said that more sector involvement would deliver it. If one looks at other statistics, in the summer of 2005 after only two years of the establishment of the network 35% of employers were aware of their own SSC and of those 62% felt that they had had a positive impact as a result of that interface. We know

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what Leitch said; we are aware of the points that have been made about the patchiness of the network. We recognise that we need to improve and deliver to a standard across the piece, but inevitably all nine RDAs do not deliver to the same standard, nor do the 47 local Learning and Skills Councils. We believe that we have made a good start and have some good stories to tell in terms of success with employer involvement and the picture is positive.

**Q460 Chairman:** I just point out that I chaired that experience. Ms Florance, what are the barriers to being more effective?

**Ms Florance:** Perhaps I may kick off with what we have done as a Sector Skills Council and then talk a little about barriers. As a Sector Skills Council we were one of the trail-blazers, pulling together industries that had never worked together before. Many in the public sector view clothing and textiles as being one; they are not. They were not happy bedfellows in the same meeting room when we set up a Sector Skills Council, but now they are gaining the trust of each other in terms of business and realising that on skills their competition is not in the UK or Bradford; it is in Beijing. There has been a big recognition within my sector that collaborative action on skills which perhaps in the past they would not have endorsed is the real solution for the future. Much of that is coming together in the formation of our Sector Skills Agreement which has nine strands backed by various sub-sectors of the industry. Moving that onto what are the biggest challenges is to get that Sector Skills Agreement to stick with others in the training infrastructure. I mean that this series of measures is aimed at ensuring that our sector is sustainable and increasingly productive for the future. It is not a menu from which to select; it is a range of interventions which will support the industry in future. I find success in some regions of England, but I also find it a very hard job to change the gearing of the training system to be able to deliver against my sector's agreement.

**Q461 Chairman:** One matter that emerges from all the evidence we have had so far about the Sector Skills Councils is that you are national bodies and a lot of the business, resourcing and provision is at regional level. People have told the Committee that one of the deficiencies is that you are not down at the regional level because you do not have the funding to be in every region with the kind of clout you should have. Does that strike a chord, or is it poor information?

**Ms Florance:** In part it does strike a chord; some of it does not. For every Sector Skills Agreement that we have, each strand has been both researched at regional level and in some cases at local level where there is a local hot spot. They have also been developed into regional plans for pick up by partners. If what we say is that partners are perhaps not happy to implement those particular plans without further intervention from us on a wide scale, dealing with a myriad of partners at local level, currently we are not resourced to do that.

**Ms Caine:** I give you one example of where we are working at regional level because that gives people a focus. There are other examples across the country, but for us the BBC move to Salford and the development of Salford as a media city will have an impact right across the North. We are working with all the employers, trade associations, unions, the three RDAs and the three Learning and Skills Councils, also building partnerships with relevant schools which will be offering the 14-19 courses and the FE and HE institutions with which as an industry we are building links. We are very much taking a strategic lead in pulling all of that together. That is a concrete example. You are right that resource is an issue and that, if we turn to Leitch, the calibration between, as it were, ourselves as sector bodies with a regional, national and UK-wide and global role and the plans around the setting up of the local skills and employment boards and how they integrate will be key. I happen to chair the network of Sector Skills Councils in London and have just become an adviser to the newly-formed London Skills and Employment Board. That brings benefits in terms of bringing the network and region together and ensuring that we mesh effectively. But you are right that resource is a defining issue. The Sector Skills Councils which have people on the ground in London and the resource to do that have much greater traction in and for London than the ones which do not.

**Mr Wisdom:** It is also important that that sectoral perspective is strongly held. For example, for the tourist industry the Cotswolds are important. There are three regional development agencies that intersect three Learning and Skills Councils. What employers could not understand was why there would be three different approaches to skills and training in such a confined areas as the Cotswolds which clearly is a destination in its own right and has its own particular skills. To make sure that balance is right is very important.

**Chairman:** Let us move on to how you as Sector Skills Councils represent employers.

**Q462 Fiona Mactaggart:** I was wondering how you know that you are the voice of the people particularly within very diverse sectors, for example big hotel chains versus local leisure clubs and so on. It must be quite complex. How do you know? What is your test?

**Mr Wisdom:** The fundamental litmus test is the level of satisfaction with the product that we are able to produce, but to get to that point you need the ability to influence the product in question, which is skills training for the sector. The governance of People 1<sup>st</sup> is carefully structured to make sure it is representative of all the industries within the sector. I have talked briefly about our board. The board is elected by a members council which has 20 chief executives and HR directors from both small and large organisations that represent our 14 industries. We have subsets of meeting structures that also pull together employers from both regions and our sub-sectors. We work as broadly as we can. But the next important point is the research that we conduct, that

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is, the labour market intelligence which covers 5,000 employers in our sector. That is the largest piece of labour market intelligence conducted in hospitality, leisure, travel and tourism in three decades. That in its own right demands that there is clearly a representative voice being heard there. I am sure that my colleagues have other examples.

**Ms Caine:** Research is the cornerstone of everything we do. We have a regular programme with employers and the workforce, and within that we ask them about their knowledge of and satisfaction with us. The critical point for them is how we then work with them to develop strategies and action plans that build on that. To my mind, ultimately it is whether or not they change action. For example, we know from two of our sub-sectors that they are satisfied because film has moved to agreeing a statutory levy, which is the first time in 30 years any sector has done that. In TV and radio the companies have voluntarily agreed to a co-regulatory situation with Ofcom, Skillset and the industry which is about focusing what they do and how they do it. To my mind, that action and delivery results can be brought about only if we have been involving them and they feel that they own who we are, what we do and the actions we are taking.

**Q463 Fiona Mactaggart:** That is quite different from Ms Florance's pattern where if the businesses are paying themselves for the service they get from the Sector Skills Council that is a reasonable measure; it has agreed to a levy and is paying it and that means it is getting a service which it believes represents its needs. That is not what is happening in Ms Florance's sector, is it?

**Ms Florance:** But that does not change the fact that the information is based on robust labour market intelligence which is divided up to be representative of each of the sub-sectors and types of employers. It is really important not only to listen to what the employers are saying but to turn that round and get them to future-proof it. In the skills world it is not just about the employer who shouts loudest about a skills shortage or gap today; it is about us trying to inform the suppliers of education and training to change things for the future. Therefore, we have to look at future skills, not just the skills today. That is a really important role for the Sector Skills Council and one that we have taken very seriously with focus groups of employers throughout the UK.

**Q464 Fiona Mactaggart:** I think that is a very reasonable point. All of you have talked about your Sector Skills Agreements which clearly have a role in that process, but are you sure that employers have bought into those agreements and they feel that they meet their needs?

**Ms Florance:** In my case the employers are ready to get behind some of those agreements with their personal investments. We have managed to implement some pilots for that. To give an example, there is an early pilot that tests a brokerage model. Where there are small businesses that do not have sophisticated systems for HR and training advice a broker that can help them determine their future

business and skill needs can be exceptionally helpful. In piloting that the Learning and Skills Council in England put in £0.5 million that would back employer-driven skills required. In return for that my sector put £800,000 into that skills package. I believe that for small to medium size businesses to more than match public service investment is a demonstration that the industry is supportive of an employer-led agenda and one of the strands in our Sector Skills Agreement.

**Ms Caine:** I think that the two examples I gave were products of our Sector Skills Agreements and our industries' commitment to action. As one of the pathfinders one of the matters we found slightly disappointing in the process was the promise made of a something-for-something deal of rights and responsibilities which our sector took very seriously and addressed. We did not consider that it was quite so fulsome in terms of a joined-up response from the public agencies involved. Therefore, we welcome the Leitch review's recommendation that Sector Skills Agreements should become firmer, if you like harder-edged, both in terms of the commitments that the sectors make but also the way in which authority and investment flows in relation to that demand-led analysis and agreement to act. Unless we get both those together and calibrated we will not see the step change that we need.

**Q465 Fiona Mactaggart:** What were you expecting from the public bodies that you did not get?

**Ms Caine:** We were expecting more joined-up commitment and support in terms of recognising us as an authoritative lead, which we believe we had earned and demonstrated. We believed that institutional politics were at play to a significant degree.

**Q466 Fiona Mactaggart:** Can you give an example? You may anonymise it if you wish. To say that institutional politics were at play can mean almost anything so I would like a story, if you have one.

**Ms Caine:** There are nine English regions and in some there is a genuine openness and willingness to work in partnership with us; in others we were regarded as national interlopers on the regional patch and to be ducked around rather than worked with. As it goes, I think we were a pathfinder. Matters have improved and developed, but I certainly believe that the harder-edged holding all partners to account around a demand-led agenda has to be firmed up if we are to get the kind of buy-in from employers that everybody wants to see. We cannot step up to the mark and then have promises made which are not followed through in a systematic way.

**Mr Wisdom:** I believe that is the biggest worry. I sit here looking up to my two colleagues because I have the freshest yet Sector Skills Agreement which is not yet being put to the acid test of whether all parties will play their part. But I look at some fairly simple issues such as the training of chefs for which my Sector Skills Council takes some responsibility and accountability. Over the past five years we have seen a 6% rise in demand but colleges of further education

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have produced 10% fewer trained chefs during that period. We have 50,000 practising chefs and cooks out there with at best the equivalent of a basic food hygiene certificate which does not really equip them to cook from scratch, whereas we have an industry that is crying out for an industry standard qualification that it can recognise. 15% of my employers still advertise for a qualification that has not existed for 15 years. The challenge of all those things happening within the context of our Sector Skills Agreements fills my employers with some dread that it just will not happen. In terms of the qualification for chefs, for example, it has taken us two and a half years to get 14 colleges piloting the new qualification with no firm agreement to full funding from the Learning and Skills Council for the future. Going at that pace we fear for the 2010 date that Leitch talked about.

**Q467 Fiona Mactaggart:** I am very interested in the conflict between sectoral and local or regional. I represent Slough. There is a huge demand for skills in the town I represent. There are very low levels of skills, but in a way the issue is not particularly sectoral; there is a very big common agenda of skill shortages and skill needs which exists within the place rather than necessarily the sectors. I am wondering how you deal with the tension between the skills needs and demands and shortages in a place where your employers are based and the skills, needs, demands and shortages in the sector. I believe that these things pull in different directions. I should like to know how you as Sector Skills Councils would deal with that.

**Mr Wisdom:** Living in Datchet which is very close to Slough, I am fully aware of the difficulties that the shortage of chefs causes in Slough. The sectoral need is also present in the local area and raises the interesting question that if you take my own sector—every sector is different—45% of the workforce work for UK-wide organisations. 45% of the workforce work for micro-businesses in local locations. Therefore, the regional agenda in the middle is quite a difficult one for our employers to understand because they care either about the economy in Slough, Blackpool or Weston-super-Mare or about having a skills provision that crosses the UK for them.

**Ms Caine:** As far as our industry is concerned, our employers have global, national and probably regional interests. First, there are stunning examples of where the two agendas do mesh extremely effectively. I just give the Skillset BBC move north as an example. That reaches and ticks all of those boxes from local through to global. It is very important one recognises it is possible and there is a lot of good practice, but it seems to me that something systemic needs to be addressed to ensure that that is the case. I come back to the local skills and employment board. It is our view that they too need to be licensed by the new commission. In our view, the network, which is the important part, needs to be represented or meshed in some way. You are quite right that in terms of issues like employability, basic skills, management and leadership there are cross-cutting

themes which will impact and be important at a local employment level. Between us we can and do support those agendas and we network across them. The issue is the one the Chairman discussed earlier: the resource and detail and the level to which we can work in order to play our part to that picture.

**Ms Florance:** And it is the delivery of sector-specific skills. The bottom line is that in an industry which is scattered right across the UK we need to help provision cross-boundaries. We see waste in the system where two neighbouring colleges in different regions offer the same programme and both fail because they cannot attract enough delegates. We transcend that barrier. We could advise them and give them the right data on which to base their future provision to make sure it is secure, because our industry loses if it loses two programmes that one could win. I believe that is the additional benefit that we can bring to the regions, but for generic employability skills I agree with everything that Ms Caine has said. We need to interact effectively in the regions and at local level.

**Q468 Mr Chaytor:** I want to return to the question of budgets. I should like to clarify what each of the witnesses said earlier about the budgets of the respective organisations. Ms Florance, you said that the budget of Skillfast was £3 million of which £1.3 million came from the SSDA.

**Ms Florance:** I said that £1.3 million came from the SSDA and a further £3 million came from elsewhere.

**Q469 Mr Chaytor:** Ms Caine, yours is £8.3 million, of which £1.3 million comes from the SSDA.

**Ms Caine:** No. The £8.3 million is a mixture of UK Film Council and levy and industry contribution which we use to invest in training. We then have £1.3 million from the SSDA, £1 million from our industry and, like Ms Florance, we probably bring in through a range of project activity another £1 million, so our core budget is about £3 to £4 million.

**Q470 Mr Chaytor:** Mr Wisdom, you referred to a figure of £21 million.

**Mr Wisdom:** It is £21 million over four years. That comprises the income from an awarding body business which we owned and subsequently sold and income from projects and employers in the industry.

**Q471 Mr Chaytor:** Ms Florance and Mr Wisdom, you agree with Ms Caine's comment that the original objective of trying to make the councils self-financing at the end of the three-year period is a non-starter, or is there a possibility of that happening?

**Ms Florance:** I agree with that. One must contrast the development of any commercial lines of income with the core role of an SSC which is strategic. My Sector Skills Council piloted a number of ways of developing an income but at the crux of it was a conflict of interest between some of our strategic activities and the development of an income.

**Mr Wisdom:** I endorse that. The reason we sold the awarding body was that we believed there was a conflict of interest with our role in terms of simplifying and rationalising qualifications. It was

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distracting us from the core work that our employer expected us to do, that is, to reduce the 500 qualifications operating within the sector that they do not understand.

**Ms Caine:** That was one of the matters in respect of which Leitch felt SSCs should move on.

**Q472 Mr Chaytor:** The prime object of the SSCs is the building of the network and the strategic oversight. What are the legitimate revenue-earning activities that would not involve a conflict of interest? You do not want to be involved in providing qualifications or directly delivering training, so what else is left?

**Mr Wisdom:** It is very difficult. The question is how one earns an income from those core activities if they are not in delivery or the world of qualifications. That is why proper funding for Sector Skills Councils that enables them to continue to maintain their presence effectively as honest brokers within their sectors, signposting without any fear of bias or conflict of interest to the very best provision and ensuring that qualifications are fit for purpose, is absolutely key.

**Q473 Mr Chaytor:** When you refer to proper funding you mean more funding from the public purse. Your view of the future is that the SSC should be very largely funded by the Treasury?

**Mr Wisdom:** Sector Skills Councils must have enough resource to provide world-class labour market intelligence to be able to conduct a proper reform of the qualification system with colleges. That takes more resource than is now available to the network.

**Ms Caine:** At the end of the day, we have a key role to play in terms of raising investment for training in our sectors and focusing employers' contributions and demands. That is absolutely key if we are to meet the challenge in terms of skills and UK plc going forward within the global economy. We are happy to be held accountable for that; we are happy to be held accountable through our Sector Skills Agreements in a more tighter way, but we go back to Leitch and the fact that he was saying one should clarify the roles of the agencies. We believe that resources should follow that clarification. He called for a streamlining of the Learning and Skills Council organisation. To us, that seems to make sense because if we in Leitch world are to be given the role to interface with employers and workforces, identify needs and demand-led agendas and economically valuable skills and the Learning and Skills Council becomes a commissioning body, or buyer of training against those plans, then to us there seems to be sense in terms of apportioning the available resources that now exist in line with the clarification of the new roles.

**Q474 Mr Chaytor:** Ms Florance, what is your view of the future funding of your Sector Skills Council?

**Ms Florance:** I concur with what Ms Caine has put forward. A lot of savings can be made in the system as long as there are clear roles. The clear roles will help employers gain access to the advice that they

need to train their workforces and, importantly, individuals to back the right horse in terms of their own learning to ensure that they undertake training that is fit for purpose for their future career prospects.

**Q475 Mr Chaytor:** Another view is that the Sector Skills Councils have been around three years and have received a considerable amount of public funding and, frankly, within that period nothing has changed. There has been a lot of networking but what has changed? Presumably, as we speak the LSC is preparing its brief as we move towards the next comprehensive spending review and demanding that your wings be clipped a little bit. Is not the real problem that your role is uncertain and therefore the whole issue of how it should be funded is also uncertain?

**Mr Wisdom:** The issue is how important is our employers' future skills need in this economy. Who will voice it if it is not the Sector Skills Councils?

**Q476 Mr Chaytor:** But to provide a voice for the employer is not a big job, is it?

**Mr Wisdom:** I hear trade organisations or other membership organisations quoted. One of the issues about employer membership organisations—I give you a little example from Northern Ireland—is that they must represent all of their members. In Northern Ireland there is a big issue about where hospitality education is located. It is currently on the North Antrim coast. The trade association is unable to argue that it should not be there because it has members on the North Antrim coast, so who will articulate that the best place for it to be on behalf of the majority of employers is in Belfast if it is not the Sector Skills Council? I think that is just one example of where you get an independent view of skills provision that you cannot get through some of the other bodies, so it is a question of balance.

**Ms Caine:** I hear that analysis but I make two points. First, we have to face the fact at the moment the players who have played thus far have not succeeded in achieving the level of employer engagement and investment that I believe we would all want to see and need to see if we are to move the economy forward. If we take that as a given then the question is: how best do we proceed? You could say that Sector Skills Councils have been around for three years. Ms Florance has just described the collecting together of different size companies and sub-sectors. TV and radio are both broadcast mediums but, my goodness, there are fundamental differences between them and how they see themselves. The whole thrust of being a voice for employers requires the building of confidence, the analysis of information and working with them to get them to see that skills is a key issue and lever and is something on which they need to work together.

**Q477 Mr Chaytor:** Is there not a big difference between your Sector Skills Council where 60% of people working there are graduates and there is a fairly high level of technical skills in the area of radio, television and film, and the hospitality and

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clothing and textiles sectors? This is reflected by the fact you have a levy which a large number of your employers are prepared to pay. In terms of the other two is there any scope for getting that kind of employer buy-in through a levy, or has that been discounted completely?

**Ms Florance:** You are absolutely right that there are differences between sectors and that is why there are 25 Sector Skills Councils. There will be many approaches to levering investment into the development of the workforce. Clearly, in some sectors to have larger businesses that are able to support a workforce that ultimately is freelance and whose services they wish to buy into is critical. In most areas in my sector we looked at creating incentives in terms of training. There are not any drivers in terms of health and safety; there are no drivers to say that there should be a licence to practise in this sector. Many people enter the industry without any qualifications whatsoever and succeed supremely because here we are looking at skills not necessarily qualifications. If we can tailor the public effort and investment in such a way that leads to further private investment that must be my objective. That is what I should like to be held accountable for in my Sector Skills Council. I mentioned waste earlier. To give an example, I said that we spanned the couture industry. There are 3,000 graduates every year in fashion design for which there are around 500 job opportunities each year, including the people who enter self-employment. On its own that is quite a damning statistic because when young people enter those courses they do not do so for general education but on the basis of their belief that those course will equip them for a role within the sector.

**Q478 Chairman:** Are you advocating there should be the right number of jobs for the people?

**Ms Florance:** I am saying that the match should be closer. 50% of those who exit with degrees do not have the technical skills required to be picked up by the industry. We would like to increase the number of graduates that the industry employs in future, but because there is a shortfall in some of the skills when they exit we have a difficult mismatch. I believe that in pulling those things closer together we will have a better investment for employers; indeed, many of them are now prepared to offer master classes into universities to ensure that undergraduates understand what will be required of them in future.

**Q479 Mr Chaytor:** Ms Florance, you said that public investment was important to lever in private investment. What do you think the broad ratio should be in terms of the typical Sector Skills Council in future?

**Ms Florance:** I find that question extremely difficult to answer. To go back to an earlier point, for an investment of £500,000 my sector put in £800,000. That kind of balance in many sectors and sub-sectors would work.

**Mr Wisdom:** It is very difficult to say what the balance is. Research has shown that within our sector there is about £600 million of public sector

investment in skills that supposedly helps the hospitality, leisure, travel and tourism industry every year. We also know that 98.5% of our small and medium size enterprises have never accessed or had support from any of that funding. Therefore, we have to find a balance which says that we make that investment work harder and more effectively for our businesses. When we do that we encourage our businesses to invest more. Today, our businesses probably invest more than the public sector does alongside it. Next, there is also the issue of the learners who will invest only if they believe there is some value to them out of the skills they are learning.

**Q480 Mr Carswell:** Why do we need Sector Skills Councils? Surely, this is just a vast and sprawling corporist network that uses tax pounds to do something that is best left to people and companies pursuing their own interests? Why do you exist?

**Ms Caine:** I would say that we exist in terms of adding economies of scale and added value to the existing huge corporist tax-ridden system that pumps a lot of public funding into various schemes to support employers and individuals which is not focused effectively and does not meet industry's particular needs. My view is that the bit we get makes the rest of it work more effectively but, importantly, brings together industries to look at the future.

**Q481 Mr Carswell:** Do you say that that could not happen without you?

**Ms Caine:** I genuinely do not think it could. If I take my sector, radio, film, TV—you name it—are siloed. When one looks at the way industry is going it is about digital platforms and content creation. We are at the point where all those employers meet; we sit them down and ask them to look at what they believe they will need in future and start planning for it now. I believe that is so valuable to the economy and critical in terms of this nation moving forward.

**Q482 Mr Carswell:** Is it not basically a form of planning? I think it was you who talked about the need to look to the future rather than the present skills. You are trying to second guess and so it is a form of planning. Would it not be better to leave it to the invisible hand?

**Ms Florance:** For my sector there would be no invisible hand. Small to medium size enterprises just do not take out the time in their own businesses to do this; they need a catalyst. We are that catalyst to help them come together and look at what the future may offer. I do not believe it is second-guessing; it is based on international and national statistics; it takes a view of what is happening in technologies and seeing where this sector may play a part if it has the right skills.

**Q483 Mr Pelling:** My questions are to some extent both prejudiced and informed by having sat on an RDA and LSC. Do you think that the balance should be changed despite the inability of the private sector to be able to make good judgments about

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investment in training away from RDA and LSCs to employers so skills training is much more demand-led than supply-led?

**Mr Wisdom:** Absolutely. The example from my own industry is chefs. Fewer and fewer are being trained every year where the supply side is dictating the capacity that is delivered to the industry and yet demand is rising every year. Last year we recruited more chefs from Jobcentre Plus than from colleges of further education which cannot be good for a business sector that is truly competing on a global level. 63% of our employers now say that they do not have sufficient customer service skills from their employees. In terms of welcome of international visitors we rank 17<sup>th</sup> out of the 35 leading nations, which is not a great place to be as we move towards 2012.

**Q484 Mr Pelling:** Perhaps more discretion should be given to the SSCs rather than the RDAs and LSCs in deciding where spending on training should take place.

**Mr Wisdom:** Spending needs to be more demand-led from two aspects. Clearly, there is the individual. None of us would deny the need for the individual to have some choice in where he goes, and to some extent that will be driven by the opportunities available from the training undertaken. The second aspect is giving our businesses the best skills available to enable them to compete in a global market.

**Q485 Mr Pelling:** How do RDAs and LSCs compare with SSCs in their ability to reach out to business?

**Ms Florance:** I believe that the situation here is very different. There is no doubt that regional development agencies have strong employers on their boards, but I come back to the point that it is not the employer who shouts the loudest but the considered opinion from a representative group of employers that will determine what is picked up in that marketplace for skills. In terms of the Learning and Skills Council very often when one looks at surveys one may say that a lot of people know about it basically because they are funding skills, whereas Sector Skills Councils are informing them of what should be funded in future. Therefore, very often they appear higher up that list of "knowns" and get more support from them than perhaps Sector Skills Councils do. But we support the Leitch recommendation that some further streamlining within the LSC should take place to turn that role into more of a commissioning and capacity-building role within the provider network as opposed to a central planning role. Essentially, the central planning role is a duplication of what we are doing as Sector Skills Councils.

**Ms Caine:** We need to provide clarity for employers. At the moment it is such a cluttered marketplace; it is incredibly confusing. For them to achieve access to what should be a simple offer is very cluttered as a result of all sorts of organisations that are being funded through tax to support that role. Therefore, as Leitch said there should be clarification of role. We have the key role to play in terms of that

articulation of the demand-side agenda. Your question on statistics is a good one. We know that we are measured every which way and have been since we started. We think that our figures present well. We are prepared to send them to you afterwards. It would be interesting to see what the RDAs and LSC do in relation to that kind of measurement of the level of satisfaction.

**Q486 Mr Pelling:** Are there some specific examples of your having changed the skills offered within specific regions in terms of the influence you have had on RDAs or LSCs?

**Ms Caine:** Certainly for us and the answer to that I would like to put on record that higher education has a key role to play in terms of delivering the skills agenda. Through a UK-wide approach in recognising and working with a number of designated Skillset Academies we have had an effect and worked successfully with regional HEFCE and RDAs in terms of supporting that initiative, but the approach is global to UK-wide to national to regional.

**Q487 Mr Pelling:** Are there specific examples and evidence of how the change is being made?

**Ms Florance:** I can give an example that is to be launched in the North West next month and is being picked up by two other regions. Our sector has had some difficulties in recruiting to hard-to-fill vacancies. In the past young people have been looked at purely as potential recruits. We have been encouraging employers to look beyond that and at certain groups that currently are not in work but may be in a cohort of people who receive benefit. By working in partnership with Jobcentre Plus and the Learning and Skills Council in those regions, we have managed to launch a programme called Intro which will offer some joined-up support for individuals to get back into a working environment. It will not just stop at the offer given by Jobcentre Plus, which is to get them through a basic skills agenda and into work, but roll them into the Train to Gain agenda and help them sustain their role in employment. We now have employers who are ready to take those individuals and, hopefully, secure long-term employment for them. There are some real changes. We have joined up those bits of the system in such a way that we couch an offer that our employers believe is useful for them but also matches part of the social agenda.

**Q488 Mr Pelling:** If the Government were to retain this supply-driven rather than demand-led process what advice would you give to it in terms of making that process work better so that resources are better aligned to training needs?

**Mr Wisdom:** The Leitch review has spent far more time looking at this than I have the resources to do. Besides, my background is industry; I am not an education specialist. I believe that the system needs to change because it has not delivered for UK Plc to date.

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**Q489 Mr Pelling:** The system is not performing?

**Mr Wisdom:** Therefore, change is really no option.  
**Ms Caine:** I would recommend what Leitch has recommended, which is that there needs to be a much closer relationship between the supply side and, if you like, the demand side. I believe that we have a key role to play if we are given the right authority and resource to help improve focus and be the glue to make those parts of the system work together more effectively.

**Q490 Mr Pelling:** To put a regional question, as a London Member of Parliament it is already a very complex system. Is it really sensible to continue to have within London the responsibility shared between the LDA and the London LSC and to have the skills board as well? Would it not be better to give all of that power to the Mayor to be directed in that way?

**Ms Caine:** Certainly, that was what the Mayor wanted and would have liked; and it was certainly the case that he prosecuted. As you are aware, we have ended up in a position where the London Skills and Employment Board has responsibility for the adult skills budget. I have to say that I think that is working well in terms of a mechanism whereby the LDA, LSC and ourselves come together and look at strategy and how that meshes. It leaves some untidy edges. I believe that it is an interesting experiment and I hope that if it is successful it may well be one can move forward from to tidy up some of those edges.

**Q491 Mr Marsden:** Mr Wisdom, I should like to begin with you and take up the point just made about a much closer demand/supply relationship. Assuming we all accept that that is a good thing, is there not a problem about the level at which demand and supply come together? You said in your comments a few moments ago that many of your employers were far more concerned about what was happening in places like Blackpool or Weston-super-Mare. The regional issue is much more vague for them. How will we get demand and supply more closely related when there are different emphases between the various SSCs on whether or not they want to deliver things locally or regionally?

**Mr Wisdom:** I do not believe that Sector Skills Councils have the clout to deliver things at a local level. Ultimately, the strategic issues that I see are built up from a multitude of local environments. I sit on the skills and training sector for the Royal Borough of Eton and Windsor which looks at the opportunities of hosting the Olympic rowing regatta in 2012. What I hear is a microcosm of what our employers have said at national level. Clearly, there is a feed through and the issue for Sector Skills Councils is: how are they enabled to have authority to change things from that strategic level and enable the system to respond to local needs where they are different in terms of the volumes required?

**Q492 Mr Marsden:** Ms Caine, you were asked previously about transforming roles and, quite rightly in my view—I speak as a North West MP—

focused on the immense possibilities of media city and everything else. That is an example of you as an SSC taking a big sectoral initiative in one particular region. For the sake of argument, if there was some other major initiative that came up elsewhere in the country would you have the capacity to do that?

**Ms Caine:** I gave that example. I could also point to working with Aardman and looking at the establishment of an animation academy in the South West. I could also point to examples where we are working very closely together in London.

**Q493 Mr Marsden:** Therefore, you have the capacity to pursue more than one regional focus at any particular time?

**Ms Caine:** We do. In part, that is because we have investment from our industry. We have always prioritised working hard within the regions, but it is difficult. Even with the money we have it pulls us to quite a significant degree. To go back to what you said about bringing supply and demand together, I believe that we do it through the Sector Skills Agreements which are based on research. As Ms Florance said earlier, each SSC has research for each region. Within that we are able to analyse where the hot spots are and there are particular areas of activity or initiative, such as animation or the North West and the media city. I believe that we then have a key role to play in terms of bringing our employers together with those public agencies to ensure that what we all do makes sense.

**Q494 Mr Marsden:** Ms Florance, within this session it has already been said that Leitch was curiously patchy in his final report about sub-regional strategies. Is it not also the case that the slimming down of the LSCs has also been curiously patchy? Do you think we have focused enough in terms of future plans on what we should be doing on a regional or sub-regional basis as far as delivery is concerned? How do you see it from the perspective of your Sector Skills Councils?

**Ms Florance:** I concur that Leitch was not terribly clear on this area. It was passed on to Lyons and he did not really get under the skin of that. This is one of the areas where we have a big job of work to do. It seems to me that at local and regional level the complexity of the system insofar as employers are concerned is such that we must be careful not to add to it. A great opportunity is provided by the establishment of the Commission for Employment and Skills with a role that oversees bodies at local level to deliver. In establishing those bodies I would be less concerned by who they should be and who they should replace than by what they should deliver and how they should be accountable for that delivery. Prior to coming here today I looked at a piece of work done for a workshop held recently that looked at the very issue of the regions. It is true that one has the Learning and Skills Council, the RDA, the Regional Skills Partner and Jobcentre Plus, but in addition there is, with lots of different boundaries, a list of other organisations that take an interest in working with employers on skills. One has Fair

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Cities, City Strategy Pathfinders, core city skills and employment boards, adult learning option pilots and local strategic partners.

**Q495 Mr Marsden:** Stop!

**Ms Florance:** That is exactly the point. If you are an employer out there the complexity is immense. We must tidy up the system.

**Q496 Chairman:** Perhaps you would give us that list in case there are few on it we have not heard about.

**Ms Florance:** I am sure I can let you have the list later.<sup>1</sup>

**Q497 Chairman:** Mr Wisdom is worried that he does not have enough chefs. When we had all the vet programmes that were so popular there were so many kids who wanted to do that. There was enormous pressure to become a vet. If we had a similar programme perhaps we would have an excess of people wanting to become chefs. It amazes me.

**Mr Wisdom:** That is probably one of the reasons why demand is rising.

**Mr Marsden:** Clearly, we are all eating out too much.

**Q498 Chairman:** Ms Florance, I gained the impression that we were training so many people in a field that you wanted manpower planning, which I thought we had left a long time ago, to provide enough jobs.

**Ms Florance:** There is a big issue here about information advice and guidance to young people. One of the things we like in the Leitch report is the idea of a universal service for that across England.

**Q499 Chairman:** If there are not enough jobs for doctors there is an Opposition Day debate on it, but when it comes to musicians, actors or any of the creative professions we turn out 100s at every opportunity. We do not start to ask about planning for those, do we? You would like the right number of jobs for actors as the actors who emerge from acting school?

**Ms Caine:** What we would like to see and are working on is identifying where best practice is in terms of delivery within higher education. Once we have identified it we then partnership it and focus the industry's interests and resource on providing equipment and work placements.

**Q500 Chairman:** You know that in some areas there will be 100 people wanting to get into a profession and no planning will change that?

**Ms Caine:** That is true, but there are also definite ways in which one can help to focus and nurture the best talent by bringing together the best partnerships between industry and those institutions.

**Q501 Mr Carswell:** I am sure that many of the justifications for state planning were used in East Germany before the wall came down. What do you think about the targets set by Leitch bearing in mind

the comments made about central planning? How do you think some of your member firms will react to the challenge they set?

**Mr Wisdom:** I think they are incredibly demanding in an industry like hospitality and tourism. I think that the challenge to uprate those skills levels is one that employers will look at from two perspectives. The first is that today we probably have the most highly skilled workforce at the front end of hospitality and tourism that we have ever enjoyed as a result of the accession of states. The second is that this is probably not a sustainable position unless we do something about the skills of our indigenous workforce. The challenge for us is that we know what the cost is in addressing the Leitch targets in our industry; it is £700 million. We know that £600 million is being expended every year to help those skills.

**Q502 Mr Carswell:** Are you saying that in your sector it is working and you have the skills you need but without the intervention of your organisation it may not work much longer in future?

**Mr Wisdom:** I think our industry will say that in the long term it is not sustainable as it is now.

**Q503 Mr Carswell:** Without your intervention?

**Mr Wisdom:** Without some intervention.

**Q504 Mr Carswell:** Ms Caine, what do you think of the targets set by Leitch and how do you think your member firms will react to the challenge that they set?

**Ms Caine:** In relation to the Leitch targets I was very pleased to see that they were across the piece. Quite often in terms of skills debate one tends to focus on the lower level skills area. Therefore, one welcomes the fact that there was an agenda round high-level skills, which is very important. Our industry is composed largely of graduates and therefore that is the area in which we are most interested. I believe that we have a role to play with the other Sector Skills Councils in terms of helping to advance those targets, but inevitably there are things that industries do which make sense in terms of their businesses which will probably not be linked to measurement via full-fat qualifications and therefore will not apparently and necessarily appear to deliver immediately to those numeric targets. We can demonstrate where we are helping. I think that they are useful in terms of focusing an ambition, but I believe it is very important that they are not the be all and end all in identifying (a) what needs to be done and (b) what is being delivered.

**Ms Florance:** My sector shares some initial concern about the targets which have been set. Their principal concern is that it is based very much on outputs of numbers of qualifications, throughputs of numbers of learners and no real aim at ensuring that what we deliver are skills that are economically valuable. Therefore, in hitting some of the targets we may just miss the point. Their point is that we should be looking at some of the measures; in other words, the outcomes that those targets achieve. Are we improving productivity across all industries through

<sup>1</sup> *What is out there? A guide to Regional and Local Bodies and Initiatives.* Not printed.

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the achievement of these targets? Are we improving the face of the market in terms of job shortages and skill gaps? Are we increasing the number of learning opportunities for individuals? It is about overlaying that onto a system. At the same time, my employers endorse the fact that in particular we need to address the issue of basic skills, but they see that very often as being driven by more emphasis placed on intermediate and higher skills and pulling the rest through on that basis. My industry is changing every day to a higher value skill equilibrium. In setting a target that may be interpreted into a universal pledge that every sector signs up to the same thing flies in the face of the fact that sectors are different and will respond in different ways to that gauntlet being thrown down.

**Q505 Mr Carswell:** Do employers in your sector value qualifications? To what extent does the tying of public funding to qualification-bearing courses limit uptake of training opportunities?

**Mr Wisdom:** Employers do value some qualifications when they understand what they mean. What they value more than anything is skills. The closer you can link those skills to the qualifications the better. In the example of the chefs to which I referred by re-establishing an industry standard employers will gratefully receive that and give it the kudos it deserves. Similarly, with basic food hygiene standards although it is a skill that people have to learn there are 19 basic food hygiene qualifications at work. Employers are confused and someone must take the responsibility for rationalising those qualifications to a level that employers naturally understand. I now know what skill level this provides and what occupation it supports. I believe this is a vital role for Sector Skills Councils because I do not see another body with that ability to look at it in that incisive way.

**Q506 Mr Carswell:** I was going to ask how you persuade employers that training pays, but I disagree with the whole premise of the question and will leave it there.

**Mr Wisdom:** 30% of small to medium size enterprises in our sector that did not train over a six-year period ceased to exist in that period, as opposed to 3% of small to medium size enterprises that did train which went out of business in the same period.

**Q507 Mr Carswell:** The presumption is that it is for a planning organisation that exists through taxpayer funding to tell businesses how to run them and you can do it more effectively than they can.

**Mr Wisdom:** Not to tell them how to run their business but to advise them of the importance to their own business survival of participating in training. They are likely to listen only to another employer organisation.

**Ms Caine:** You are confusing central planning and state bodies. We are not state bodies; we are employer-led bodies. Our boards are made up of the employers from our industry.

**Q508 Mr Carswell:** You are state funded?

**Ms Caine:** We are partly state funded, but there is a difference between regarding those employers who make up our boards as organisations who are planning, and therefore applying that planning to businesses that are, as it were, in no way related to them. They are of those businesses. Therefore, I believe you can be confident that as a result the issues which they address and the recommended actions which they make are borne out of a fundamental understanding of their own businesses which are businesses operating within those sectors. Therefore, they would not be giving their time, energy, effort or resource to an organisation that they regarded as interfering or being, frankly, a waste of time. We know that businesses hate bureaucracy, waste and inefficiency. The fact that they are engaged with us and are working through us is I believe a sign of ultimate confidence that we are the right bodies to help them with that planning, not the wrong ones.

**Mr Wisdom:** You could leave all of it to the supply side, which is probably where it has been in the past, and look at the performance of the UK in terms of skills during that period. I believe that in its own right that suggests more balance is needed.

**Q509 Chairman:** The thrust of Leitch is that all this should be employer-led, but employers in this country have a dreadful record on training. Surely, it is an enormous leap of faith suddenly to say, as does Leitch, that it should all be demand-led and that it should be for the employers. I was shadow minister for training years ago and it was the same problem. Employers were short-sighted, did not see the value of training and did not train or invest in it. What has happened now so that with Leitch there is faith that employers will not only train but think of anything other than today or the day after tomorrow?

**Mr Wisdom:** That is quite a generalisation, with due respect. The reality is that there are employers who do not train and many go out of business, as I have just suggested, which is the ultimate sanction. There are also some who do not train and survive. In my own sector we know that 30% of them do not train and of that 25% say that nothing would ever induce them to train, but they are a tiny minority of employers. The responsible ones want to do something about that. Within our national strategy responsible employers are now beginning to talk about whether they should be putting in codes of practice which ensure, certainly where there is a public health interest in commercial kitchens, that minimum standards of training should be carried out within the industry. I believe that is an example of how responsible employers can be brought together around Sector Skills Agreements to look at how they can raise standards of training across the whole industry.

**Q510 Chairman:** To take Mr Carswell's point, can you give an international comparison where there are no state bureaucracies involved and they do far better, or, to take my point, is there an international comparator where employers who care about

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training lead from the front and show the way we should do it in Britain? Can you give either of those international comparisons?

**Mr Wisdom:** If I take the example of Canada as a leading example of the perception of international welcome, in that country there is a very strong sectoral model of employers. They have a reputation of having the best customer service.

**Mr Carswell:** The Internet would not have started without the sector skills training required? I just do not buy it.

**Q511 Mr Pelling:** We have the ability to show that there are different strands in Conservative thinking.  
**Ms Caine:** Let us hope it all comes together in one.

**Q512 Mr Pelling:** Do you think there are differences in terms of the performance of different sectors which would justify different degrees of intervention? To put it another way without irritating people, in the past sometimes the experience of the hospitality industry has been mixed and has been of poor calibre because of lack of training. Do you think it would be better for Government to concentrate on the provision of funding for particular sectors over others, bearing in mind the degree of interest in training? It strikes me that there has been a tremendous market failure when it comes to the hospitality business, in that there has been a tremendous lack of investment in training such that we have to import a huge number of staff from overseas?

**Mr Wisdom:** I believe there are other factors which have caused the import of staff from overseas, although they have always had an important role in hospitality. But the real issue that now drives the numbers of people who join the hospitality industry is that the young population is in decline. The hospitality and tourism industry has always relied on the under-25 population as key. That population is in decline, and the industry has a very high turnover of staff. The gap is being filled by accession state workers where there is a ready supply. Therefore a slightly different issue drives that. As to your question about whether you should treat sectors differently, one of the great facts about sectors is that they are all different and there are different drivers. Clearly, there will be sectors in decline. That is not necessarily to do with skills; it may be more to do with global economic factors or whatever. There will be sectors in growth. Clearly, within the economy you would want to support those sectors that are growing and help them maximise the opportunities to improve their productivity and to compete globally. One would want to minimise the issues that are being caused by sectors in decline. I strongly believe that one of the values of Sector Skills Councils is that there is such flexibility and difference of view and application to those industries.

**Ms Caine:** I believe that the notion of blanket solutions is problematic, as I think is the notion of talking about employers as a homogenous whole doing this or doing that is problematic. To analyse by sector makes every sense in terms of the actions

that need to be taken within the economic context with regional variation. As you rightly say, there is then absolute difference in terms of the urgent priorities and whether or not people have been investing, but critically through the Sector Skills Agreements I think that it will give you and all of us a tool by which we can see whether or not sectors have moved in terms of those agendas for action. In my view, if they have not that becomes a fair, sensible and analysed way to look at the future and what may need to happen potentially in terms of those sectors.

**Q513 Mr Chaytor:** I should like to ask Ms Florance about qualifications reform. Is it realistic to assume that all vocational qualifications should be determined by the Sector Skills Councils and only those that are employer approved should be eligible for state funding?

**Ms Florance:** Looking solely at my sector, there are about 600 vocational qualifications. That is a huge number for the size of the sector. Leitch mentions that there are over 22,000 across the nation and all the sectors. Some work is to be done on treading a path with qualifications reform which determines the kinds of skills that employers want to achieve by accrediting someone with that particular qualification. My employers are keen to see a system that is driven much more by a credits framework, that is, to put it colloquially, in bite size chunks of learning. Former qualifications—full-fat qualifications as people describe them—do not always meet the needs of today and tomorrow. First, the learner needs to track a path that may be different for the occupational area that he or she wishes to enter; second, new technologies come along so quickly that one needs to be able to bolt on additional pieces of learning that can quickly meet a need for competitiveness. As to whether it is realistic, I think that a huge job is to be done here in terms of qualification reform.

**Q514 Mr Chaytor:** What is the timescale?

**Ms Florance:** We are now engaging in this sector. As the only one based in Yorkshire, I am also part of the pilot for the UK reform on qualifications. We are quite well advanced in terms of determining what needs to be done and having some initial work done on some of the qualifications framework. We need to develop further our infrastructure as a Sector Skills Council to ensure that we employer-proof any accreditation system, because it must be absolutely transparent in terms of a formal system. We are trying to do that within a framework of reform which was established pre-Leitch, and we would look to your support in considering the way in which that process is managed in future by the Department for Education and Skills and perhaps consider some reform in terms of the governance for that. I think we can work rapidly not only in terms of rationalising qualifications but in generating new ones in some sectors that are fit for purpose.

**Q515 Mr Chaytor:** Would that increase the total number?

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**Ms Florance:** I do not think it would increase the number, but through a mix and match system one would have core and options in qualifications. It would not increase the number, because some of them are qualifications that people think are out there but do not exist any more. Some of them need tweaking and others need an absolute revolution to make them fit for purpose.

**Q516 Mr Chaytor:** Do you believe that the employees in your respective sectors are fully convinced of the value of qualifications in terms of increasing wage rates, or is there more work to be done there and are you doing anything to raise the link between qualifications and earnings?

**Mr Wisdom:** While employers do not have confidence in the qualifications it is very unlikely that employees will have confidence in them either. In my sector one certainly must start from a perspective which says that employers must be given real confidence. I am not sure that I share Ms Caine's confidence in the speed at which we can make those qualification changes happen. My experience of the one qualification on which we have worked, albeit a very important one to do with chefs, has taken us two and a half years and we are not there yet. That is simply far too long to correct the endemic faults that are there in the number of qualifications and to start to build that confidence that both employees and employers need to have around that qualification system and framework. There will always be new ones. We have just completed writing the national occupation standards for the gambling industry where there were none before. Clearly, that is an industry where employers treat those standards with great respect because they help them in terms of self-regulation and social responsibility issues right now. We would seek to develop qualifications in that arena to make sure that as that industry grows people are properly qualified to provide the service that they require. On the one hand, there is the issue of reducing the number; on the other, it is a matter of making sure that we are reacting to changes in society and the economy and delivering new qualifications where appropriate.

**Ms Florance:** The point you raise is a very important one for my sector, particularly an area which overall has a workforce where most are not qualified up to Level 3 and yet at the same time graduates are being recruited. I have an ageing workforce which prides itself on its skills and does not necessarily see the advantage in having those skills qualified and accredited. Even where employers have wanted to do that and have the skills accredited there has been some reluctance among employees. For that reason we have been working quite actively with Unionlearn to try to encourage that kind of driver from the workforce. I have to say that we have had some limited success to that end, but there is a big issue with the existing workforce, particularly those over 50, in terms of looking forward to accreditation when they do not see the correlation between that and the improvement in wage rates.

**Mr Wisdom:** Someone has to give the employees the advice and guidance around which qualifications are meaningful. Today, Sector Skills Councils are best placed to do that. We are about to launch our information and guidance system before the end of May and that will provide employees with the information that says which skills are relevant to which jobs and which ones are industry admired qualifications. We are able to do that from a level and uninfluenced point of view. I cannot see where else that will come from if it does not come from Sector Skills Councils.

**Q517 Mr Chaytor:** Leitch argued for a substantial increase in the number of apprenticeships to 500,000. Ms Caine, is that relevant to your Sector Skills Council, or do you think that is a realistic total across the board?

**Ms Caine:** To go back to what I said earlier, the good thing about targets is that they encapsulate an ambition. I said earlier that in our industry 65% across the piece were graduate entrants. That is partly because we suffer from an oversupply of people who want to enter the industry, which brings us problems. One of them is that sometimes we do not necessarily think very carefully about the way in which we recruit; in other words, to deal also with issues of diversity, there are definitely craft roles—camera and sound—which are apprenticeship roles. To go back to points raised earlier, it is not that we do not do on-the-job training; it is that we do not necessarily package that in a way that links to full-fat qualifications that would be recognised in terms of apprenticeship targets. Our industry sees that there is a gap and is eager to address it. Certainly, in terms of looking at the Leitch recommendations and our work as a Sector Skills Councils that would be the area where we feel we need to do most to become Leitch-ready and support the delivery of those targets.

**Q518 Mr Chaytor:** Your message is that your employers are positive about the potential flexibility?

**Ms Caine:** They recognise that it is a challenge and want to play their part in terms of helping to deliver that target, albeit the numbers will not be huge in the industry. That is the power of the network, because in terms of that overall target there will be other sectors that train much more through apprenticeships. I think that between us we are committed to seeing what the aggregate looks like and how we can help drive towards that number and figure.

**Q519 Mr Chaytor:** Does the figure of 500,000 seem realistic to you? Is your sector up for a big increase in apprenticeships?

**Mr Wisdom:** The real issue is to increase the completion rates significantly among the apprentices we have. In our sector there are some 20,000 apprenticeships in the framework at any time. Only 40% of those apprentices complete it. As an example of how the skills system is not really linked up, we have no knowledge of who is starting

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their apprenticeships. We see the numbers only when we certificate them and they leave. There is no system by which one can see what is going on with those apprentices and measuring the wastage that goes on today and why it is happening as people leave the system before they complete their training. I believe that is a real worry. We would like to see a doubling of the number of apprentices who complete within the sector rather than have the current wasteful system.

**Ms Florance:** My sector will not create vast numbers of apprentices but it is very focused on craft and intermediate areas. It is particularly interested in seeing the expansion of apprenticeships to cover the over-25s, which is quite critical. In addition, it wants to see many more apprenticeships tailored to meet clusters of employers. To give an example that has happened quite recently, there was not an apprenticeship for leather production. You may think that leather production is quite small. It is quite small and it is a niche and quite high added value market. In the south west of England centred around Mulberry is a cluster of manufacturers who in the main produce high added value goods. With greater flexibility from the learning and skills council and a very flexible approach from Bridgewater College we have managed to develop a new apprenticeship for that sector in a technical area in which the college formerly had no expertise. By using the equipment and expertise in the company, the accreditation facilities of the college and flexibility of the learning and skills council in developing it we now have the potential which did not exist before of 50 apprentices a year in that region going through that apprenticeship. Bridgewater College is doing business with companies that it has never dealt with before. That is a success story. It is one of the examples of local and regional resource on the ground to pull it together, but now we have that model it is something we can share with other companies in other parts of the country.

**Q520 Chairman:** Will you meet the target by watering down the quality of apprenticeships? The target of 500,000 is an awfully big one, is it not?

**Ms Florance:** I think that from the perspective of the Skills for Business network at this stage we have not disaggregated that target and decided which sectors will meet the target itself, and perhaps that is a piece of work that we need to take away and consider and come back to you.

**Q521 Chairman:** All of you appeared to nod when Mr Wisdom said that you did not know how many apprentices there were. Why do you not know?

**Mr Wisdom:** The recording system does not give us the information as to who is starting an apprenticeship. As a Sector Skills Council we have no knowledge of who is starting apprenticeships in our sector.

**Q522 Fiona Mactaggart:** Who does have that knowledge?

**Mr Wisdom:** The providers and the Learning and Skills Council has that knowledge but it is not linked through to us. To answer your point about watering down, if apprenticeships apply to the 70% of the workforce that have already left full-time education and we look at an apprenticeship system that helps the older workers that we need in terms of up-skilling for the future, then there is not necessarily any reason why we should water it down, but we would have to change the focus from where it sits today.

**Q523 Mr Marsden:** Ms Florance, you said earlier that in your sector what employers wanted were more bite-size learning and qualifications. Would it be an advantage to apply that philosophy to apprenticeships for older learners?

**Ms Florance:** Yes, I believe it would. We are not talking about time-bound apprenticeships but getting people back into the lifelong learning regime. By taking that learning over a longer period of time people can take out pieces of learning, consolidate them at the workforce and employers and employees get the benefit of that and then move on to develop their bank of skills in a better way.

**Q524 Mr Marsden:** There are individual employers who have done really good things in terms of apprenticeships for adult learners, but by and large the record so far has been very patchy. Would it be possible to have the approach of more bite-size learning over a longer period of time whilst preserving the strength or brand of the apprenticeship and not watering it down?

**Ms Florance:** I think it would. There is something called a blueprint as to what can and cannot be part of an apprenticeship. That is now quite flexible, although a number of sectors—I stress not my own at this stage—are questioning parts of it. I think that we would be watering it down if we did not say that at the end of that particular apprenticeship someone was equipped to fulfil an occupational role within a sector. Qualifications have not necessarily been locked into that. This is the role in the sector as opposed to what the apprenticeship looks like. There has been some mix between the two.

**Q525 Mr Marsden:** Mr Wisdom, in an earlier exchange between you and my colleague Mr Pelling you spoke about the history of people coming from outside the UK to fill gaps in the hospitality industry. It is the case, is it not, that if you were to match the sort of targets that Leitch has set there is no way, given current demography, you can reach those targets even with the current proportion of UK young people? You would have to go down quite a lot.

**Mr Wisdom:** I have not disaggregated the Leitch targets into this particular sector, but it is true that today 60% of hospitality employees in London are international workers, and that figure is rising on a daily basis.

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**Q526 Mr Marsden:** Given that it will not be easy to meet anything like the Leitch target in terms of the younger end of the market and the UK at the moment, why are you as a Sector Skills Council and the hospitality industry in general not doing far more to encourage and attract older workers into the industry? Would apprenticeships of the sort we are talking about be a valid mechanism for that?

**Mr Wisdom:** I think they would be a valid mechanism for it. The reality is that industry partly through the research that we have been doing has only recently woken up to the fact that the real issue it faces is not recruitment but retention and that as an industry we are probably the best recruiters in the business. We recruit more people more often, and more successfully, than anyone else. What we do not do is retain them and upskill them. In answer to your point, yes, I think that apprenticeships of the sort you have mentioned would be a real incentive.

**Q527 Chairman:** Your industry is not paying them very well.

**Mr Wisdom:** Having said that, there are tremendous unidentified career opportunities.

**Q528 Chairman:** But earlier you said that you specialised in new flows of the under-25s all the time. We know why that is; a lot of it is low paid and seasonal work?

**Mr Wisdom:** Traditionally, that has been the view of the industry. The reality is that the tourism and hospitality industry has been growing quite successfully and does not have, particularly in cities like London, the seasonality aspect that it used to have. There are many good careers to be had in these industries. The reality is that people are not aware of that. We come back to the point about information and guidance. We have a big issue to address in terms of informing not only young people but also older workers in the workforce about the opportunities open to them and the skills and qualifications that would enable them to access those opportunities.

**Q529 Mr Marsden:** Earlier you mentioned Canada as number one in the welcome list. One interesting point about both Canada and the United States is that historically they have been far more successful than we have at using older people, particularly in the public sector, in the areas you are talking about. Ms Caine, ageism in your sector is a problem, is it not? It will also be a problem for you in terms of reaching these sorts of targets?

**Ms Caine:** That is right. I view it as a personal triumph that I sit with you today. I think you are right. To reflect on what I said earlier, there are issues about oversupply and the fact that there will always be bright young people who are prepared to come and work in the industry. Looking at our statistics, it is very interesting that women over 40 almost disappear in terms of the profile of the industry. There are lots of reasons for that: freelancing, patterns of labour and so on. First, we have worked with the industry to look at the whole issue of work experience and stop the practice where

people work for free, which is important in terms of equality and diversity of access to the industry. Second, we are working quite hard to get the industry to recognise and appreciate—I think it will as demographics start to shift and a number of other industries become more appealing—the skills and abilities of people who are already in the workforce which need to be nurtured and employed, but freelancing is freelancing.

**Q530 Chairman:** Do you talk to the BBC at the highest level about ageism?

**Ms Caine:** We do; we talk to the whole industry.

**Q531 Chairman:** The BBC sets the tone, does it not?

**Ms Caine:** It sets the tone. We are just about to sign a memorandum of understanding with the BBC. The BBC takes issues of diversity very seriously and I think that under Mark Thompson it seeks to address some of them. Apart from anything else, we are quite wasteful in terms of not maintaining and using the excellence that we already have, so there is a business argument for why we should be tackling some of the ageist parts of our practices.

**Q532 Chairman:** I believe that last night in an interview Victoria Wood asked why people should cease to be funny once they get over the age of 50.

**Ms Caine:** That is quite right.

**Mr Marsden:** Why should they cease to read the news?

**Q533 Fiona Mactaggart:** Mr Wisdom, as far as apprentices are concerned I want to ask about knowledge of who starts and who finishes. It seems quite worrying to me that you do not know this and that the Learning and Skills Councils are not sharing that information with you. Have you asked them to do so?

**Mr Wisdom:** I think we have been having this conversation certainly since I joined People 1<sup>st</sup> two and a half years ago. To date I have not seen any information on it.

**Ms Caine:** I believe that one of the benefits of working through the Sector Skills Agreement process has been that we have been able to start to identify with the Learning and Skills Council the kind of information that is useful for us to have disaggregated on a sectoral basis, as opposed necessarily to a local and regional basis. They are making moves to address some of those issues, but going forward it strikes me that if the Leitch proposals are being looked at one of the matters that the commission needs to consider if it is to scrutinise all parts of the system is the way in which the management of information and the sharing of critical information is made available and is transparent to all parties to the system.

**Q534 Fiona Mactaggart:** Is there a sense that some employers consent to a system where an apprenticeship is started but not finished? You get some of the stuff that they want but you do not spend ages away from the workplace getting skills that do not necessarily make you a more valuable employee?

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**Mr Wisdom:** It is very difficult to understand what is going wrong when you do not have the information base to ask the question. What I do know is that in some areas the industry has taken a strong interest. For example, there is an extremely good apprenticeship programme supported by the Academy of Culinary Arts at Bournemouth and Poole. That has completion rates of 93%. We know that in that case it is about mentoring and pastoral care given to the students, which is different. We know that because of our contacts through the industry and our understanding of what is going on there. Without information as to what is going on elsewhere what is going wrong is pure speculation.

**Q535 Mr Chaytor:** As to the question of the availability of information, why do you not just pick up the telephone and ask the LSC about the number of apprenticeships that are being started? Are they refusing to provide that information?

**Ms Caine:** No. The first part of the Sector Skills Agreement process is to research information about shortages and also supply. At the start of that process it was clear that the kinds of information that we might want on a sectoral basis were not necessarily available on that basis because the system was focused locally and regionally.

**Q536 Mr Chaytor:** Do the regional LSEs have this information?

**Ms Caine:** Yes, they will.

**Q537 Mr Chaytor:** Why not just ask them for it?

**Ms Caine:** We have been and we are.

**Q538 Mr Chaytor:** What do they say?

**Ms Caine:** "We will get there."

**Q539 Mr Chaytor:** They are thinking about it?

**Ms Florance:** Last week I received a piece of correspondence from the LSC on this very subject.<sup>2</sup> Given that Sector Skills Councils have all been asking the same questions in the development of their Sector Skills Agreements, they are putting in train a process to try to disaggregate the information that they have at local level into sectors. They have informed us that we will get it in 2008.

**Q540 Mr Chaytor:** If you had asked a Member of Parliament to table a Parliamentary Question when this first became a problem you would have got the answer within two weeks. Why wait until 2008?

**Mr Wisdom:** When I joined this two years ago from industry I thought I would ask the question and almost expected an answer. I have learnt that without the authority in the system to ask for the answer you do not get one. That is the battle. As employer-led bodies we have influence but with no authority within the system we struggle with that.

**Fiona Mactaggart:** It seems to me that we have some authority here, and perhaps we can ask this question.

**Chairman:** Mr Holmes will turn to the last section of questions which are to do with who pays for training and Train to Gain.

**Q541 Paul Holmes:** Ms Florance, your council made a submission to the Committee<sup>3</sup> and in paragraph 27 it said that "sector employers derive direct benefit from less than 10% of the current public expenditure on education and training that notionally relates to the skills of our sector." Do you say, therefore, that 90% of the money is totally wasted or that it goes on generic training that benefits everybody, not specifically your employers?

**Ms Florance:** The £80 million to which I am referring is funding that goes into courses which are linked to our sector. Our employers say that they value 10% of the output of that. A number of programmes which are running, not often through private provision but mainly through further education, are deemed to be linked to our sector and to have outputs which would make someone employable in our sector but are not valued by those employees.

**Q542 Paul Holmes:** Therefore, in your case 90% of £80 million is being wasted or misdirected?

**Ms Florance:** Yes.

**Q543 Paul Holmes:** Whose fault is that? Is it the fault of the college, the LSC, the Sector Skills Council or the DfES? Who is messing this up?

**Ms Florance:** The answer is that it has been a supply-led system. Basically, if you are running a programme which is attractive to individuals and fill it with individuals you get a payment for doing it. Colleges are businesses like anything else. If that is the way they are rewarded it will continue that sort of message. I believe that the answer is to pull the two closer together. There are programmes where we would very much like to see further education running, one example being Bridgewater College. That helped to cut through a lot of the bureaucracy that employers see in running an apprenticeship and support an industry that is very much in a niche market. The answer is to try to work through the Sector Skills Agreement to pull those two together and offer a deal for a deal, one for the employers and one for the colleges. I believe that we have to structure something in that way and make it much more demand-led. I do not believe that we will ever make it perfect and get the exact numbers, and we are not looking for that. We are trying to pull resources that might be in one area into perhaps technical courses for the sector that are no longer being run.

**Q544 Paul Holmes:** College principals to whom I have talked, most recently at Chester College, have said the same thing. They have said that for them to get funding from Government via the LSC and so on it must be a course with a measurable outcome and qualification that the LSC will accept, whereas employers often say that they do not want that but something else and they cannot get it. You have said

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<sup>2</sup> Learning and Skills Council, LSC Data Strategy Progress Update, 11 May 2007

<sup>3</sup> Ev 140

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that it is the fault of colleges because they have to get the bums on seats to get the money, but is it the fault of the LSC and Government because of what they say qualifies for the money?

**Ms Florance:** I believe that in the short term we need to start thinking about making that provision which is perhaps endorsed in a different way from the accreditation process that it must currently go through. Some of that can be achieved through the national skills academies established by Sector Skills Councils and approval panels by employers. That links in to why we want to reform qualifications, does it not? If we ensure that the qualifications deliver what the employers want there will not be an argument about accreditation itself.

**Q545 Paul Holmes:** Earlier Mr Wisdom said that there were far too many different sets of qualifications, for example 9 or 10 in one area alone, but if you let every group of employers in every part of the country have their own deal with the local colleges as to what they want, which are the good examples that we are shown sometimes, does it not mean that we will have even more sets of qualifications that may be recognised in Chester but not down the road in Liverpool or Manchester?

**Ms Florance:** You raise a very important point about which all of us across the Sector Skills Councils share some concern, that is, the way in which for the future those qualifications will be approved. We need to base them on the national occupational standards that are updated, upgraded and are right for the sector. We need to have some sort of overview process; otherwise, exactly what you have described will happen.

**Q546 Paul Holmes:** Are you looking for a national accreditation accumulation framework? It can vary according to what you do in a different away but it will count for the same credits when you move to Scotland, Northumberland or whatever?

**Ms Florance:** Indeed. We have said there are regional differences in our sectors. My sectors do different things in different regions from that which they do in others, but provided they are based on national occupational standards and an overview is taken of that particular accreditation endorsement qualification, which I believe must be at national level, we will avoid the Tower of Babel which you describe.

**Ms Caine:** That will also enable potentially a more direct relationship between the employers and colleges, particularly with the FE Bill, greater self-regulation and so on. I believe that that would be welcome, but it is critical to have a common currency of understanding.

**Q547 Paul Holmes:** In the case of the two other Sector Skills Councils have similar estimates been made and is 90% of the money is being wasted or misdirected? Do you have any idea of the percentages in your area?

**Mr Wisdom:** We can tell you that employers are not taking up a great deal of the provision. If you look at that number it is only around 10% who say they

are taking up the provision out there. That is not necessarily to say that 90% is misdirected because that may enable an individual to achieve something else that they want to, but clearly it is not being applied to best effect. Looking at the principle of skills brokers reaching out to business with proper advice, provided they have the right information and guidance developed at a sectoral level and they are not just chasing targets that is helpful particularly for small businesses.

**Chairman:** The Chartered Institute for Professional Development was mentioned earlier. One survey showed that it did not like the brokers. Brokers were not at the highest point in the list of dislikes but they were up there; and they were disliked more than they disliked you.

**Q548 Paul Holmes:** We had before us a set of witnesses who said that so far the brokers were absolutely useless. They had almost no one referred to them by the brokers.

**Mr Wisdom:** I did refer to the principle of brokerage that was the right one and said that employers wanted that principle. As an example, I spoke to a principal of a college in Yorkshire only this week. I was told that two employers had gone to the college in the past fortnight asking for help on training provision. In both cases the college had to send those employers to a broker for that broker to send them back to the college more confused than when they started. The reason for that is that the broker is not properly trained in the needs of the employers or the sectoral model that they should be following. There is a target that someone is trying to achieve and it is not being delivered in a way that is best for the employer, or indeed for the provision.

**Q549 Chairman:** Who are the brokers in your patches?

**Ms Caine:** The brokers are different in each region.

**Q550 Chairman:** Who is doing the brokerage? Is it the public or private sector?

**Ms Caine:** The Learning and Skills Council contracts with brokers in each region. I believe that in some regions the business advice service, which was previously run through the RDA and Train to Gain service and which is good, is linked and that is offered to employers. We absolutely endorse in principle Train to Gain and the need to have brokers in place who can give advice and help employers to be routed through, but the example just given demonstrates the importance of us working effectively, as it were, with those brokers to ensure that the right kind of advice, guidance and industry expertise is on hand. That is problematised by it being times nine and having different brokers in different regions relating to different sectors, but I am sure we will get there.

**Q551 Paul Holmes:** The group of witnesses who appeared here on a previous occasion were college principals and private training groups. They were fairly unanimous in saying that brokers were not sending them anybody but they had to send people

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to the brokers just so they could get the tick of authenticity and claim the money. Somebody said that it was early days; they had been up and running for only nine months, but if they are failing like that is it not a total waste of time?

**Mr Wisdom:** It sounds like a case of hitting the targets but missing the point.

**Q552 Paul Holmes:** As to Train to Gain, some people have argued that an awful lot of Train to Gain at Level 2 is just dead weight and that employers who were paying for the training are no longer doing so because it is now all being provided by the taxpayer. Is there any evidence of that?

**Mr Wisdom:** There is no evidence at this stage of which I am aware.

**Ms Florance:** As for my sector, there is no evidence of any impact of Train to Gain at this stage, but the principle of brokerage is welcomed by my employers because they are the ones who are hard to reach and have no sophisticated systems. They would welcome that kind of advice and support. I believe that some of the targets are driving the activity and perhaps that needs to be reviewed. As far as concerns my own sector, I would want brokers not only to be advising at Level 2 but advising right across the skills of the workforce and putting together a package built around the Sector Skills Agreement and for employers to be investing in skills and working with some of the supply side to build the capacity for them to be able to deliver.

**Ms Caine:** That is a concern to me. Certainly, in London we have been working with brokers and have had quite a good result in terms of an appetite from industry for them to come in and do a diagnostic on companies. Clearly, if in a target-driven environment there are more ticks on the boxes if you go to companies that can deliver full-fat NVQs at Level 2 it slightly detracts from the point of what the brokerage system seems to be about in the first place. I have said publicly before—I speak here individually as representing a Sector Skills Council—that I believe there is an issue about large multinational corporations achieving state subsidy for training people at Level 2. Potentially, I would rather see a state subsidy going to small and medium size companies and, in certain instances where they are at the forefront of the knowledge economy, the support of higher level provision through the Train to Gain brokerage system going to smaller companies rather than it being necessarily Level 2 and bigger companies, but I have to say that that is a personal opinion and not necessarily a network one.

**Q553 Paul Holmes:** In part that answers my next question. Do you think the Government is right to concentrate Train to Gain on Level 2, because different people in the sector say that they want it for Level 3 and Level 4?

**Ms Caine:** At the end of the day, what government is saying, rightly in my view, is that it has a choice as to where to invest its money. It must be right that it should invest the bulk of that money and focus on those in society who need the most support and help. That is a different question from: where do

employers get support? Train to Gain brokers should be able to provide advice, guidance, knowledge and a route through and encourage employers to invest in their own training. It is important to link that target to where public funding is going but be wary of that then leading the brokerage system down a path that is not as useful as it could be across the piece.<sup>4</sup>

**Q554 Paul Holmes:** You may say that it is too early to say, but is there any evidence of the follow-through at which you have just hinted, namely that if you get the support for Train to Gain at Level 2 the employee and employer say that they will pay for Level 3 and Level 4 because they can see the benefit at Level 2?

**Ms Caine:** For my part, we do not have that many Level 2 people in our sector, and I would say that it is early days anyway. But evidence across the piece demonstrates, particularly if you look at Unionlearn reps and the effect that they have had, that once people have got the learning bug, be they employers or individuals, and they see the benefits a positive culture becomes imbedded.

**Mr Wisdom:** It is just too early to say whether that will flow through in the way we had hoped. Certainly, all the evidence we have is that when somebody starts the journey he or she is more inclined to carry on.

**Q555 Chairman:** You have been very opinionated today and that and your knowledge have been of value. Some of the witnesses who come before us have so much vested interest standing behind them that they do not express much of an opinion, but you have done so. You must feel a great deal of frustration when you look at the skills training system in our country. What are the priorities? If you could really crack this what would be the two things you would change in the area of skills?

**Ms Florance:** For me, it would be about reviewing the PSA targets, putting issues in there about outcome measures and driving the Sector Skills Agreements through the system. That would include work through Train to Gain brokers, work that we would have to do on reform of qualifications and about simplification of the system.

**Ms Caine:** That is also my top wish. First, I am quite concerned about the current PSA targets and the way they are being drawn up and the measures being drafted against them, which at the moment do not even include employer satisfaction as one of the measures. I totally agree with that. Second, I wish people would be able to recognise where change is needed and in this very cluttered marketplace embrace that change in a way that affects the machinery which at the moment takes so long to move. Unless the opportunities and recommended changes following Leitch are brought on board quite quickly I am concerned that, certainly in my sector,

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<sup>4</sup> Note by witness: Because the targets and public funding that is available to support them skews where the brokers focus their efforts.

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the appetite of employers to become engaged and to see change and progress in the system will diminish accordingly.

**Q556 Chairman:** Was it the Learning and Skills Council that you regarded as the biggest encumbrance in terms of getting change? You compared your budget with theirs.

**Ms Caine:** I did and, I think, quite reasonably in light of the Leitch recommendations. We work across a lot of government departments and the devolved administrations. One of the inevitable

issues we face is to deal with bureaucracy in government which is very difficult to drive through change; it is slow.

**Mr Wisdom:** First, I should like to see real world-class research properly resourced to enable us to assess our needs in a global economy. Second, I should like to see Sector Skills Councils and employers given the authority to take control of the qualification system that is purportedly for their benefit.

**Chairman:** Thank you for your attendance. We have enjoyed this session very much and have learnt a great deal.

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## Monday 21 May 2007

Members present

Mr Barry Sheerman, in the Chair

Mr Douglas Carswell  
Jeff Ennis  
Paul Holmes

Fiona Mactaggart  
Mr Gordon Marsden  
Stephen Williams

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### Memorandum submitted by City & Guilds

#### 1. CONTEXT

Two significant pitfalls in attempting to plan for adult skill training for the future are:

- the tendency to over-generalise: the developments over the next 10 years or so will impact on different sectors of industry in very different ways; and
- target setting: to be seen to be performing well against recognised international statistical comparators is important, but it is no guarantee that actual performance has improved. The basic measures, even for government, will be—how businesses and individuals perceive the changes. Pursuing statistical targets can sometimes lead to very different outcomes to those intended.

#### 2. NATIONAL POLICY/ISSUES

The commitment to raise school leaver participation in HE to 50% has led many young people to follow the academic route inappropriately. The result has been a high drop out rate with many youngsters wasting perhaps three years of their time and achieving no skills of any marketable value, a major disadvantage both to them and to employers. There are now signs that some young people are electing to follow a paid learning route (apprenticeship) leading to known employment possibilities, rather than follow unpaid, even contributory learning (HE), where the outcome is wholly uncertain.

Colleges, in particular, express a degree of exasperation where their efforts to provide learning to unemployed, but highly motivated people of all ages, is frustrated by rigid benefit rules (16 hour limits). It must surely make economic sense to relax these rules and provide financial assistance during training for those who are determined to get back to work in pursuit of increased financial independence.

Anyone making an investment hopes to achieve a measurable benefit. The importance of this calculation in relation to training becomes progressively more sensitive from the state, to employers, to individuals. City & Guilds fully supports the notion of a more appropriate balance between public, employers' and individuals' contribution to learning. But achieving this tri-partite system for payment for adult skills training will require a sustained effort to develop an increased understanding and application of benefit and responsibility.

#### 3. SUPPLY SIDE

We would favour the simplest possible system of regional and local agencies needed to support skill needs effectively, and with minimum regulation. See also "Qualifications" (below).

It may well be that provider collaboration to offer the best mix of training skills and resources should be more actively encouraged, though there are signs that this is beginning to happen already.

We would caution however about the need to maintain a degree of provider stability. Past experience has shown that learning services, once lost, can be far too expensive to resurrect.

#### 4. DEMAND SIDE

What exactly is meant by "demand-led", in the final Leitch Report, is unclear.

National Employer Pilot and early "Train to Gain" contracts still suggest characteristics of a command-, rather than a demand-led system, with no clarity as to how the demand was determined. Reaching out directly to local employers and individual learners has a far greater demand-led ethos, and is how learning providers tend to interpret the requirement. Meeting both local and perceived regional skill needs will be equally important, of course.

The LSC's own agenda for change paper (paragraph 47) stated that . . . "We collectively need to adopt a forensic approach to understanding the needs of the learner, and the employer" . . . So, it would clearly be a mistake to think that establishing the demand for skills is a simple issue. And even the SSCs would admit that current mechanisms for obtaining information on future skill needs are notoriously unreliable.

### *Employers*

The needs of employers and reasons why they either do, or do not engage in training are complex. The need may depend on factors, such as—sector history; sector coherence; training culture; normal scale(s) of operation; company status; attitude to qualifications; the extent to which publicly funded training is a factor in business calculations; and so on.

The reduction in the number of earlier National Training Organisations (NTOs) from 70 plus and their re-formation into the 24 Sector Skills Councils was driven, in part, by two linked themes—improving their sustainability and simplifying government administration, with the goal that these SSCs would become wholly self-sustaining over time, free from the need for public support. This plainly hasn't happened. And the newer remit—the broader employment "footprint" and the clear commitment of major employers—has tended to make for diffuse bodies, often giving a distorted message. It may indeed be more appropriate for Sector Skills Councils to revert to a strategic, rather than an operational role and therefore not be expected to be self-sustaining.

Employers will simply not engage with representative bodies with whom they cannot identify and where they cannot see an obvious benefit. They, and indeed their employees will more naturally relate to their trade associations, trades unions or professional bodies. No one would pretend that these issues of identification and sustainability are easy nuts to crack but until they are, the notion that employers will voluntarily increase their contribution to training is surely wishful thinking. Smaller scale, more focussed and responsive solutions are suggested.

We doubt whether SMEs, in particular, feel closely involved in the design of qualifications. Nor are particularly confident that, within proposed structures, the invitation to take greater control of qualification content is sufficient of a "carrot" to secure greater financial contribution from employers.

Most agree that the inability of small companies to tap into training solutions is the key problem and that correcting this would be perhaps the single, biggest achievement. The position of colleges in providing SME support ought to be significant—but they need a level of flexibility and an ability to respond quickly to be attractive to SMEs.

We would expect the role of Union Learning Representatives to become progressively more important, particularly concerning the "Employer Pledge" to commit to training all eligible employees to Level 2.

### *Learners*

The motives driving individual learners are complex also, and sometimes in tension with the aims of employers. The learner may wish to train in order to change jobs or even career, rather than simply to improve their prospect in their current job. Also, individual aspiration rarely takes account of regional labour market supply/demand data. The individual may be happy to move to where they can pursue their chosen career, whether this may be elsewhere in the UK, Europe or the wider world. This may raise questions as to contribution to training costs but it is wholly alien for colleges to turn students away because of their motive for wanting to learn.

It remains to be seen whether new Train to Gain brokerage and Learner Accounts will support the level of flexibility that individual learners need.

## 5. APPRENTICESHIPS

The general quality of both work experience and learning in apprenticeships needs to be improved in some sectors.

Completion targets and costs tend to encourage the provision of large numbers of relatively simple and cheap to offer apprenticeships rather than those that are actually needed.

We would argue for the provision of apprenticeships for the older age group. We have seen major companies fail or relocate leaving redundant workers needing to retrain. These workers are often left in a Catch 22 situation where they cannot get training without a job and cannot get a job without new skills.

Small companies in particular do not have the resources to support apprentices as the impact on their work capacity is too great. Since small companies are the majority, we would have to assume that the most part of the planned 500,000 apprenticeships places planned will be programme-led, rather than work-based.

Lessons could be learnt from eg Wales, where a more realistic approach to the assessment of the Key Skills requirement significantly improved apprenticeship completion rates.

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## 6. QUALIFICATIONS

Since the middle of the 1980s the supposed need to rationalise the vocational qualification system has been widely promulgated by the Regulators and others within the publicly-funded system. Our experience suggests that this did not then, and does not now represent the view of employers. Indeed the “rationalisation” that took place in the 1980s, and the consequent removal of locally-devised qualifications from the funding lists, whilst some qualifications developed to meet a need perceived by NTOs were unused, are oft quoted reasons why employers now feel disenfranchised—an odd situation when in so many areas of the economy, “choice” is the watchword.

The proposals emerging in the Vocational Qualifications Reform Programme (VQRP) may improve this situation but even they may lack the sensitiveness and flexibility that will really engage employers. Rationalised, as in—streamlined, and rational, as in clear, accessible and sufficient for the purpose, are definitely not the same thing.

## 7. CONCLUSION

This commentary led City & Guilds to pose a number of questions (overleaf) that we believe need to be addressed in order to make progress.

### QUESTIONS POSED BY CITY & GUILDS BY ARISING FROM THE FINAL LEITCH REPORT —“PROSPERITY FOR ALL IN THE GLOBAL ECONOMY: WORLD CLASS SKILLS”

1. Leitch argues that we must focus on four areas of skills development (encapsulated in his targets) so that by 2020 we have achieved:

- basic skills for 95% of the adult workforce;
- 90% of the workforce at Level 2;
- shifting the balance of intermediate skills from Level to up to Level 3; and
- raising adult skills so that 40% of the workforce have attained at least Level 4.

Are these the right priorities?

2. Are the targets Leitch has set appropriate, realistic and/or achievable? Should other targets be set, either additionally or as alternatives?

3. Should we accept the principles of shared responsibility between government, employers and individuals? If so, what needs to be done to achieve them, and are the Leitch recommendations necessary and/or sufficient?

4. “Demand-led” for Leitch clearly means responding to the properly assessed and articulated needs of employers through their industries/sectors. Is it right that the predominant “demand” reflected in the FE system should be employer-led demand, and are we confident that the current system can adequately express that demand?

5. Leitch repeats the oft-heard claim that there are too many qualifications and employers don’t understand them, yet many of the under utilised qualifications in the current framework are those that were specifically requested by SSCs or their predecessor bodies. Moreover, in a significant survey by the Institute of Directors of its members (mostly SME Directors) in March 2006, 66% of directors said they did understand the qualifications in their sector, 53% said there were about the right number, and another 17% said there weren’t enough! Only 11% said there were too many. UCAS announced in December that they enrolled 392,000 undergraduate students in 55,000 different degree courses in October 2006—so how many is too many?

6. Leitch argues that the best industry leadership will come from strengthened, reformed and re-licensed Sector Skills Councils, more strongly involved with the employers in their sectors? Is this correct? How well are they working so far, and what should be required in the re-licensing process? The alternative in the event of failure is to introduce “an entitlement to workplace training” in consultation with employers and unions. Is that necessary, and could it be made to work?

7. What will be required to enable SSCs to deliver the new “Employer Pledge” to commit to train all eligible employees up to Level 2.

8. Within the proposals for “simplification” should we support the new Commission for Employment and Skills, and its objective of creating a new integrated employment and skills system that ensures closer working between Jobcentre Plus and the current Learning and Skills sector? This has been tried before, both in the UK and other countries, with little record of success. Can it work this time and will it create an easier system for individuals, employers and others to navigate, access and use? If so why? If not, is there a more radical solution needed across the UK?

9. Should we support the new local Employment and Skills Boards? What will they do and how do you think they will work?

10. Leitch advocates the strengthening of Train to Gain as the principal mechanism for employer based publicly funded training, and the introduction of effective Learner Accounts to support individual engagement, with all public funding passing through these two mechanisms by 2010. Is this right? What are the strengths and weaknesses of such an approach?

11. Sustained, high profile awareness programmes to promote engagement in continuing learning for adults is advocated along with a universal adult careers service, the latter principally through Jobcentre Plus. Should we support such a programme, where should it be located, and what would be necessary for it to work?

12. Leitch argues that if we implement these programmes, we can increase productivity by 15%, employment by 10% and increase GDP by £80 billion by 2020. Is this scale of improvement is attainable?

13. In all of these issues, what should the role of Awarding Bodies be, and what should City & Guilds do to ensure the scale of economic improvement that is necessary?

*January 2007*

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### **Memorandum submitted by Edexcel**

#### **INTRODUCTION**

This response is in 4 parts:

Part 1 describes who we are and what we do and as such sets the context for our response.

Part 2 provides an Executive Summary.

Part 3 sets out some of our general observations on skills issues currently. These arise partly from our long experience in this field and partly from the prompts in the questions provided.

Part 4 provides brief responses to those specific questions posed by the Committee for which we have most direct experience.

#### **PART 1: WHO WE ARE AND WHAT WE DO**

1.1 Edexcel is one of the largest awarding bodies in the UK and a Pearson company. It offers a wide range of academic and vocational qualifications, testing and assessment services and associated products and support aimed at helping teachers to teach and students of all ages to learn and get on in their lives.

1.2 Qualifications offered by Edexcel include GCSEs and A levels, Key and Basic Skills, NVQs, professional qualifications and the BTEC qualification suite. In the UK, Edexcel qualifications are taken by over 4200 secondary schools, 450 colleges, 80 Higher Education (HE) institutions, 800 public and private sector employers and a number of e-learning providers. Internationally, Edexcel operates in over 100 countries.

1.3 A major part of the Edexcel offer, and particularly pertinent to this Inquiry, is the BTEC suite of qualifications. Over the last year alone, the number of learners registering on BTEC programmes has risen enormously; on BTEC Level 1 qualifications by 140%, on BTEC Level 2 qualifications by almost 100%, on BTEC Level 3 by over 20% and on specialist and short courses by almost 40%. Growth in schools has been particularly noteworthy and is a direct consequence of the inclusion of a work-related learning component at Key Stage 4.

1.4 An equally significant factor affecting takeup, according to many schools and colleges, has been the enduring popularity of BTECs and the widespread recognition of BTEC qualifications by HE and employers alike.

1.5 BTECs provide a framework that allows learners to progress from Entry level through to Higher National (HND/HNC.) Customised, specialised and short courses allow learners and employers to tailor programmes to needs where necessary.

1.6 BTECs relate to employer generated National Occupational Standards, are recognised by over 80 professional bodies and, where appropriate, attract both Achievement and Attainment Table points and UCAS points. They reflect a form of learning which may be defined as vocational learning, ie project and research based, cognitive and applied, learner centred and, importantly, the embedding of employability skills.

1.7 Since their inception in the 1970s, the BTEC suite of qualifications have gained a level of national recognition normally only associated with long standing national brand qualifications.

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## PART 2: EXECUTIVE SUMMARY

2.1 The development and stature of vocational learning is being hindered by an elusive search for parity of esteem. Vocational learning should be valued for what it is, not for what it might equate to in other forms of learning.

2.2 The BTEC suite of qualifications is offered as an example of vocational learning which has achieved high status as a stand alone alternative to subject-based, academic learning.

2.3 The regulation of qualifications in a demand led system needs to be seen on a spectrum, or “sliding scale”. If public funds are to be used to support a particular qualification, then clearly the purpose and regulation of that qualification needs to be thorough and transparent. However, if an employer or an individual is prepared to contribute to meet their needs then the nature of the prescription and regulation for such a qualification should lessen accordingly.

2.4 Employer engagement, in the sense of employers working with schools, colleges and training providers, is best achieved at a local level where mutual needs are clearest than through a series of centrally driven initiatives. If the proposed Regional Employment and Skills Boards are empowered to set locally funded targets, then they represent the best chance of securing enduring employer engagement.

2.5 Reform of the qualification framework is concentrated too heavily on some of the headline perceptions such as the need for qualification rationalisation.

2.6 Government papers do not adequately recognise the important role that proprietary and own brand qualifications play in contributing to raising skill levels.

2.7 The learning and skills infrastructure continues to be subject to considerable review and analysis over the last year and we would favour a period of adjustment and proven performance, backed up by detailed performance data.

## PART 3: OBSERVATIONS ON SKILLS ISSUES

### 3.1 *Vocational learning and the parity of esteem argument*

3.1.1 One of the major problems for the English skills system is the continuing low regard with which vocational learning is held; in our view this is the single most significant barrier to improving skill levels in this country. Debate continues about how far different labelling for qualifications, such as applied or vocational might secure long term parity of esteem. Our view is that there is limited mileage in the parity of esteem argument—it runs the risk of watering down, rather than highlighting the special value of vocational learning. We offer the success of our own suite of BTEC qualifications as evidence in support of this.

### 3.2 *The demand led system*

3.2.1 In our view a demand-led system is one in which the needs of the state, the stakeholder, who we take to include employers and universities, and the individual are openly expressed and equitably met within agreed constraints. This has been a policy aspiration for adult learning for some time and is a central thrust in the Leitch Review. While we support the Leitch model, our view is that the wider architecture needed for such a system is not fully in place. For example, it is not clear how individual demand might be expressed, nor what redress is available if individual empowerment is not satisfied.

3.2.2 Secondly, there appears to be limited protection for the vulnerable or disadvantaged, with the Leitch model favouring the vocal and articulate. Third, the balance is tipped towards the employer rather than individual employability; fourth, the demand has already been prescribed in the form of the Leitch “ambitions” and fifth, the market place is still hugely uneven with regional, institutional and capability differences which the Leitch overlay could exacerbate rather than neutralise.

3.2.3 We believe that this is something the Commission for Employment and Skills should be asked to address.

3.2.4 For the purposes of this inquiry, we would suggest that the Committee considers the issue of a demand led system from the viewpoints of: government, employers, individuals.

3.2.5 If government uses public funds to accredit and support a particular qualification that is required to meet a national need or perhaps to protect and support a particular qualification, then it is reasonable to expect that the content and the accreditation should be fully regulated. At the other end of the spectrum, if a qualification is designed to meet particular learners’ or employers’ needs and they are expected to pay for this then the level of prescription and regulation should be considerably reduced; for example checking only that the qualification doesn’t duplicate existing provision and that it provides clear and measurable outcomes. Our view is that there should be a continuum with national priorities supported by national funding and nationally defined accreditation at one end and bespoke provision with individually defined priorities supported by individual funding and limited accreditation at the other. In between sit the various shades of provision and thus of prescription and funding but within a recognised continuum.

3.2.6 In our submission, we have referred to the need for a more flexible system of regulation for accredited provision—ie the levelling and sizing of assessed learning programmes. We have developed models of how such systems might work and would be pleased to provide these to the Committee on request.

### 3.3 *Employer engagement*

3.3.1 The Government has, quite properly in our view, sought to grant employers a much more prominent role in the education and training system.

3.3.2 In pursuit of this objective, we have seen a range of initiatives, targets and funding incentives. Our view is that employer engagement is best developed not through central targets, but at a local level and over time.

3.3.3 Regional Employment and Skills Boards are the latest mechanism for bringing employer and provider interests together, “a more strategic approach to employer engagement, skills and employment” as detailed in the Local Government White Paper. We are concerned that this could result in a further layer of bureaucracy, but are supportive of this approach with three caveats. Firstly that such Boards are encouraged to “mop up” other agency activity so that there is a single local point of reference. Secondly that they are empowered to set local targets rather than having to adopt blanket national ones and thirdly that they are granted funds, perhaps released from other agency activity, so as to be able to power local activity.

### 3.4 *The qualification framework*

3.4.1 A commonly held perception amongst employers is that the qualification system is cumbersome and that there are too many qualifications. Yet surveys, such as the Learning and Skills Council (LSC) Satisfaction Survey found learners broadly happy with their qualification offer and employers, far from confused, actually pleased with the range of qualifications on offer.

3.4.2. Our view is that too often it is the qualification that is singled out for further reform, without consideration of the impact of the system behind it, be it that of planning, funding or quality. In our experience, qualifications can take a long time to bed down and gain stature, and continual upheaval often serves to slow that process. Secondly, we remain concerned that Government papers tend not to recognise proprietary qualifications in their assessment of the skills framework, despite their proven contribution to raising skills. Over the last 20 years, 2.6m learners have gained a BTEC qualification and we estimate that there are similar numbers from other proprietary qualifications.

3.4.3 Finally, we would argue that one of the most significant problems in the adult vocational qualification framework in recent years has been a squeezing out of locally determined and designed provision—the sort of provision in the past that was developed to meet the needs of local employers who might be small, niche and very different from one part of the country to another. Currently through BTEC qualifications, Edexcel can offer a service to meet local needs which, with the introduction of a credit system, could be credit rated as well.

### 3.5 *Demand led funding*

3.5.1 We welcome moves to simplify the funding system and to put greater purchasing power into the hands of users. There are, however, three points we would make in this regard:

3.5.2 Firstly, to route all publicly funded adult vocational skills in England through Train to Gain and Learning Accounts by 2010 as Leitch proposes may be too sudden. We would argue for a phased approach on the grounds that during the same time many elements of a demand led funding system will be going through their own periods of change, including Adult Learning Inspectorate, SSCs, LSC.

3.5.3 Secondly, while considerable effort and funds are being put in to support learners going on to higher education, those who pursue their learning through colleges or training providers receive less attention and support. A linked system of guidance, information and financial support is being put in place for higher education and a similar approach is needed for non HE programmes.

3.5.4 Thirdly, we believe there is a case for looking at incentives and tax breaks for employers who make significant contributions to their local community and economy through the provision of sponsorship, mentoring, work placements and other forms of support.

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#### PART 4: RESPONSES TO SPECIFIC QUESTIONS

**4.1 Are the Government's priorities for skills broadly correct—for example the focus on first "Level 2" qualifications?**

4.1.2 While we applaud the focus to date on the first Level 2 platform, we believe the emphasis should now shift progressively towards the first Level 3. Many learners are ready to jump to Level 3 and even if not, appear able to find reasonable employment without a Level 2 and work up from there. The difference in terms of productivity and wage returns becomes more marked at Level 3 and, as the Organisation for Economic Co-Operation and Development (OECD) has identified, this country has significant weaknesses at the higher intermediate level and raising the numbers here is likely to act as an incentive for raising attainment elsewhere in the system.

**4.2 How do other targets such as the "50% into HE" fit with the wider skills agenda?**

4.2.1 As a measure, the 50% figure is not particularly helpful, and as the Education Secretary has indicated might benefit from not being age related. As an instrument, however, it has been useful in highlighting a higher level aspiration, particularly one that other OECD countries have already achieved.

4.2.2 We support the thrust behind the target and believe it can contribute to a higher skills economy. Universities UK's recent report "Higher Level Learning" and the Higher Education Funding Council for England's (HEFCE) recent "Employer Engagement" Strategy are both good examples of what the Chief Executive of HEFCE called "a new political economy of higher education", one based on skills and attributes needed by employers and one that we support. We would welcome a widening of the interpretation of HE in this context to include vocationally based HE offers to meet the broader learning needs of employers and learners alike.

**4.3 Do current funding structures support a more responsive skills training system? How could they be improved?**

4.3.1 We have already expressed the case for phasing the migration towards a demand led funding system.

4.3.2 Two other points we would wish to make in this area are firstly to register concern about what are called "full-fat" qualifications, those qualifications recognised as contributing to the level 2 threshold. As currently defined, they limit both the type and forms of learning available because they don't recognise a wide enough range of alternative qualifications.

4.3.3 Secondly, if only SSC endorsed qualifications are recognised for public funding, then this will limit the qualification offer to 25 separately defined sector needs and tend to ignore the needs of individuals, communities, employers outside a particular sector and other forms of empowering learning.

**4.4 Is there a case for a less regulated supply—side system with fewer intermediary agencies and bodies? What are the potential risks and benefits of such an approach?**

4.4.1 Yes. The introduction of intermediary agencies has had the unintended consequence of distancing providers from their customers, making them less responsive to their direct needs.

4.4.2 Equally, the various layers of intermediary agencies have not connected particularly well, resulting in providers too often working with 20 or more different agencies and not as part of an integrated system.

**4.5 Do we need to consider further structural reform in terms of which institutions provide what kind of learning?**

4.5.1 For the present, no. The Further Education and Training system has been subject to considerable review and analysis over the past year and proposals for reform are now in legislative form—we would favour a period of adjustment and proven performance—backed up by detailed performance data.

**4.5 Do employers feel closely involved with the design of qualifications?**

4.5.1 We have had much experience of working with employers on the design of qualifications and this response reflects that side of the relationship.

4.5.2 There has been very limited appreciation of how closely many employers already work with qualification developers. There is much good and established practice already in the system which should be built on. Whilst few employers, from our experience, have either the expertise or the desire to draft qualifications in detail, they do expect to ensure that the required outcomes and approaches to learning or assessment are incorporated where necessary.

4.5.3 Many employers are put off from close involvement by what they see as the bureaucracy involved. The Qualification and Curriculum Authority's (QCA) light touch accreditation and the QCF rationalisation programme may help in this regard but we would welcome consideration as to whether all adult vocational qualifications seeking accreditation require the same level of regulation as other national school based qualifications.

#### *4.6 Is the Qualifications and Credit Framework (QCF) succeeding in bringing about a rationalised system? Is there a case for further rationalisation?*

4.6.1 The QCF is currently in a period of testing and trialling until 2008 and thus measuring success at this stage is premature. Equally the QCF has a number of different aims of which rationalisation is just one strand and needs to be seen within the context of a revised Framework.

4.6.2 We support the further rationalisation of the processes and systems that accompany the accreditation and delivery of adult vocational qualifications, to cut out unnecessary complexity and bureaucracy. With regard to the rationalisation of the range of qualifications, we would stress that the QCF should not be viewed as an agent for this rationalisation of qualifications and hence control of the market. Its primary and essential role should be to ensure that qualifications and any associated credit ratings are robustly quality assured and carry public confidence. If rationalisation is to be the domain of the QCF, then potential tensions in the system, for example, as to which qualification is deemed more economically valuable than another, will hinder the development of a flexible and responsive national qualification system.

*January 2007*

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### **Memorandum submitted by the Federation of Awarding Bodies (FAB)**

#### **1. EXECUTIVE SUMMARY**

1.1 This submission is made by the Federation of Awarding Bodies, the trade association for vocational awarding bodies, on behalf of its members.

1.2 It revisits the case which has been made in respect of employers' views on vocational reform and considers evidence which suggests that a more evolutionary process may better reflect their desires and needs.

1.3 It is suggested that action needs to be based on a proper analysis of the nature of the problems to be approached and that the genuine voice of employers needs to take precedence over top down policy and central planning. Indeed there is an anomaly in using a "planned economy" model to implement what is supposed to be a demand-led approach.

1.4 SSCs need to be more focussed and consistently effective. Providing this is the case, they need proper funding to meet their strategic purposes. They need to involve key partners fully in their work and draw on all relevant information regarding employers' qualifications needs.

1.5 The nature of rationalisation needs to be better understood. It should focus on the purposes of qualifications and their fitness for these purposes. This needs to be combined with a clear communication of these purposes to employers and learners through the titling and grouping of qualifications.

#### **2. INTRODUCTION TO THE FEDERATION OF AWARDING BODIES**

2.1 The Federation of Awarding Bodies (FAB) is the trade association for vocational awarding bodies and works to open up a dialogue between awarding bodies and the different regulatory and stakeholder organisations. Our activities are focussed on achieving a vocational qualification system that meets the differing needs of learners, employers, education and training providers and awarding bodies as well as offering good value to funding bodies and taxpayers.

2.2 The Federation seeks to be pro-active on policy and development issues on behalf of its members and has a number of strategic working groups through which it forms its views and positions. In relation to this inquiry the two most relevant parties are the Skills for Business Network Issues Strategic Working Group and the Framework and Credit Strategic Working Group. The Federation has been extremely active in shaping the debate around the developing Qualifications and Credit Framework. FAB is represented on the main programme board of the DfES Vocational Qualifications Reform Programme, and along with the Joint Council for Qualifications, delivers the strand of that programme concerned with the preparatory rationalisation of vocational qualifications.

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### 3. OUR SUBMISSION

#### 3.1 *Scope*

This submission addresses itself to the questions:

- What should a “demand led” system look like?
- Do the qualifications which are currently available make sense to employers and learners?
- Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system?  
Is there a case for further rationalisation?

### 4. CONTEXT

4.1 The Federation believes that a number of reports commencing in the early 1980s with the theme of competence and competition have convincingly made the case for a link between the skills and qualifications of our workforce and economic prosperity. Increasingly the case has been argued for the UK to aspire to be a high skills, high wage economy and for social equity to be approached through the same agenda. We feel that the arguments have been well made and do not need to be reiterated.

4.2 The Leitch Report is the latest offering to repeat this theme. The Federation has already welcomed the principles and main proposals contained within this report. We believe that it is correct that the responsibility of skills development should be shared between employers, individuals and the Government. The key focus should, as described, be on economically valuable skills and there should be a further shift from supply-led to demand-led skills development programmes. We were particularly pleased to note that it acknowledged a need to develop a flexible, responsive system based on existing structures and reforms already being undertaken.

4.3 We also support the key role of fully established and funded SSCs, in rationalising the skills system, placing employers at its heart.

4.4 We do however have some concerns that current rhetoric misrepresents the nature of the exiting situation and problems. With this comes some associated misunderstanding regarding the nature of the required interventions which, unless corrected, could lead to well intentioned but flawed interventions.

### 5. THE VOCATIONAL QUALIFICATIONS LANDSCAPE

5.1 The UK’s vocational awarding bodies are a strong, independent, self-funding sector offering valued services to individuals and employers. They already have strong links with many of these employers and they are able to sustain and deliver key aspects of the Government’s Skills Strategy with no direct support from public funds. They have links with the employment sectors they serve which in some cases go back for over a century through the craft guilds, chambers of commerce and professions.

5.2 Awarding bodies are constituted in a variety of ways. Over two thirds have charitable status or are companies limited by guarantee and 10% have Royal Charters. Many awarding bodies have been in operation for over 25 years.

5.3 The Federation of Awarding Bodies (FAB) is a voluntary trade association through which vocational awarding bodies co-operate in areas of shared interest and in the development of the system.

5.4 Vocational qualifications inform an employer of any knowledge or skills held by the prospective employee that may be of relevance to their employment. There is a whole range of vocational qualifications representing the UK’s rich and varied economy. Awarding bodies design and operate rigorous assessment processes so that employers and the public can have confidence in the abilities of individuals awarded certificates.

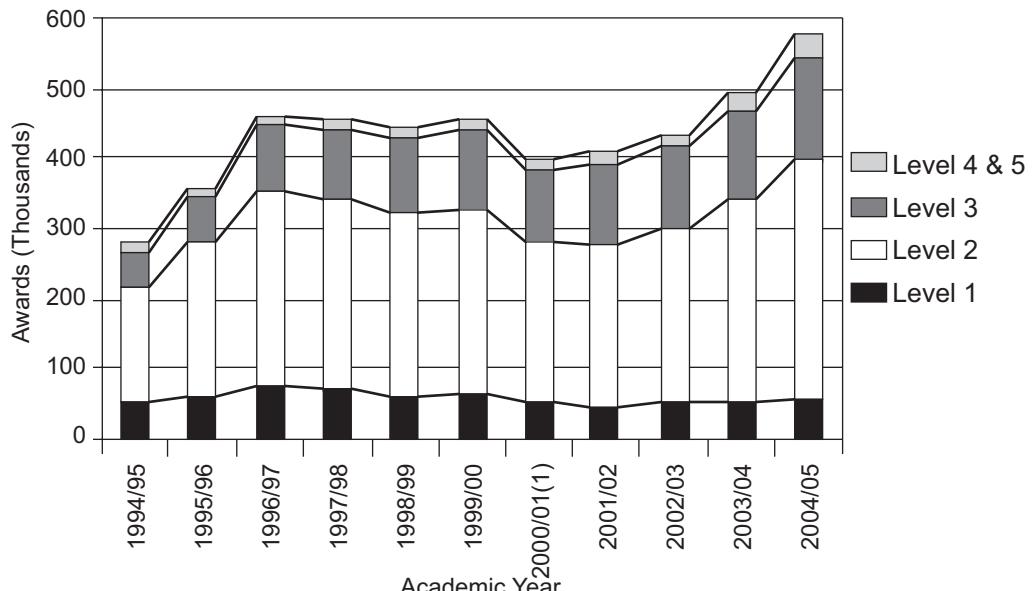
5.5 For some individuals, a vocational qualification is a preferred alternative to academic qualifications; for others it is achieved in addition to an academic award as evidence of their effectiveness in employment.

5.6 A comprehensive and trusted vocational qualifications system is vital to the operation of an effective labour market. Individuals have opportunities to progress and demonstrate their achievements through independently validated qualifications. Employers have clear benchmarks for individuals’ abilities and potential, this enables them to plan their recruitment and training with confidence.

5.7 DfES statistics (chart A) show the growing importance of vocational qualifications. In 2004–05 a total of 574,000 NVQs were awarded, an increase of 17% on the previous year. In the same period a conservative estimate shows that around one million vocational qualifications were achieved.

Chart A—taken from “Vocational Qualifications in the UK: 2004–05”  
 (published by DfES, 23 February 2006)

**Chart A: Awards of NVQs/SVQs by Level and Year, UK**



(1) 2000/01 data is awards of NVQs only.

Source: NISVQ

## 6. MEETING EMPLOYERS NEEDS

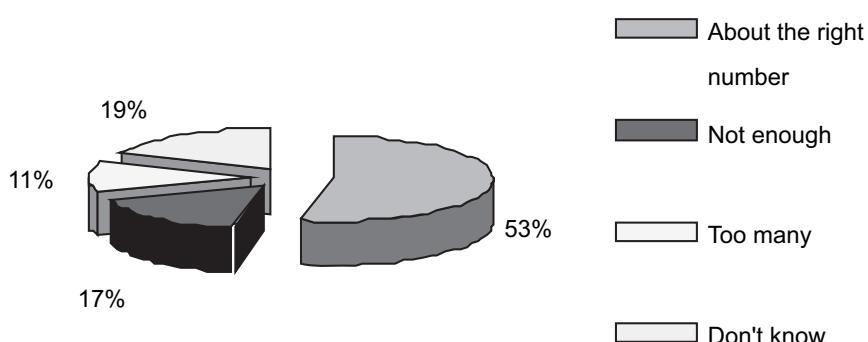
6.1 The case for vocational qualifications reform is frequently made on the platform of meeting employers' needs and expectations, and this is entirely correct. However, we do not believe that employers' views have been accurately represented in many of the justifications for change which we have seen.

6.2 The economy of the UK is rich and diverse, supporting a wide range of employment from the traditional kind to the new and high tech industries. Employers quite reasonably expect to be able to access qualifications that support the needs of their workforce, including the many specialist areas in which the UK excels. Unsurprisingly the result is a range of qualifications which matches our skills base.

6.3 Does this richness lead to confusion as is often claimed? Apparently it does not. Recent research from the Institute of Directors shows that two thirds of directors were familiar with the range of vocational qualifications in their sectors, while 70% thought that there was the right number or even too few vocational qualifications in their sector (chart B).

Chart B—data taken from the Institute of Directors report “Vocational qualifications: current issues, Government responsibilities and employer opportunities” by Dr Richard Wilson, January 2006.

**Chart B: What employers think of the number of vocational qualifications in their sector**



6.4 Nor is the number of awarding bodies the problem it might appear. Many awarding bodies serve a single market sector and have a well established brand or reputation in that sector. Most sectors are served by just a handful of awarding bodies.

6.5 A central study to understanding the operation of the awarding market is PricewaterhouseCooper's 2005 report to QCA on "The Market for Qualifications in the UK". This research shows customers choose awarding bodies on the basis of fitness for purpose, responsiveness, and to a lesser extent, cost.

6.6 A critical finding of this report, which remarkably in our view does not appear in any summary, is that over 90% of employers responding to the survey thought that current qualifications met their business needs (Para 8.65).

6.7 Recent work by FAB and the Joint Council for Qualifications as part of the DfES Vocational Qualifications Reform Programme has led to some insight into the way in which qualifications are counted and presented. The research indicates that the often quoted figure of 5,000 accredited qualifications is misleading, both in terms of the strategic policy view on reform, and in terms of presenting the qualifications framework to employers and the public.

6.8 At a very basic level, identical qualifications offered in the market by several awarding bodies are unhelpfully represented as unique qualifications. Many individually listed qualifications differ from each other only by one or two units. They are in effect optional routes within the same qualification and would be better shown as such. Linked qualifications across levels of the framework similarly appear as discrete and unrelated. One example of such anomalies in counting is that there are 17 distinct Key & Basic skills qualification titles available for learners but these are counted as 442 separate titles on OpenQuals, the qualification regulators database. A better organisation of the presentation and reporting of the framework would probably show the bulk of its content as occurring in a few dozen linked qualification suites.

6.9 Awarding bodies have routine contact with employers in the development and delivery of qualifications, this procedure stretches back decades. Most employers routinely refer to qualifications in terms of those which existed when they themselves qualified. It takes many years to establish widespread understanding and acceptance of any qualification. There is evidence that the most damaging factor to the understanding of qualifications is frequent change at the instigation of Government and regulators.

## 7. A CENTRAL ROLE FOR SSCS

7.1 We have written in response to the Leitch report that we agree that SSCs should have a key role in rationalising the system, placing employers at its heart. However, it is critical that SSCs exercise this leadership role and are given an appropriate remit. The remit suggested by Leitch to severely curtail the number of qualifications would be a damaging error, partly because of the factors stated above, and also for reasons which will become clear later.

7.2 We have concerns relating to the effectiveness of some SSCs and would therefore strongly endorse the recommendation that SSCs should be given a clearer, more focused remit. We also recommend that through licensing arrangements more should be done to manage the performance of those which are failing. It is critical that SSCs are sufficiently funded to maintain this clear strategic focus.

7.3 We are unconvinced of the proposition that there should be a new commission to represent employers on skills issues. As proposed, the commission would be directly accountable to government and the devolved administrations, providing these with a further tool for centrally determined interventions which have not always been desired at the point of delivery. There is a risk that this will disenfranchise those best suited to determining the needs of local employers—that is, the learners and employers themselves.

7.4 The structure proposed would seem to tighten further the arrangement under which SSCs are contracted to Government and are constrained to work within tight policy frameworks. The influence of policy, funding, arrangements for qualifications, the emphasis on Train to Gain, and tight regulatory controls on the design of qualifications has hampered their ability to act independently or to innovate. The Leitch recommendation that all post-19 funding should be channelled into Train to Gain and Apprenticeships (both expensive and complex programmes, albeit meeting the precise needs of some employers) is an illustration of how the freedom of SSCs to develop their own solutions could be hugely limited.

7.5 The capacity of Sector Skills Councils to deliver is also hampered by uncertain finances and mixed levels of support from employers in their sectors. Many programmes of work, such as those relating to specialised diplomas or the development of new occupational standards, have revealed weaknesses in capacity and expertise.

7.6 On this point the extension of powers to SSCs, as proposed by Leitch, raises difficult questions. The role of QCA in accrediting qualifications, as enshrined in the Education Act, cannot be set to one side. Creating a further layer of accreditation through the SSCs is not the best way of ensuring a system which is fleet of foot, flexible and innovative. The proposals that SSCs should draw up a shortlist of which qualifications should attract public funding and therefore take a lead role in the accreditation of new

qualifications, carries considerable risk. We do not have absolute confidence in the capacity and expertise of SSCs to engage fully in with this complex area. They would need to develop the necessary processes, with checks and balances, to meet employer and learner needs.

7.7 Identification of qualification provision and curricula for a full range of employers' workforce development needs is not a simple step from knowing employers' skill needs. It requires expertise from a variety of partners. Providing appropriate learning and progression routes through a sector cannot rely solely on provision concerned with the immediate demonstration of full workforce competence to industry standards; again SSCs will need the help of key partners in developing their positions.

#### 8. WHAT CONSTITUTES RATIONALISATION?

8.1 The awarding bodies' contribution to the early stages of the DfES Vocational Qualifications Reform Programme has highlighted some important issues around what constitutes a rational system which meets the needs of employers and learners. These five issues are outlined in the following points.

##### 8.2 *Transparency*

The purpose of qualifications is critical to understanding what is on offer; what do they do and for who are they intended. It does not help users to be presented with an unstructured list which does not make these purposes clear.

The important characteristic of a rational qualifications system is not the number of qualifications, but the fitness for purpose of the qualifications and the clarity with which this is presented. The way in which qualifications are titled and counted is central to this clarity and needs to be improved to help users of qualifications to find their way round, and to provide regulators and policy makers with a coherent view of the whole system.

##### 8.3 *Types of Qualification*

The qualifications provision we have has evolved over time to meet a range of employer and learner needs. For reasons explored above this can sometimes appear complex and confusing, though there is evidence that in any particular sector, employers do understand the qualifications available.

There has been some discussion that in the future we should be looking to have just one "type" of vocational qualification which, through its content and assessment, would assure that the holder is competent to industry standards. A cursory inspection of career patterns shows that individuals use qualifications for a variety of purposes including preparing to enter employment, qualifying in employment, preparing for job change and continuing professional development. Qualifications provide ladders and bridges that enable movement and progression and do not simply denote an arrival point. A variety of entry and progression routes is important in the real world to employers seeking to meet their requirements for a skilled workforce.

A rational qualifications system requires not just one type of qualification, but a variety of qualifications fitted to the particular purposes which qualifications serve. Accordingly, the work on the titling of qualifications needs to be founded on a clear understanding of the uses of qualifications.

##### 8.4 *Volumes*

Low volumes are not always an indication that a qualification is not justified. Some qualifications may provide significant specialisms (such as nuclear decommissioning or munitions clearance); others may provide a progression route which is important to some learners, albeit a minority of any cohort.

It is important to understand the purpose which the qualification is intended to serve and whether it is succeeding in meeting that purpose. Where there is a clear justification for a qualification but take up is low, it may be that action is required to improve take up.

##### 8.5 *A Market in Qualifications*

Some qualifications are offered by just a single awarding body but it is common for several awarding bodies to offer similar or identical qualifications. Many awarding bodies serve a clear market sector and have a well established reputation in that sector. Most sectors are served by just a handful of awarding bodies.

If the steps outlined above are taken, the involvement of several awarding bodies does not lead to a proliferation of qualification titles, but does offer users a choice, allowing market forces to act. Research has shown that customers choose between awarding bodies on the basis of fitness for purpose, responsiveness, reputation, and to a lesser extent, cost. Users often wish their awarding body to offer a full range of titles matching their needs so that they can deal with just one organisation. Others clearly buy from a range of awarding bodies and use this as an opportunity to negotiate on price and support levels.

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The Federation of Awarding Bodies believes that the balance of benefit lies in an open market for qualifications, with strong regulation of standards. It also recognises that “cherry picking” of high volume qualifications to the detriment of more specialist areas can be a problem in some sectors. It would therefore be reasonable to expect any awarding body entering a sector to offer a balanced portfolio of qualifications which contributes to meeting the range of requirements of employers in that sector.

#### *8.6 The Development Model*

The most highly planned qualifications in the current framework are NVQs. The content and structure of NVQs have been specified by SSCs and their predecessors, the NTOs. Yet NVQs have been identified as those most likely to be low take up qualifications.

We cannot be confident that a centrally planned model, albeit predicated on employers’ needs, could be sufficiently good at predicting actual demand for qualifications to be the sole basis for designing and developing qualifications provision, especially as these needs change over time. Indeed, to meet the intention to be flexible and responsive there must be a combination of a strategic steer from SSCs with discretion for awarding bodies to develop specific awards based on their own market intelligence and employer links.

Business models for successful product development stress a component of controlled risk taking in bringing products to market, understanding that it is not possible to predict with precision those which will meet a genuine need and generate high volumes. This is countered by rigorous review once products are in the market to remove those which under perform.

The balance between pre-specification and discretion will vary, with SSCs having a particularly close interest in qualifications intended to establish occupational competence in their sectors. In general though, the aims of raising the relevance and uptake of qualifications are likely to be served by giving awarding bodies a degree of discretion in developing qualifications, encouraging them to develop innovative provision whilst being quicker to remove weak qualifications which fail to establish themselves.

### 9. THE WAY FORWARD

9.1 In supporting current policy and the SSC role in expressing the employer voice, we would observe that the most effective SSC arrangements have been those where the leadership role has been exercised through a process of effective partnership. The use of multiple sources of information on employers’ needs will lead to a more thorough and robust understanding of these needs, and awarding bodies and providers have extensive contacts with employers. Recent Institute of Directors research indicates that employers are more likely to turn to awarding bodies or providers to discuss their qualifications needs (twice as many in the case of providers). Partnership with awarding bodies is essential in converting these needs into attractive, deliverable qualifications.

9.2 Action needs to be based on a proper analysis of the nature of the problems that need to be approached, and the genuine employer voice needs to take precedence over top down policy and central planning.

9.3 Awarding bodies have a clear interest in a system of successful, valued qualifications and are keen to play their part in the delivery of the skills agenda, individually and through the Federation of Awarding Bodies.

### 10. RECOMMENDATIONS FOR ACTION

10.1 The case for radical, as opposed to evolutionary change, in vocational qualifications, based on the justification of meeting employers’ needs, should be properly explored using the available evidence, including that presented in this submission.

10.2 The nature of the rationalisation of qualifications should be properly understood. More appropriate ways of representing the qualifications on offer for the purposes of policy review and in order to improve clarity for employers and other users should be looked into. In particular, the simplistic rhetoric that there are too many qualifications and the number must be reduced should be challenged.

10.3 The role of frequent government-directed change to qualifications in damaging employers’ understanding of qualifications needs to be considered.

10.4 It needs to be asked whether the model which is being used to pursue a demand-led system is in itself anomalous. The combination of extensive government-led direction and a “planned economy” approach to provision seems to run counter to a market determined philosophy.

10.5 The variability of SSCs in retaining their strategic focus needs to be explored, as does their effectiveness in representing employers’ views, drawing on all relevant sources of information on qualifications, and involving key partners and stakeholders.

## Memorandum submitted by OCR

### SUMMARY

This evidence is set out in three sections, the first deals primarily with the role of Sector Skills Councils, the second looks at the relationship between qualifications, skills and the ambitions of the Leitch review, and the final offers some brief conclusions about how government might best contribute to the skills agenda.

### SECTION 1: THE ROLE OF SECTOR SKILLS COUNCILS

1.1 For well over a decade now, public policy for nationally recognised skills-based qualifications has been predicated on three assumptions:

- that employers can articulate and agree on their immediate and future skills needs;
- that these needs can be successfully captured and interpreted by sector-based bodies; and
- and that such sector-based bodies are capable of designing qualifications.

1.2 After a series of failures based on these assumptions, and with the Leitch review suggesting that we should attempt the same solution all over again, yet expect a different outcome, we feel that the time has come to challenge the current orthodoxy among policy-makers.

1.3 In the 21st Century, employers can no longer be divided into tidy sectoral groups, whatever the desires of Whitehall. This issue needs proper interrogation. How many employers genuinely recognise themselves as fitting into the arbitrary “footprints” of the current sector maps? Mergers and acquisition, globalisation, the impact of the internet and other technological changes, and the trend towards career mobility are breaking down recognised sectoral boundaries.

1.4 Many of the fastest-growing skills needs in the economy are those which cross many traditional employment sectors, such as numeracy, literacy, project management and teamwork, yet because these needs fall outside a sectoral footprint, they receive less attention than they warrant.

1.5 The sector-based model claims to be responsive to employers’ needs, yet, by their nature, the currently proposed Sector Qualification Strategies are more reminiscent of a Soviet-style planned economy than a modern, international marketplace. After more than two years of wrangling about their purpose and format, the qualification “strategies” have yet to be written, let alone used as the basis to develop qualifications. The data on which their development began is, by now, already obsolete.

1.6 SSCs are primarily creatures of governments’ centralising urges. Largely dependent on government sponsorship, they are locked into a process of vying for funding. There is a conflict of interest in a body that seeks public funding to identify a need and then receives further funding to substantiate and meet that need. Leitch’s recommendation that SSCs should make decisions about which qualifications should be accredited and publicly funded will create the spectacle of SSCs vying for authority with existing regulators and funding bodies. This will divert even more public spending from front-line education and training to inter-agency negotiations and leave the whole skills sector even further off the pace of economic change.

1.7 The bureaucracy that underpins the nature of sector skills councils is not only evidenced in the lack of progress in developing sector qualifications strategies. The development of new national occupational standards, one of their core functions, has also ground to a halt. The whole UK-wide vocational qualifications reform programme is in danger of silting up because of this, and qualifications developers are being forced to find ways of circumnavigating the entire infrastructure.

1.8 The litany of failures by SSCs and their forebears provides convincing evidence of the problem: apprenticeships with dismal completion rates; the long list of qualifications with uptake in single figures that they insisted were needed; and, notably, the introduction of a completely undeliverable IT User NVQ that damaged the reputation of NVQs in the sector to the extent that the replacement NVQ could not even be called an NVQ.

1.9 Some of the most innovative and well-funded SSCs have, by their own admission, had no impact on the uptake of training and qualifications in their sector. Indeed, SSCs have been identified in the current work of awarding bodies, QCA and the Department to rationalise qualifications as the major creators of low uptake qualifications that nobody wants and nobody needs.

1.10 Meanwhile, billions of pounds of well-valued training funded entirely by employers remains completely unrecognised by SSCs. The existence of a vibrant market in training and qualifications, sitting outside and far outweighing the publicly regulated one, is testament to the failures of the SSC-led system.

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## SECTION 2: QUALIFICATIONS, SKILLS AND LEITCH

2.1 Both SSCs and Leitch place a great deal of emphasis on using qualifications as the indicator of the skills base of the country. Unsurprisingly, OCR places huge value on qualifications, which open doors for individuals and help employers with their recruitment decisions. But qualifications cannot simply be used as a proxy measure for all learning. Not all highly qualified people are in employment that uses their skills, and, conversely, some of our highest performing and celebrated entrepreneurs have little or no formal education.

2.2 In placing so much emphasis on qualifications as the measure, both Leitch and the Government appears to overlook the varied and sophisticated ways in which many, even most, employers measure and develop the skills of their employees. In a dynamic and competitive economy, employers are spending huge resources on developing training programmes, buying in advisors and consultants to develop their businesses, employing psychometric testing and behavioural analysis, adopting their own targets and appraisal systems etc.

2.3 The workplace increasingly demands that we all adapt and learn on an almost daily basis, it is intrinsic to the nature of modern work. Government might seek to take credit for creating the environment where staff development is such a high profile and enterprising activity and use it to counter some of the less flattering OECD comparisons. Nor should we necessarily be disappointed if employers choose to reject accreditation and qualifications as the cornerstone of their staff development programmes.

2.4 A potentially dangerous feature of Leitch is its seemingly dreary, utilitarian view of skills. It adopts the worst practices of teachers who tell their pupils to study hard or be doomed to a life of economic inactivity. The reality is that, whatever subsidies and veiled threats a government uses, it will have little direct impact on the behaviour of the majority of employers. It can help to nurture the environment, but it can't get down into the detail of deciding what is best for each and every employer.

2.5 The phrase "demand led" is increasingly uttered by those in the system with ironic tones. Presumably, the system aspires to responsiveness by providing the learning and skills demanded by employers, but in a system dominated by national PSA targets and subsidies, and where the menu of choices is deliberately rationalised, it feels more like a "command led" approach.

## SECTION 3: CONCLUSIONS

3.1 So what is the concern of government in increasing skills, where has it been successful and where could it have greatest impact? It is of prime importance that, within the state education system, young people are provided with a broad and engaging curriculum which develops a range of skills, including interpersonal skills as well as academic excellence.

3.2 Government support could reach a far wider audience if it concentrated on "cross cutting" skills and expertise, rather than a flawed sector based approach. All businesses have need of good managers, productive IT skills, customer service, health and safety, administrative functions etc. It is here where the greatest impact can be achieved. In a similar vein, some research and activity based on developing the "soft skills" needed to adapt and thrive in the modern workplace would be of great value.

3.3 Finally, government has a social responsibility to ensure that those adults lacking skills are given encouragement and new opportunities—in this context the level 2 targets and the Skills for Life programme make perfect sense. It is fitting that employers who take on adults or young people with a view to developing them from a low skills base should receive support and subsidies. It is also arguable that skills brokers, targeting poorly resourced small enterprises, can help them to make the big leap forward in developing their businesses, and investing in a brighter future for their staff.

## SECTION 4: INTRODUCING GREG WATSON AND OCR

6.1 Greg Watson became Chief Executive of OCR in May 2004. He joined OCR just after its formation in 1998 and spent three years as its first Marketing and Sales director before becoming Managing Director and Deputy Chief Executive in 2001. He is a graduate in Modern and Mediaeval Languages from Queen's College Cambridge.

6.3 OCR is a leading awarding body, with over 550 staff, offering every type of qualification from industry-based NVQs, through to GCSEs and A/AS levels in schools. Recognising achievement is our core business and we employ a full and dynamic range of approaches to assessment to meet a full variety of needs. With over 13,000 diverse organisations throughout the UK approved to offer our qualifications, millions of successful candidates have been awarded our certificates.

6.4 OCR has a strong track record in managing major contracts and projects forming strategic alliances and providing large scale assessment and support services linked to education and vocational training. It is part of Cambridge Assessment, a powerful group of assessment bodies owned by the University of Cambridge.

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**Witnesses:** **Mr Chris Humphries CBE**, Chief Executive, City and Guilds, **Ms Isabel Sutcliffe**, Director of Qualifications and Accreditation, Edexcel, **Mr Greg Watson**, Chief Executive, OCR, **Mr John McNamara**, Chief Executive, British Institute of Innkeeping and **Mr Alan Stevenson OBE**, President, Food and Drink Qualifications, gave evidence.

**Q557 Chairman:** Can I welcome Chris Humphries, Greg Watson, Isabel Sutcliffe, John McNamara and Alan Stevenson. We decided to put you all in together because we were going to divide you into two but the whole pace of the thing, when you have to get two sets of witnesses, does rather affect the quality of the way the thing builds organically over the couple of hours that we have you in front of us. The one thing I am going to ask you to be careful of, please do not each try and come in on every question. Some of my colleagues will try to make you but I will try and stop them. Here we are, we have some of the best known people in the skills world here. You have all got a tremendous history in the skills world, in other words you know where an awful lot of bodies are buried, we will probably try and disinter some of them today. I do want us to get a little bit of a feel of where we have come from rather than just where we are at the moment, if that helps us. I want to run right across from Chris through to Alan and give you each two minutes to say, "Okay, here we are". The reason that we are holding a major inquiry into skills, not only because this Committee is pretty obsessed about skills, and quite rightly so, we always feel that skills are the neglected part of the Department. Of course, when we do do skills the media are never here. Any media here today? Not one person. Whenever we do skills they are not here and yet everyone tells us that skills are of paramount importance to our country. Without further ado, what we are trying to get out of this then is okay, where are we? Here are two parts of Leitch, here is Foster. There has been a great deal of comment/discussion. The Treasury has been involved, the Department for Education & Skills of course has been involved, the Prime Minister is interested in skills, right across the piece skills are in focus. That is why we are doing it now, this is why we are doing our inquiry. Pull all these threads together. So where are we now, Chris, are we in a good position?

**Mr Humphries:** I think we are sitting on a potentially good foundation but there are some major issues still to be resolved around adult post-16 skills. I think some of the debates which are going on, both here and elsewhere in the system at the moment, are ticking along that. Let me try to address them. Let me pick out a few. Heterogeneity of employer demand will be my first issue. What we know from years of working for employers is that the needs of employers, large and small, even within the same sector are amazingly diverse, depending on the nature of the business, the focus within the industry, the specialisations that they follow, the niche markets that they pursue in order to be competitive against their neighbours. All of those create a remarkably heterogeneous employer base where the need for skills have many common characteristics but the differences in skills requirements are just as great. I think if you are asking me what is one of the big issues, it is the extent to which we are properly responding to that heterogeneity of demand. There

is a strong concern in many places that both the amount of work and the scale of current activity of the Sector Skills Councils is going to lead to them addressing a homogeneous set of solutions because the scale of the task otherwise becomes too huge. If that happens we will end up meeting SSC expectations and requirements not employer needs. My first one would be how do we make sure the system really responds with the heterogeneity of requirements. The second one is responsiveness. There have been many comments over the years about the extent to which we are fast enough or not fast enough in keeping pace with change in industry and the extent to which our system is capable of producing new qualifications, variations, updating programmes, flexibility in provision and the concern from employers about how long it often takes to bring things into the market place. My second concern—there are lots of reasons we can explore later for why it might happen—is that I think we are in grave danger of increasing bureaucracy and inflexibility in the system rather than eliminating it, and I think that is the second issue.

**Q558 Chairman:** That is not a bad starter.

**Mr Humphries:** One more if I can mention, to pick up your too many qualifications questions in this. I do not know the extent to which the Select Committee is going to be talking directly to employers, not employer organisations or employer representatives but employers who train. My experience of dealing with employers in almost all the sectors that are going suggests that actually they know what qualifications are in the market place, they know the ones which are right for them. They typically only deal with half a dozen different awarding bodies or skills organisations and they know the ones which are right. Richard Wilson of the Institute of Directors did a major study of employers to find out whether they thought there were too many and actually they thought there were not. There are 55,000 different degree programmes UCAS announced in December of this year but we do not think there are too many of those. I think there is a misunderstanding about what is happening in the vocational qualification sector, the skills sector, about demand and responsiveness. Employers know what is out there and will choose the things they need.

**Q559 Chairman:** Right, you reminded me as you spoke, Chris, that I should have declared an interest. I am a City and Guilds fellow, am I not?

**Mr Humphries:** You are indeed.

**Q560 Chairman:** Greg Watson, what is your take on where we are now?

**Mr Watson:** I think it was interesting, your introduction, you talked about seeing a bit of history in this situation and it certainly strikes me that we are standing in front of something of a watershed around skills and particularly around qualifications.

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If we look from the early 1990s up to today I think we can see a paradox emerging. On the one hand, there have been growing attempts since the creation of NVQs, right through the 1990s, through to the creation of the National Qualifications Framework to create a formal process-driven architecture to bring the right skills and the right qualifications to individuals. With it we have seen the creation of the bureaucracy that Chris has touched on in the form of a growing number of public bodies which are involved in the supply chain. On the other hand, over that same period, I think we have seen a growing diversity in what employers need by way of skills, in the kinds of businesses that employers are involved in and, particularly in the early part of this century, we are beginning to feel the dramatic impact of things like globalisation, e-commerce, mergers and acquisitions which are bringing companies together from formerly disparate sectors to be parts of single enterprises. It seems to me if you put those two trends together, on the one hand these growing and regularly failed attempts to try and create a formal architecture and set that against the greater diversity and the more rapid rate of economic change that we have a mismatch here. I think Leitch and the work we are all doing on another form of qualifications framework really begs the question as to whether we go further in that same direction and attempt once and for all to capture this formal bureaucratised process for getting it right or whether actually this is the point that we admit defeat on that as a method and instead seek to find other ways to stimulate the sort of innovation and responsiveness that gave us a lot of the vocational qualifications which are still most of the popular qualifications to date, most of which date back to the 1970s and 1980s.

**Q561 Chairman:** Thanks for that. Isabel, do people not feel there is a tremendous vested interest in your sector because you are a private sector—many of you are private sector now—you are very profitable organisations and the more qualifications you keep going the better. Is that an unfair comment?

**Ms Sutcliffe:** A touch unfair, Chairman, if I may. As with my colleagues sitting to my right and left, we need to keep investing into the technology that is required to enable the users of our qualifications to maximise the opportunities those qualifications provide in terms of alternative approaches to learning. Edexcel, being part of Pearson, of course we have got a wonderful opportunity of tapping in to what is happening elsewhere in the world and actually learning from that and bringing that to the benefit of our learners. If I may, certainly I would fully endorse what my colleagues to the right have already said. Could I add two points, which perhaps have not been covered thus far. First of all, whilst there is a lot in Leitch to admire and support, not least actually bringing skills very, very high profile, I think we have got to be mindful of a very economic way of looking at the issue. We are talking about individuals at the end of the day, the learners themselves, be they employees, be they potentially

aspiring employees and, as some of the research carried out by IPPR showed, for example, unless you try and focus on what is it that is going to motivate the individual to get fully engaged in learning then it does not matter what we throw through employers it is still not going to have the desired effect. NIACE's report just last week suggested 500,000 adult learners who might have been in the system this year who are no longer there because of the diversion of funding, and I fully understand the reasons for that. Let us keep in mind the individual and the needs of that individual in terms of moving forward and it satisfies all of those issues of social justice and so on and so forth. I think the other point I just want to make is this thing with the emphasis being put on the qualifications system. The qualification framework we have, I put it alongside, if you like, a food chain and we, as awarding bodies, and our qualifications are at the end of a very, very long chain, and yet it seems to be the part of the chain that is always the one that is looked at first. I think most metaphors would suggest you do not start at the end of a food chain when you are trying to bring about significant and sustainable change going forward, it is earlier in the food chain that you start to look and I know that is obviously part of your inquiry.

**Q562 Chairman:** John, how do you view it? You have a rather specific view on this? Where do you think we are in terms of where you come from?

**Mr McNamara:** Thank you, Chairman. Obviously I represent a professional body which is a discrete sector and very focused on the business success of that sector. We have got about 30,000 members, so mainly small businesses, small and micro businesses, from six to 12 employees, that is the standard remit that we would cover. I think we are at a very interesting stage in development because we are now starting to see, as far as our sector is concerned, some of the detailed issues of Leitch and we would all applaud the need to get employers' views in terms of the skills debate to the fore, all of us would support that and endorse that. I speak for a sector that, to be honest, at the moment has no funding for its qualifications. The sorts of qualifications that we provide are fit for purpose but they are not fundable. Many of our employers will be looking at this debate and thinking "Well, where is the beef for me? Where will it affect me? Where will it impact for me? Where will these reforms change the way I am doing things? Where will it improve my business?" Those are key issues for all of us to face. As a professional body we face those and discuss those every single day of the week. I have genuine concerns that if we are not careful at this crossroads, if we go down the wrong route on some of these key points, we could end up very seriously behind where we were 10 years ago even. Certainly as a sector we hope and expect a lot from these reforms for small businesses. Part of my job is to make sure we get the benefit from the reforms as well as communicating those effectively to our members.

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**Q563 Chairman:** Are the people sitting to the right of you helpful in this process or are they a barrier?

**Mr McNamara:** They are colleagues of ours in many cases in producing qualifications into our sector and outside but at times we compete, at times we do not compete because we are members of trade associations which come together and represent common views. I suppose all I am saying is from a particular sectoral point of view the role of SSCs in our sector has been, to a certain extent, mixed and variable. We get on and we have dialogue with a number of SSCs and sector skills bodies which are very, very effective, in other cases not so effective because the existing structures and networks that we have, we are very, very close to employers. Those structures and system have not been used, I do not think, to the full yet to help drive this agenda forward, and we certainly intend to work on that.

**Q564 Chairman:** Alan, you are one of the people who John works closely with, are you not?

**Mr Stevenson:** Yes. Our interest is mainly food and specifically meat. The industry is made up of a lot of small and medium sized enterprises. The bulk of the training within the industry takes place in the larger organisations. The availability of funding and the bureaucracy associated with getting a training system on board discourages a fair number of employers. Increasingly the food industry and also the meat industry are relying on non British workers. There is an increasing concern and worry that we are unable to find British nationals who are able to come into an industry where I suppose the conditions of working are somewhat difficult, whenever they can sit in a much more pleasant environment, but we are at a watershed and the industry is going to have to tackle this. Therefore, we are most anxious to make best use of Train to Gain and the other opportunities which are available within an industry which is under considerable competitive pressures, mainly from the major multiples.

**Chairman:** Right, I think that has warmed us up and you up. Let us get started on particular sectors. Fiona?

**Q565 Fiona Mactaggart:** I was very interested in something which I heard I thought from a number of you. I think I was hearing that the Sector Skills Councils are not really in touch with employers, I might be over-stating what some of you only hinted at but I would like you to flesh that out. Chris, certainly you were one of those who said you felt that. I want you to flesh that out and tell us what the consequences of that are?

**Mr Humphries:** I did not quite say that but I certainly implied that there was a big issue about their responsiveness.

**Q566 Fiona Mactaggart:** Yes.

**Mr Humphries:** I am not trying to draw a silly line here. The problem for many of the Sector Skills Councils is they have a huge footprint, it is called, a huge remit. They cover a large number of sectors. In

hospitality, for instance, they cover 14 distinct sub-sectors. They have limited resources, a relatively small staff given the scale of the job and the likelihood that they would be in a position to completely understand the full skills requirements of every industry in that sector, every employer in each of those 14 sub-sectors, and be able to determine in a timeframe which is responsive to the needs of those employers every single one of their skills needs is a misunderstanding of what is possible. My concern is not so much that they are not in touch with employers, it will vary enormously from Sector Skills Council to Sector Skills Council but whether the job they are being given in relation to qualifications is do-able. Fourteen sub-sectors, probably in that sector something like 120 different occupations, usually at two or three levels of the qualification framework, that is about 250 to 300 separate qualifications they would have to review in three years. Are they equipped to be able to do that in terms of occupational standards and at the same time build enough flexibility and customisation into each and every product in order to produce those responses in time, it raises for me the question of whether it is do-able. However much effort they put into talking to their employers, the idea that they could cope with all half a million, one million employers in the sector and meet the heterogeneity of their requirements is my concern. I am not sure it is a do-able job if they are going to get into the detail of qualification development, no matter how hard they try.

**Q567 Fiona Mactaggart:** John, you were another person who I interpreted as saying the same thing.

**Mr McNamara:** Yes. I think I can summarise it by saying it is good in parts. We deal with three sector skills bodies, one SSB sector skills body and two Sector Skills Councils. In two of those cases we work very closely with them, we collaborate. We obviously have a very extensive network of membership and we also provide qualifications into the sector. We work extremely close to employers. We do not design qualifications on the basis that they might work or they might not, we test drive them, we fly them first and see if they work and then we deliver them if they do. In two cases we work very closely with those bodies to try and represent employer needs from our sector, our specific sub-sector to those bodies; in other cases it is not so effective. I suppose one of our comments as a professional body is, use the networks that are available to Sector Skills Councils and similar groups which already exist. We are already in close contact with employers at many levels. We have been in business for over 26 years now. Those structures exist, they are there, let us use them. I do not think that has been going on to a large extent.

**Q568 Fiona Mactaggart:** The reason I was asking about this is because it seems to me that there is a theme going on about the bureaucracy that I have heard from a number of people and that bureaucracy was established, it seems to me, in an

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attempt to simplify a kind of terrain where it was not necessarily easy to know who to relate to, so creating Sector Skills Councils was an attempt to simplify the system. What I think I am hearing is—it is a bit like what Chris says about let a thousand qualifications bloom, don't worry about it—I am wondering if what you are saying is that attempt to rationalise and simplify the communications terrain has been flawed and is not working and has created an unnecessary bureaucracy whereas just leaving it to people to do on their own would have worked better?

**Mr Watson:** It is easy to see in conception how this model does what you are talking about and somehow shepherds needs into manageable pieces but it does depend an awful lot then on getting the right model of the economy at any given moment. It is interesting, I was just looking back at the list of the current Sector Skills Councils and I cannot currently find one for business enterprise, customer service, marketing, sales, international trade, languages, purchasing and supply, recruitment and personnel. Those are very large developments in the economy, areas which are carrying growing weight but they do not tend to sit within what we would recognise as established industrial product-based sectors. I think part of the problem is that the very constitution of the Sector Skills Councils tends to force a lot of analysis on to product-based industries and tends to neglect the over-arching skills trends within the economy. I think sometimes it seems responsive, I think it is a question of looking at the wrong question sometimes.

**Q569 Fiona Mactaggart: Isabel?**

**Ms Sutcliffe:** I think too if I could just pick up, Chris in his response queried whether the role given to Sector Skills Councils in terms of crafting qualification strategies going forward is do-able. I think the bigger question is really is that an appropriate role to give to Sector Skills Councils. Surely we are in an issue of trying to encourage demand for training, upscaling and so on and it is recognised, is it not, that whilst the bigger employers might be doing lots of this we are not seeing the demand coming from great swathes of employers. It strikes most of us they have an enormous remit of responsibility and taking on board qualification reform, design and so on, we would humbly suggest is probably not the best use of resources targeted to try and get the demand coming from training. You asked about the consequences of those SSCs where they do not seem to get that level of engagement, and I will come back to that in a moment. If I could just say obviously, as awarding bodies, we work across all 25 of them so the inconsistency is very much something we are having to work with, work around, do our level best because there is no such thing as a standard SSC awarding body working relationship, not at all. The consequences of them not managing that high level of employer engagement is, of course, we all find our way around it so employers, as has been suggested already, work directly with us. There will be no question of an

employer, for example, seeking permission from its SSC to enter a dialogue directly with an awarding body who was able to give, at the right price, in the right timeframe, something which met that employer's needs. That has been happening for decades and will continue to work in the future, I would suggest, because that is the way somebody who is purchasing the product is going to get what they want, at the price they want it and in the timescale that is appropriate.

**Q570 Fiona Mactaggart:** Were not SSCs set up, to some degree, to deal with the frustration from the employers that you were talking about, that their needs and concerns were not properly reflected in the design and development of courses?

**Mr Humphries:** Yet the consequence is that we are getting more homogeneity in qualifications as a result of it. OCR gave an example in their submission, there is only one IT qualification now allowed to be offered in the market place, the only problem is no-one is taking it. The second issue is you do get bureaucracy. I brought along, which I am happy to leave with the Committee, the qualification endorsement process, just initially issued by Cogent, the Sector Skills Council. It is more bureaucratic than anything we have ever had in the past and this is to happen before it goes to QCA for regulatory approval. We have suddenly seen a system that is more uniform, more homogenous, gives less choice to employers associated with more bureaucracy than we have ever seen before. In my view, it is a consequence of organisations who City and Guilds supported—I recommended the establishment of Sector Skills Councils in the Skills Task Force Report in 2000—taking on things which I think are simply beyond their capacity and far from doing that sort of over-arching, long-term view of the future, they are seeking to get into the detail of day to day organisation and operation of the sector which actually risks creating a less responsive system to employers rather than more responsive one.

**Q571 Fiona Mactaggart:** I want to hear from the employers, Alan?

**Mr Stevenson:** As far as FDQ are concerned, I think it is fair to say that the jury is still out. We believe that a considerable amount of time has been lost. Advice given at the time, whenever it was formed, was not always taken and, 12 months down the line they have come back and said "Perhaps you were right" or maybe they have not even said we were right. The major experience within the food industry is with the trade associations and that advice initially was not used. I think the industry, as a generalisation, at this moment in time, are not quite certain what the Food and Drink Sector Skills Council is actually doing. I do not think that they are fully listening—certainly from the meat side of the business. The meat industry had a very well-established set of qualifications and they are being played around with, which is confusing, and employers are not quite certain just which way they

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should be going, whether they should be trying to do their own training rather than going for more structured training.

**Q572 Fiona Mactaggart:** I am thinking about this set of answers because I think what I am partly hearing is that traditional vocational qualifications have been messed about with a bit and that the relationships which buttressed them have been interrupted and that, I think I am hearing, has not been a good thing. Now, I want to squeeze two questions into the last question which the Chairman has invited me to ask. Are there any good things from this new structure, that is question number one? Question number two, one of the reasons it tried to be created was to encourage qualifications in those fields where there have not traditionally been qualifications. Alan, you have talked about how you are employing people from overseas and so on. One of the things I am struck by is that in meat there has been a tradition of qualification but in various other food areas there has not. I am just wondering, are there areas where we have not got a sufficiently robust tradition of qualifications, not just that overseas people are prepared to work in these sectors but actually they have a tradition of qualifications in other countries and, therefore, people come with appropriate qualifications in, for example, hotel and catering and things like that where we have very little tradition of qualifications. Are there areas where there is a gap and we should be doing it, retail, I do not know, is one example, aspects of hotel work and so on? Two questions: have there been any benefits from the new structure and are there areas where we are lacking on qualifications where we need them?

**Mr Humphries:** I think there are some good things in the new structure. I have never been a random SSC basher. As I said, I have supported their establishment from day one and continue to support the need for effective bodies working in sectors that seek to understand the larger picture of the long-term needs of industry, help make those explicit and to do it in such a way that also acts as a spur to SMEs to participate in training. I think that aspect of the remit of SSCs is one I strongly support. It is the level of the detail where I start to worry. In terms of qualifications where there are not any, yes there are some good examples. I pick Skillset, the film and television industry Sector Skills Council is one which is starting to create a demand for and an interest in transportable mobile qualifications in the sector where most of the training has been *ad hoc* and has achieved the success of buying into the sort of levy that will fund that as well. I would never say it is all bad, I think it is the point at which they get down into the detail rather than up at the business strategy and sector strategy level that simply the capacity gets overwhelmed.

**Q573 Chairman:** They have got a mission creep have they, John?

**Mr McNamara:** I think that is a good way of looking at it, Chairman, on the basis that we all supported the setting up of SSCs from the perspective of a

strategic look at each sector and there are some shining examples of sector skills bodies or SSCs which have just done that. They have looked at a sector, Skills for Security is a good example, an SSB has looked at that sector, traditional low value in the past, now heavily regulated. They have stood up for their sector, they have represented it well. They have done enormous amounts of work in terms of building a picture of that sector in terms of management information and profiling its worth. They have used existing networks. They have got to grips with the real nitty gritty of what is going on, on the ground, close to employers and to professional associations that work with it, a good example of where it works very, very well. I have to say across the board of SSCs I think there has been a mission creep, I think part of that is driven by lack of funding and it is the strive to survive syndrome. We need funding, we need to be here in three years' time where is that money going to come from. Some of that is Government sponsored, obviously, but we have got examples of SSCs that have done bits of research and have got grant funds to stay in existence and that cannot be good strategically for the long-term role of those sectors and I think that is a cause for concern.

**Q574 Chairman:** Good.

**Mr Watson:** I might draw a distinction in trying to answer this question between qualifications which are a strict licence to practice of some sort and other qualifications which are for a much more general contribution to the economy. At the licence to practice end we might find some very good examples of success actually. Look at areas like construction or hairdressing, for example, the sort of industry where either you can or cannot do it and there is a fairly hard line between the two. If you cannot do it people get hurt, people's health is damaged, safety is jeopardised, those kinds of things. I pull out a number of good examples where that has worked rather well. Contrast that with an experience OCR had in 2005 where we were looking to develop a new set of qualifications around the area of enterprise. There is a lot of discussion about how to stimulate SMEs and being an SME these days is not simply a case of finding a bank account, filling out a form and getting a loan, actually there is a certain amount of compliance work to do and some basic skills that even most lenders will want someone to acquire. The reason that project failed is because we could not find a sector body to support us, not because it was not economically needed, not because we had not got a well thought through idea of what we would like but we knew that unless we could successfully navigate the bureaucracy, and part of the bureaucracy was to find an SSE to tick a box for us, those qualifications would never see the light of day. To this day that project sits on a shelf gathering dust in OCR.

**Ms Sutcliffe:** Could I just again endorse the examples and statements which have been said thus far. Going back to the point you said before, their history and fairly recent history has examples of

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qualifications that were initially designed very much with employers needs in mind and continue, despite all the to-ing and fro-ing of qualification reform, are still there and highly regarded and highly valued. If I can just use an example from my own organisation, our BTECs in the past, we always built in flexibility to enable very particular local regional needs and we have not introduced a geographical dimension as yet into the debate. I think there is something very important about having a flexible way of ensuring that a locality's needs from an employer base or wherever are met. Prior to the introduction of the National Qualification Framework in the 1990s we were able to, if you like, have empty shelves attached to filled shelves, if you like, of qualifications enabling that flavour to be fully represented, respond to a local employer, "That engineering BTEC national is fine but we have this particular need, can you customise it?" The NQF another example, again, of rather a blunt instrument resulting in good practice of that kind being removed and yet we are now expecting, through the current reform programme of the Qualification Credit Framework to be able to bring that back again. We have been there before and that might be one example of good practice that will be back for us to use sooner rather than later.

**Q575 Chairman:** To fully answer this, can you take us through the bureaucratic process that you are describing? Can you give us a little bit more feel for why you, Chris, have described it as a bureaucratic process?

**Mr Humphries:** You know the process at the moment is that Sector Skills Councils are meant to identify the National Occupational Standard, pass that to the awarding bodies, we develop the qualifications, they go to the regulator for approval. We are now seeing a requirement even to continue an existing qualification that before it can go to the regulator there has to be a 13-stage process. This particular Sector Skills Council they want a letter of intent and they have to establish a written business case to continue it and they have to do a qualification review plan. Then there has to be a regulatory consultation, and then there has to be an application form and qualification submitted. Then there is a desk review by the team. Qualification supporting documentation is then considered by the industry or regional director and that is then reviewed. Then it goes to the education and qualifications manager, they will produce a report. That then comes back to the awarding body and that is before it goes to the regulator who gets a chance to have another go at the whole qualification and can send it back to start again. In an industry where employers are looking for a process where we should be going from idea to concept in less than six months in order to be responsive to employer needs, and we already know the system is struggling to meet those timeframes—you have had reviews of the underpinning bureaucracy in the qualification

process before—what I fear is we are in grave danger of creating something which is far more complex than we have ever seen before.

**Q576 Chairman:** You know these people, what do they say when you say, "Look, this is intolerably bureaucratic. It is not helping. It is getting in the way of what we do"?

**Mr Humphries:** Particularly since the Leitch Report has said SSCs should sign off every qualification, there is a belief that they have to create something which is in some way robust and related to assessed market demand. I think they would argue that this is a consequence of the remit they have been given and a need to ensure that this is tested thoroughly against good market principles. The reality is if this is a market then, to be honest with you, there is a simple solution: since people have to buy this stuff, they will not if it is no good. There is a much simpler way of testing the market with this, which is see whether people are willing to put their money where their mouth is. My organisation is a charity, and it is certainly not in my interest to pour charitable funds into something which is going to lose me more charitable funds. There is just no interest in us doing this role, so we put an awful lot of effort into talking to employers ourselves to make sure these things are the sorts of things they are willing to offer their staff or their recruits before we even put them in the marketplace. Now we are going to have two further sign-off processes, each of which is checking whether employers are going to use them, and you think, "Something must be wrong here".

**Q577 Chairman:** We are trying to discover when this all happened. Were the Sector Skills Councils okay and less bureaucratic until this Leith recommendation or were they moving in this direction anyway? Where did they get this power? When did they get the power to have to give this stamp of approval to qualifications before they could be publicly funded?

**Mr Watson:** My experience is, and this goes back to the creation of the National Qualifications Framework, as soon as you have a notion of a framework you have a notion of boxes in a framework and there is instantly a question about who has guardianship of the rules for entry to the boxes. I think that was the point at which there was a decisive shift towards industry representation.

**Q578 Chairman:** Give us a timeframe for this?

**Mr Watson:** 2001.

**Q579 Chairman:** Okay, because that was my other question about the NQF. SSCs came in at what date?

**Mr Watson:** We had NTOs back then, but it was a similar sort of idea, sector-based bodies who act as a gateway to a box in a framework.

**Q580 Chairman:** They came in when?

**Mr McNamara:** SSCs were in 2004.

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**Q581 Fiona MacTaggart:** But there were NTOs before that?

**Mr McNamara:** Yes.

**Q582 Chairman:** When did the National Qualifications Framework come in?

**Mr Watson:** 2001.

**Q583 Chairman:** 2001?

**Ms Sutcliffe:** Yes, the end of the 1990s.

**Q584 Chairman:** How do they mesh? What was the NQF doing before Sector Skills came along?

**Mr Humphries:** What an awarding body had to do before then was to be able to prove to the regulator they had adequately consulted with the workforce and the employers in that sector in developing the qualification before it went to the marketplace. You have to put a business case up which says, "We have talked to the sector. Here is what we believe the demand is. Here is what our research tells us will be the demand for this qualification. Let's put it in the marketplace". What NTOs were given was an additional sign-off authority which said, first of all, they could ask for qualifications to be developed and, secondly, they could then insist on a sign-off. The sign-off in the early stages was light touch.

**Mr Watson:** It was good enough.

**Mr Humphries:** It was, "Have you done enough work to satisfy us that there are employers out there who want this? If you have, let's go with it". What we have moved into is a mode where what Leitch has said is, "No qualification can receive public funding unless it is signed-off by the Sector Skills Council through an approved process". The Sector Skills Councils are being challenged to write the Sector Qualifications Strategy which determines the shape which qualifications must take. We have added a number of additional requirements to this which will inevitably cause there to be people whose job it is to take those views. The consequence will be there will be more and more organisations involved in checking whether employers want them. The difficulty is at the same time we are seeing a narrowing of offer to the point where a qualification can only look like the form which the SSC has decided it should take, so there is also a squeezing, a narrowing down, of the focus and a reduction in choice for employers.

**Q585 Chairman:** These are very simple questions but we must get them before we can write a decent report. In this process, the Sector Skills Councils are here, the National Qualifications Framework is here, how do those two relate to QCA then?

**Mr Humphries:** The NQF, as was, which is due to be replaced by the Qualifications and Credit Framework, a new name, will have a tougher set of requirements about what can get on to it. The QCA will only be able to accredit a qualification which has been signed off in the way in which that Sector Skills Council wants it signed off, but they then have to do additional checks to see that it meets all the requirements which they lay down in terms of

qualification shape, allocation of credit, combining rules for choice of units and options and electives. We are in the process of designing a system which is more complex and more constraining than anything we have had before.

**Q586 Chairman:** You guys and those three bodies are the main players?

**Mr Humphries:** The regulator, the Sector Skills Council and awarding body, yes.

**Q587 Paul Holmes:** Leitch and Foster argue that there should be a very significant rationalisation of the number of qualifications being offered, but the Institute of Directors said that in a modern capitalist economy it is good that there are all these different bodies offering lots and lots of different qualifications and competing to provide what employers need. I take it from your opening comments, Chris, you would agree with that?

**Mr Humphries:** Yes, I would.

**Q588 Paul Holmes:** In a capitalist economy, one of the points of competition is supposed to be to drive prices down to give the consumer a good deal, but the consumers, such as the colleges, are saying that it seems to be a licence to print money, that fees have gone up, for example, about 36% in the last three years.

**Mr Humphries:** The first thing is I think you need to look at where they have gone up. By and large, they have not gone up anything like that level in the vocational sector, and I think I would leave it to people like Edexcel and OCR to talk about what has happened in general qualifications because I think they would argue that. I thought you might ask that question, so I did track our price rises against inflation, and you can see the two lines on the chart are roughly in line, that is what we have done for the last five years. I think it is perfectly right and reasonable, all things being equal, for the education system to expect us to keep prices in line with inflation, or slightly below it, if possible, in order to gain efficiencies and produce a benefit for the marketplace. The interesting consequence of the changes we are talking about here is that if a process becomes a lot more complex, a lot more bureaucratic and a lot more time consuming, then it will put costs up, and if costs go up, prices will go up. As I said, I will leave it to my colleagues to talk about whether that is what has happened in the general qualifications sector, but our fear is that these changes will put up costs.

**Q589 Paul Holmes:** City and Guilds have kept it in line with inflation, you must have put it up a lot more than to make up the 36% increase, Mr Watson?

**Mr Watson:** I have read the full report from FE, from the Association of Colleges, which is doing the rounds at the moment. There are a few obvious causes of rising costs which the report does not pick up. One is what Chris has alluded to, which is the growing cost of our managing the bureaucracy with which we are forced to engage in bringing new

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qualifications to market. The second is because of the more frequent process which we were forced to go through, and reaccrediting qualifications, the management overhead associated with that is growing. We might talk in a little while about the number of qualifications and the fact that is also the result of too much churn in public policy rather than anything else. The third, and most glaring omission from that report is nobody has counted the number of qualifications that are being taken. A big driver of what is driving the total bill up in terms of total pounds spent is the number of learners going through which is growing relentlessly over time.

**Q590 Paul Holmes:** There are half a million less doing adult educational course than there were last year.

**Mr Watson:** Remember, FEs also count in the total cost of all qualifications, so that will include A levels, for which uptake is still rising, for example.

**Ms Sutcliffe** I am sorry, I cannot show you Edexcel prices over the last few years as City and Guilds has and Chris Humphries on their behalf. Certainly our starting point on any review of fees is very much to keep it in line with inflation. All the points which Greg has made we would endorse as well, and rather than trying to see a way of bringing efficiencies, which we, as businesses, are all about, clearly, we are all business people trying to work more effectively and more efficiently, we find ourselves increasingly subject to the vagaries of policy diktat which, as a consequence, introduces more cost.

**Mr McNamara:** As a professional body, obviously we reflect the needs of the sector. We have frozen prices for the last three years and, in fact, this year we have introduced a new discount scheme to try and encourage more of our employers and small businesses to take qualifications. Again, like Chris, we are a charity and we do not intend to make mega profits, but if we do not make a profit we go bust.

**Mr Stevenson:** In an effort to get a larger share of the market, we reduce prices.

**Q591 Paul Holmes:** We have held prices at inflation, we have reduced prices but costs have gone up 36% purely because of Sector Skills and Government requirements or because of the increasing numbers of people who are sitting exams. Somewhere like the City of Bristol College, for example, they spent £1.5 million last year on fees, Truro £1 million, Chesterfield College in my constituency £860,000, then you could come back and say, "Bristol College is one of the biggest in the country, of course it is £1.5 million" but the principal there says, "It has gone up 30% in four years". So it is not just that it is a large college and lots of people sit in it, it is a 30% increase in four years, so there is something going wrong somewhere.

**Mr Humphries:** The interesting thing about the AoC report, and I have seen the comments from the individual principals, is that what it does not separate out is the growth. If you do not count last year, there has been a dramatic growth in the student numbers over that period. A part of that 30% rise is

undoubtedly the total, because the figure is how much we have spent on award fees last year. If you look at that four year period, in fact, participation in FE rose dramatically, it was only last year particularly that the LSC announced that big £700,000 fall. Until that time—that report was, of course, a 2006 report, not a 2007 report, so they were not looking at last year at all—you were measuring that at the point when there was the fastest growth in further education probably in my time in this sector. The second thing was that there were changes to general education requirements which did put up fees there, more than we desired, but I think it was trackable back to changes which were made in the nature and structure of the qualifications. From my perspective, it is an absolute legitimate inquiry which is one of the reasons why I went straight back and went, "Oh my God, what have we done?"—and we can show just over a 20% rise in six years, which, as you will know, roughly tracks inflation over that period—because I was very concerned to find out the extent to which we were doing that to anyone. I think there is a genuine question here to be understood about why fees have gone up and why exam fees have gone up, and I would like to see a piece of independent work by someone who would actually understand that in terms of volume and pricing and the type of qualification. I think it is a piece of work we need to do.

**Ms Sutcliffe:** As a supplementary to that, I think the other recognition is that over that period there was a real shift from what might have been called "unaccredited learning" to accredited learning because of the great push, started with FEFC, certainly picked up by LSC, that for courses to be eligible for funding they needed to have accredited outcomes, which clearly with progression pathways can only be a good thing, but I think, again, that has to be a component part, I would suggest, over that significant growth.

**Mr Watson:** I want to try and join this topic back to the original topic, which is if there is a concern that the total exams bill for the nation is too high, then consideration of how we run the qualifications system going forward is, it seems to me, a good moment to try and find ways to reduce the total cost. I hope two things have come out quite clearly already. The first is I think there is a general belief with the people sat on this table here that the bureaucracy is becoming an overhead for us which we are struggling to manage, and the only way we manage it is by employing people and people are a heavy cost for all of our organisations. The second thing is we have recently had an interesting experience with diplomas, which I know the Committee has just reported on, a heavily employer-driven enterprise. I think we got 18 months through that process before anybody started to worry about the cost, and I would argue that if cost had been one of the design constraints early in that process we would not have the diploma qualification we have today, and the cost of that somebody somewhere will have to bear for those diplomas to be rolled out. For me that is a real risk in having Sector Skills

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Councils playing too authoritative a role with too little understanding of the costs of delivering certain kinds of qualifications. It is the easiest thing in the world, as Sector Skills Councils have done in the past and are still doing, to publish a notion of a 20 unit qualification or a 200 unit qualification, I think you quoted once, Chris. Sitting at a desktop doing employment needs analysis, that might look like a very attractive proposition, to those of us who would have to deliver these qualifications, we would instantly recognise that a 200 unit qualification was going to bring a cost to the public purse which nobody would think was sensible.

**Q592 Paul Holmes:** I have three very specific questions on this cost one still before we move on and perhaps we just need, therefore, one person to answer each one. First of all, it is not strictly a skills one but it is related to what you have just said. Six years ago I was a head of sixth form and one reason why the cost of exam entries was so expensive was we moved to modularisation. The latest review is going to move it from six units to four at A levels, therefore will the fees drop by a third?

**Mr Watson:** Only as likely as a school cutting its roll by a third would release the overheads by a third.

**Q593 Paul Holmes:** So it will not, okay. Generally across the board, the exam boards have made a lot of use of new technologies, students register on-line, results go out on-line, markings are done on-line, you are using less qualified people to mark smaller chunks on-line, surely that should have brought the costs down, or are you saying the 36% increase in the three years would have been even more if you had not moved into on-line marking?

**Mr Watson:** It is not really the topic we are on today but, in simple terms, I would say, all of the savings you talk about are real savings but they have been realised off of a pretty substantial capital investment and those technologies do not come for free. It takes a long period of piloting on relatively small volumes to get those types of technologies to work reliably. I am sure in the longer term there will be benefits to be realised there, but on a strict short-term payback basis, none of the things you have alluded to produce a net cost saving for us right now.

**Q594 Paul Holmes:** The QCA certainly feel there might be a problem here because they are suggesting that the fees for the new diplomas, which you have referred to that might be very expensive, there might well be a cap put on that. Are you saying you would be totally opposed to that?

**Mr Watson:** I would say, much as I have said to Ken Boston at the QCA, that tinkering around the edges of what we charge might have an impact of a couple of per cent somewhere and that is a discussion we can keep on having. We are a not for profit organisation and we are only ever going to charge what it costs to provide the service we provide, plus enough just to be sure we are safe and that we can invest for the following year or two, nothing more than that because we have got nobody to give the

money to. The real crux of this is where does the cost come from. I think the discussion we are having here about what drives qualifications reform, how often do qualifications change, how many different bureaucrats do we have to engage with in order to bring a qualification successfully to market, those are the major drivers of cost for us. I will happily sit down and discuss with QCA and anybody else how we strip that system down and streamline it. Not only then do I think we will be able to drive some costs down, I think potentially we will have a more responsive qualification system, which is what Leitch was talking about.

**Q595 Paul Holmes:** Moving on to a slightly different area, the Qualifications and Credit Framework sounds like a very good move. If you move to modularisation, so a student, in whatever particular field it is can do part of a course, and they may not fill the whole course requirement but they will still get some credit for it and then they can add on to that later on, how is progress going on that?

**Mr Humphries:** John and I lead for the awarding bodies on the discussions on the QCF, so it is probably appropriate that we pick this up. I think we have all shared the aim for a modular unitised credit rated framework, it has been around for a long time. My organisation wrote a paper nearly five years ago advocating it and setting out an initial design. The frustration, first of all, is that five years on we are still not there yet so it is going slowly is the honest answer. It is a multi-faceted programme. You cannot have newly formed qualifications until you have new National Occupational Standards from Sector Skill Councils which are modularised. The second thing is there needs to be enough flexibility and choice in those to give the learner the option of partial completion. The jury is still out. We have not yet seen a single National Occupational Standard which meets that requirement. There is a timetable which brings the first ones into visibility in 2008, hopefully leading to qualifications in 2009. The timeframe is, assuming all goes well, we will see those in 2009. The reality is at the moment it is not clear there is going to be enough choice to make that real for the learner, in other words there will not be enough options and electives, freedom of choice, in the National Occupational Standards. That is something where the jury is still out. The second thing is whether the funding regime is going to permit learners to follow that route because at the moment there is still a full intention that only full qualifications attract the level of public funding, so it is very unclear how the funding regime is going to support this at the moment. I guess, for me, those are the big issues which are unresolved.

**Q596 Paul Holmes:** The Association of Colleges have said they do not see how the work on Sector Qualifications Strategies is lining up with the work on the Qualifications and Credit Framework, and if the Government or the LSC, as you say, are suggesting that funding will only go to a full qualification, not a partial, it is a bit of a shambles?

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**Mr Humphries:** I guess the full answer is we have not worked out how to make all these bits chime properly together yet. There is time in the timeframe. As I said, the first new National Occupational Standards are not due to appear until late next year anyway, so we do have time to get this underway, and a lot of the testing and trialling which is going on at the moment is designed to try and get inside that, but there are big issues unresolved. Certainly, there is an increasing concern that Sector Qualifications Strategies and National Occupational Standards are not creating a unitised modular structure, they are not creating the freedom of choice, they are not creating the choice of options and electives which were assumed when the concept was created and then, secondly, that the funding regime at the moment is not designed to encourage and incentivise people to behave in that way, in fact it is going to be designed to encourage them to take qualifications within a limited timeframe. Given that the new funding regime at the moment is moving increasingly towards output-related funding—the Chairman will remember that from the 1990s—then there is a big issue about whether it will even be feasible for providers to be able to offer that flexibility because if the individual does not complete the whole qualification, they may lose too much of their payment to make it viable. There are some big issues.

**Q597 Paul Holmes:** Is there one person or one body that carries the can for making all this fit together? Is that the QCA or is there nobody?

**Mr Humphries:** It is a thing called the “Vocational Qualifications Reform Programme Board”, which is a four nation body with the four nations’ Departments for Education, the four nations’ qualifications regulators, two representatives from Sector Skills Councils and two representatives from awarding bodies on it. John and I are the two representatives from the awarding bodies and it meets monthly to seek to get all of these issues resolved.

**Q598 Paul Holmes:** Are you in regular talks with DfES, QCA, LSC?

**Mr Humphries:** Very regularly. LSC is there as well, I am sorry.

**Q599 Paul Holmes:** Yet there still seems to be all this disjointed work going on which is cancelling each other out.

**Mr Humphries:** I think there is a pretty shared commitment, to be honest, to try and get all this working.

**Mr McNamara:** We are trying to join it up and, as Chris said, that funding issue is a key issue. One of the good things which has come out of the work so far is the closeness we are getting to actual data, because the fact is in this country we have not got data which shows what vocational qualifications have done and are doing; we do not know the numbers. If you said to me today, “How many VRQs are we doing in engineering?”, I could not tell

you because the data we have collected is a direct result of the work we have done as part of that process. Certainly in terms of numbers of qualifications, if we get on to talking about that later we can go into some of the detail around that, what the numbers actually are.

**Q600 Jeff Ennis:** If we can now turn specifically to some of the 2020 targets which Leitch set out. For example, he said that we should have more than 40% of adults qualified to Level 4 or above, 95% of adults to have functional literacy and numeracy skills, a doubling of apprenticeships between now and 2020 and more than 90% of adult learners qualified to at least Level 2. Are these the right sorts of targets we should be aiming at, and are they achievable, or is there anything which Leitch has missed out or got totally wrong?

**Ms Sutcliffe:** I would like to go back to a point I made in my opening comment about it is helpful to have targets for sure, but they could be seen as rather blunt instruments and they could be seen, again, as an economic response. It is clear there has to be an economic response to the issue of global competitiveness and preparing and getting the country equipped to cope going forward, but it is “Where is the individual in all of this?” As with all organisations, how could we not support the drive to make good a deficit model for those adults in or aspiring to be in the workplace who have not got a threshold of employability, and I think it is quite useful to define that in this Level 2 target. What is difficult, however, and it has been alluded to already, is at the moment we have got a very, very tight definition of what currently constitutes Level 2. The idea of being able to achieve Level 2 from a variety of routes, to tap into an individual’s interests and motivation and also the employer, again, we are severely hampered and restricted. Certainly by “we” I mean the system as a whole, providers particularly, and hence the initial feedback from Train to Gain in terms of numbers coming through that is not perhaps as good as we might have wished. I think there is something about what is the offer which can be made available. The other thing, of course, to bear in mind is that some individuals without any qualifications who do not need to go through a Level 2 because they are already experienced in the workplace and they already have the skills. It is very much about ensuring that people are given an opportunity to perform and achieve at a level which best suits where they are at that point. Certainly Level 4 we think is the right way to pitch it. For all the obvious and known reasons, we have to be an economy which is able to compete on higher skills delivery rather than a low skills economy. As a starting point, yes, but, please, do not just let us say, “If we get those targets”, because, I have to say, if we were saying 95% of the country is achieving at Level 2, if we had 40% at Level 4, we could tack targets and labels on to these people, but would it make this economy any more competitive than we find it now?

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There is something much more fundamental, I would suggest, than simply being in a position to count more.

**Q601 Jeff Ennis:** Are the Leitch targets useful for the employers, John or Alan?

**Mr McNamara:** I think many of my employers would look at those targets and think, first of all, "What is Level 2?", because most small businesses I know, and successful small businesses, whether they know it or not they are training all the time, from induction to customer service. They might not want a qualification for that or aspire to one but that is going on. Just by counting the number of Level 2 achievements, I do not believe, is a true reflection of what is actually going on out there. I think there is a big mismatch, especially at the SME end, and I am talking for that segment that there is a mismatch between what that means in terms of their day to day business. Clearly we will play a part in making sure we can try and deliver that, but with Train to Gain, as it stands at the moment, if that is the only route, that is a very, very prescribed route. To be frank, most of our qualifications, which are short, sharp, focused, delivered on many occasions on the premises themselves, would not fit into that template and, therefore, they will not affect the uptake.

**Mr Stevenson:** In the food manufacturing industry I think Train to Gain has, indeed, started something, it is beginning to change the culture. The culture of the food industry generally is not particularly training friendly, you tended to get through as best you could but just with the minimum amount of training, mainly on hygiene precautions and health and safety, so that has considerably assisted. I think there is a concern in the industry that, perhaps, the targets are extremely ambitious, and there is also an issue on the funding as to where the funding is going to come. If I could go back, I think one of the things which is now beginning to help the Sector Skills Council, which, as I previously suggested, has been a slow starter, is that it has had very traditional industries to try and combine together, with the fish industry, the meat industry, the bakery trade. There has been a fair bit of work for them to do in trying to bring those industries together and getting some sort of consistent message coming from them towards training. They have started on a number of things, such as the national academies, so, yes, as I said, the jury is out.

**Q602 Jeff Ennis:** John, I think earlier on in the evidence you said that the performance and relationship between employers and the individual Sector Skills Councils can be described as good on occasions but overall it is patchy. What is the difference, from an employer's perspective, between the performances of the sectors? What makes a good Sector Skills Council as opposed to a patchy response?

**Mr McNamara:** I suppose there are three things I would look for. First of all, does that skills body use existing networks, trade associations, professional associations, what is already on there, where

employers normally meet, be they large or small, including SMEs, that is the first point. The second point, do they take a strategic view of that sector or sub-sector, do they provide decent labour market information, information which guides employers in the decisions in terms of skills deployment. I think in some cases that has been incredibly good, in other places non-existent. Last, but not least, is that Sector Skills Council directly involved in trying to obtain, where it is appropriate, public funding for skills training and qualifications and for me those are the three measures for any small employer.

**Q603 Jeff Ennis:** What about listening to employers as well?

**Mr McNamara:** I guess that is part and parcel of the labour market information work and engaging with networks, I guess.

**Q604 Jeff Ennis:** One final question, Chairman, to representatives from the awarding bodies. Could it not be perceived that the objections which the awarding bodies have got to the expanding powers of the SSCs are very much a question of protectionism, shall we say, in not wanting to lose control of your fiefdom?

**Mr McNamara:** If you think we want to have this current system protected where we spend all day negotiating with umpteen different public bodies, having our costs driven relentlessly upwards by the management cost of dealing with all of those, and being forced to keep hundreds of qualifications on the books which are burning up my charitable resources, I cannot possibly imagine I want that world protecting at all.

**Q605 Jeff Ennis:** What is the alternative then, Greg, in your opinion?

**Mr McNamara:** I think the alternative is two-fold. The alternative is to be realistic about what this sector-based approach can deliver, and I think there are kinds of sectors and kinds of job roles for which that model is potentially very powerful, particularly for those where it is a strict licence to practise and it needs very tight prescription by an industry. I would argue that kind of system is kept healthily in control and in check by also allowing other innovation to flourish by other means. There are plenty of good qualifications which did not emerge through this bureaucratic model but emerged through a partnership between employers, individuals and these bodies.

**Q606 Jeff Ennis:** There is not enough flexibility in the new machines?

**Mr McNamara:** Yes, and if there was any suggestion that we would somehow seek protection out of all of this, I would challenge it. I said to OCR, "I think it would be a very healthy pilot to pick a sector and attempt the Leitch solution but also allow alternative provision to be marketed freely with relatively little restriction and a very low level of regulation, just fitness for purpose, let us find out what learners and employers in the end find most

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attractive and most responsive. The difficulty we have got is gradually as the strength of the bureaucracy has grown it has become ever harder, as I talked about in 2005 with Enterprise Qualifications, to get the competing alternative even into the field of play. I have to say, that is not a world I want protecting at all.

**Mr Humphries:** There is a sense in which, Mr Ennis, the system we are currently building could make life easier for awarding bodies if we did not care about the impact on learners and employers, because there is a perfect excuse for if your qualifications do not fit, "Well, the Sector Skills Council told us that is what we had to do. It doesn't work, it is not our problem, it is their problem". The difficulty is we are already starting to see some of these problems arise. My organisation is 128 years old. We have been around all that time because somehow or other we must have kept track—

**Q607 Jeff Ennis:** It is the recognised market.

**Mr Humphries:** —of employers needs or they would have stopped using us years ago. My concern, and genuine concern, which has been around for all of my time, 25 years working in this field, is that we have a principal obligation to two groups of people: the learners who want to progress in the world of work, which is what my system, my qualifications, cover, and the employers who want to employ them. It will never serve City and Guilds' interests or our reputation or credibility to be able to put stuff on the market which either does not sell or is not wanted. I have got one simple desire here, to have a system which gives employers and individuals what they need, and this is a genuine concern that we may be getting some of it wrong and a desperate concern to make sure we get it right.

**Q608 Chairman:** All governments, for the 25 years, you have been involved with a lot of organisations, what is the heart of it? Why can we not get it right? Why are we so good at getting it wrong? It is your fault, Chris, you are the constant theme here!

**Mr Humphries:** Chairman, I have been around too long!

**Q609 Chairman:** Twenty five years of anarchy!

**Mr Humphries:** To be honest, I think the answer is we distrust learners' and employers' own choices too much and I think this is something we have heard said in many areas of education, not just vocational. We really need to have three things. We do need a good understanding of the way in which the industry goes—I have supported the SSCs in that role ever since NTOs were around—but we need also to trust the fact that employers and individuals have personal and individualised needs, customised and tailored needs, which somehow or other the system needs to respond to. If you look at the last 20 years of activity, it has often been around government creating institutions which seek to tell the world how it should behave. Whereas, I think their objective should be to help the world get what it needs, that probably means giving guidance, direction, support,

encouragement, promotion out into the sector, and ensuring that the market works well through informed demand and the freedom to put into the marketplace those things which work. Remember why City and Guilds operated, and other awarding bodies like RSA from the vocational sector and BTEC, is they were saving the costs of 400 colleges and 5,000 training providers each going out and developing their own curriculum, their own exams, their own assessments and all that sort of stuff. We were created and we have survived because the cost of doing it 5,000 times over, and each of them trying to talk to employers, was going to be completely unworkable. Somehow or other we need to recognise the value which that has and the value which SSCs bring and realign them back into a relationship which is about partnership.

**Q610 Chairman:** You have put your finger on it in what you have said there. On the one hand, you are saying free up employers to decide what they want and the inference from it, that sounds very Leitch to me, on the other hand, the individuals. But over those 25 years, which I have just accused you of being the subversive element, we have tried trusting employers and trusting individuals time and time again and the reason different governments keep saying, "We are going to try this. We are going to try that. We are going to try NTOs. We are going to try SSCs", is because freeing up those two does not seem to work because we seem to have awful employers in terms of how much they care about training their staff and individuals who do not seem well motivated to get training.

**Mr Humphries:** Yet, if you look back over the last 10 years, there have been some remarkable successes. Whether or not someone wants to sit there and tell them they were doing the right or wrong course, I am not sure, but participation in the further education sector has risen dramatically, the volume of employer training has risen dramatically, and the number of people doing apprenticeships has risen dramatically. There are lots of things we have been doing right, but there is an extent to which you can over-engineer these things, and my concern is I think we might be getting to the point where over-engineering is starting to happen. If you look back two years, by the LSC's own figures, of course, the number of adults participating in the system has dropped by a million and to the end point where in September last year we had less adults enrolled in the adult further education sector than we had in 1997. A hell of a lot of things have been happening, and I think often we go for the draconian change rather than progressive re-engineering, and that sort of pendulum swing you can get can often be more destructive than going for continuous improvement.

**Q611 Stephen Williams:** There is not much left on this section to ask, Chairman, but I will follow on the theme which you were doing about this overarching theory behind Leitch. If I could start with one of the employers, John McNamara. At the moment, as someone representing the hospitality industry, do

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you think the qualification bodies and colleges and the whole infrastructure of training and education do not offer you what you need in the hospitality sector? Do you feel it is not enough demand-led at the moment?

**Mr McNamara:** That is a broad area. Obviously we do represent small businesses as a professional body. We also own an awarding body called BIIAB, so that is a wholly owned part of our charity, and we deliver through 580 centres across 5,000 different locations in the UK. That ranges from college provision to independent work-based learning provider provision. In an SME sector it is very, very difficult to release people from frontline duties to go and attend a college programme for more than a day or two a week, very unusual in our sector for that to have effect. Some of the larger employers do it very successfully, but for the 85% of SMEs it is very hard to do it. What we found, as an awarding body, is that delivering short, sharp chunks of learning, some of them regulatory, sometimes taken in colleges or with independent work-based learning providers, is quite effective in delivering that. What we have had to do as a body is deliver different solutions, different learning, especially on the entrepreneurial side at Level 3 where we are training people, helping people and equipping people to survive in business more effectively. To deliver that in a traditional format is very difficult, so we have broken that down into short, sharp chunks of learning delivered in a variety of venues, some of which are colleges. I suppose I would argue, for my part of hospitality, it is very difficult to get our sorts of employers to engage in FE colleges on extended programmes. We have tried to design programmes which meet that need.

**Q612 Stephen Williams:** If I could summarise, Chairman, what you are actually saying is for your particular sector you are meeting your own demand effectively because you feel the rest of the educational infrastructure cannot meet it because it is not an appropriate setting?

**Mr McNamara:** To a certain extent, yes.

**Q613 Stephen Williams:** Can I ask a question of Chris Humphries, City and Guilds, Chairman, and of the two awarding bodies as well. From your submissions you seem to be expressing a concern that the approach of Leitch of setting targets is bit top-down, and one of your submissions described it as a "command system" rather than a demand system. Have we got a tension here between a Treasury commissioned report, so it is Mr Brown's report, have we got the Chancellor pulling levers in the Treasury saying, "This is what shall happen in the economy", but what it purports to be doing is saying, "This is going to be a demand-led system"? Is there a conflict there?

**Mr Humphries:** There is a tension, I think, in any of these systems around the question of "Whose demand is it anyway?" and I do not just mean between the learner and the individual. In one of the papers which is going to the Vocational Qualification Reform Programme Board this Friday

is a question which says, "How do we ensure the system is really led by employer-demand rather than by SSC desire?" That is a question which has gone in with the full approval of the SSC network in appearing in that paper because, the point I was making earlier, if you have to represent one and a half million employers in 14 sub-sectors as part of your remit, then the chances of you ever being able to cover every sector in detail is very, very limited. The tendency is to look for quick answers and to try and have as few answers as possible. If that is the result, if what the SSC decides can be done by employers is all which is allowed, then the desire to create a demand-led system does end up creating a command-led system, the command in this case coming from the mix of policy and Sector Skills Council activity. Then you have to add the third dimension, which is, "Does the learner get a voice in demand anywhere at all?", and the answer is "You can build learner-demand in as well, providing you make the thing flexible, create that unitised modular credit weighted framework which enables people to accumulate bits and pieces and get enough flexibility". My belief is you can create a system which has all of that, and in the outline design of what was conceived for the Qualifications and Credit Framework is that potential, but it is possible to do things in parts of that process which then suddenly narrow it all down again. If there is no choice or units or electives or the option to do a business start-up programme in training to be a plumber, because you would want to be a self-employed plumber, if we do not build that flexibility in, then you have just constrained the learner-demand. If you do not allow them to take the French language as part of a project management programme, because your company happens to operate in Europe as well, have you constrained it from the employer point of view? In other words, there is nothing wrong with the ideas, the policy, the philosophy behind this system, our concerns come at the way in which it is implemented. It seems to me there are some important choices being made here which we need to keep as flexible and open as possible.

**Ms Sutcliffe:** It is part of our submission, we felt in the demand-led, you have got the demand from Government, you have got the demand from employers and you have got the demand from individuals. I think it becomes complicated then if you are thinking about 14–18, the intention to keep young people in some form of education training up to 18, then who really should be exercising the demand? I see that absolutely as Government having to because Government would be paying and, therefore, want to have close involvement through your various agencies about the nature of the provision which is made available to those young people as they move through a system. Just as Chris says, then when you start with employers, okay, there might be a deficit model where Government would be very interested in supporting employers to make good that threshold employability, but as soon as you move beyond those, you are into employers

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exercising their own choice of what it is they need to meet a skills gap, a training gap, and equipping themselves going forward and then, again, the additional factor of what is motivating an individual. That is a very complex set of different ages of people, different sorts of organisations at different stages in time all putting demands in and how do we then create a system which can cope with that. The only way is very much, as was enshrined in the original proposals behind the QCF where you have got this maximum amount of flexibility, that is then enshrined by the funding regime going forward over time and, as clearly put in Leitch, there will be the taper, government pays 100% at that end and the individual and employer pays 100% at the other. We have got to have a regulatory backup system which allows for a smooth move across that continuum from one to the other. At the moment, it is all very much at this end, and what will happen is the bespokeness of the provision we all continue to do but somehow it continues to fall outside what is seen as being possible to be counted into how skilled are we as a nation.

**Q614 Stephen Williams:** I have got one supplementary based on what Isabel was saying but not to Isabel, back to the hospitality industries, on this question of raising the education and training participation age—which I think we are supposed to call it—to 18. The hospitality industry, if my impression is correct, probably disproportionately employs more younger people straight from school than many other sectors. What is your sector's view on raising that training age to 18, given what you said earlier about the difficulty of releasing people into training?

**Mr McNamara:** Clearly it is a challenge for the sector to overcome. Again, I speak from a particular sub-sector which does not get public funding for most of its training, and anything which can improve access to that is what we would expect sector skills bodies and professional bodies like mine to be fighting for, at whatever age. Bear in mind, we also have a number of employees in the sector coming back to work, or in the older age brackets anyway, who should also attract some level of support and some level of funding as well.

**Q615 Chairman:** Should we not sometimes ask the question, be it a large business or a small business, "Why should the taxpayer pay to make a company train its people so they are more effective to make a better profit for the company?" I find it strange going to a very large company, which is one of the most profitable companies in the universe, and we are giving them money under Train to Gain to train their people who they would have been training anyway. Is it a nonsense world?

**Mr McNamara:** I guess with LSC budgets of £12 billion a year, the CBI figures and IoD figures range from £33 to £40 to £50 billion of company money spent on training, you could argue that does include release time as well as the actual training money spent, but there is a big balance argument there

about companies already spending considerable resources on training, some of it accredited, some of it not. My particular beef is trying to get as much state support for small enterprises that traditionally have not had access to funding or find it complicated to get hold of the correct advice for a range of provision. I am not suggesting that every single training programme or development programme could be funded, it is clearly not that simple.

**Q616 Chairman:** What I am saying to you, John, is I can understand why your members, because they are small and have more of a struggle, should get state funding, taxpayers' money, rather than Tesco or Sainsbury's or Asda. That is the conundrum, is it not? Can I ask you a separate question. In the last session we had last week we had a representative from the Sector Skills Council in hospitality who said there was this dreadful shortage of chefs. I always make it a rule not to go into a restaurant which has a card in the window which says "Chef required", but he said there was a 5% undersupply of chefs. With the best will in the world, here we have a culture at the moment obsessed with chefs and cooking and Gordon Ramsay and Jamie Oliver and so on, and there must be a tremendous desire to be a chef now that it is seen as a glamorous occupation. What on earth has gone wrong with your industry that you cannot find enough chefs or train enough chefs?

**Mr McNamara:** It is a tough business, a tough competitive world and a hard environment to work in. If you look at the figures we have, they indicate that chef numbers in some of the better business schools are buoyant, they are going up. As a sector, again, we have recently introduced a catering qualification aimed at pub businesses mainly which are introducing a new provision for catering on the back of the smoking ban especially, that is an important area, and it has been an interesting story getting that qualification accredited. It is going through the process now but we have had, as Chris was indicating earlier on, about 14 stages, I would say, Chris, to try and get it to the stage of being accredited, and even that qualification will not, under present rules, attract public funding. What we want on the new QCF, or the NQF as it is now, is public recognition that our learners should aspire to have the recognition of having a qualification which is nationally recognised. It is not an easy answer but it is a key issue for the industry.

**Q617 Chairman:** Deadweight then. Should we be giving big successful organisations money to train?

**Mr Humphries:** You know the final report of this Skills Task Force from 2000 for the first time proposed that we needed to have a system of, what we call, "tripartite responsibility" where it is absolutely clear what the state pays for and it is absolutely clear that employers and/or individuals need to contribute to the rest of that according to the benefit they gain. I think it is a simple matter to divide it up. There is a reasonable expectation that the state should produce young people who have a

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Level 2 and reasonable levels of literacy and numeracy. We also know that the gain for the individual and the employer does increase according to the levels studied. In 2000 we were advocating, "Go out and negotiate with industry a basis for sharing the costs of training" because, of course, it is not reasonable for the state to pick up all the cost and in a lifelong learning system there is no way the state can afford to do it. It is rather worrying that we are seven years on from then and we still have not started the process, although the Leitch Report has, again, reminded us of the need to do it. I think there is a big government and industry issue here which is about sitting down and agreeing the basis on which the costs of education and training, particularly in the vocational adult sector, are shared. You are absolutely right, it is not sensible and not reasonable for the country to expect, and for industry to expect, the state to bear all the costs, but it is complex and you do have to agree the parameters by which you divvy up out the costs, so let us get on and do it.

**Mr Watson:** I would set against all of that, though, the need to keep individuals involved in learning if we want to get to some of those 2020 targets. I do not think we will get to the 2020 targets simply by linking everything which goes on in the education and training system to short-term needs defined by particular employers, regardless of whether the employers pay or not. Just to illustrate that, still the single most heavily used vocational qualification used in this country is CLAIT, which is over 15 years old. It has been taken by three million people and, despite all the forecasts to the contrary that by now everyone must know how to use a computer, it is still the most heavily used qualification. When we go and try and understand why, it is not anymore because it accurately describes a particular skill which employers say they want, it is that for many women returners and many older people looking for a career switch, it is a course of study which they find motivating, they find reassuring, even if they have acquired some skills informally it gives them the confidence that they formalise those skills. Above all, very often it is a way back into work for people, to do something which gets them feeling that they are getting back into touch with work. I think that is a beautiful illustration because that is one of those qualifications which those who talk strictly in terms of defined sector needs find it very hard to get to grips with. "It must be outdated. It is a scandal that we spend so much money on it still", actually that is performing a very important role. If we are going to get anywhere near the 2020 targets we have got to allow for qualifications which get individuals involved in learning, almost regardless of what the specifics are that they are coming through the college door to do.

**Q618 Chairman:** One of our witnesses last week said many employers in his sector still advertise for a qualification which has not been available for 15 years and that is an interesting lack of information  
**Mr McNamara:** Chairman, 7% of the sector advertises for 7061-7062, so that means 93% do not.

**Chairman:** We will move on to looking at awarding bodies and intermediaries with Gordon.

**Q619 Mr Marsden:** We have heard a lot about, not least just in the last couple of minutes, the shelf life of various of these qualifications, but I would like to start off, if I may, with you, Isabel, going back to the written evidence which Edexcel submitted. You argued in there that many employers do work with qualification developers at the moment, quite reasonably, but that, perhaps, a lighter-touch regime would boost employer engagement, particularly in achieving accreditation from the QCA. Imagine you are Ken Boston for a moment, how light-touch does that have to be to achieve real results in terms of improving employer engagement?

**Ms Sutcliffe:** I will try and answer the question, but I think it comes back to we are in the business of wanting whatever we develop in response to a perceived need to be a success. I have mentioned before that those of us with strong vocational qualification heritage, that is all founded on working very, very closely with individual groups of employers, an employing sector, to ensure that we really understand what their needs are and then are playing that back to them in the form of the qualification. Where you would say, "What satisfies enough employer engagement?" and the evidence which we then put forward as part of our accreditation process through to QCA is, to me, seen in the way we, as Edexcel, organise our business. We do have a lighter-touch system working now for the accreditation of qualifications, thankfully the days of it being two years in terms of putting a submission into QCA and hearing whether it is accredited or not are well past, thank goodness. We have got a much more mature system working in terms of an awarding body's relationship with its regulator where the regulator is taking an overview of our systems and processes, and built into the development process of all of us, as awarding bodies, is that key factor of how we engage with employers. Instead of looking at the detail of an individual qualification, you are looking at a process. Providing we can show that in meeting an employer's demand we are talking and taking lots and lots of care over ensuring it is not necessarily an isolated demand, particularly when we are talking about something which has been nationally available, that seems to work quite well.

**Q620 Mr Marsden:** That is all a bit woolly. Maybe it has to be but I am just saying, there is no magic button you would press.

**Ms Sutcliffe:** No, and there cannot possibly be because—stating the obvious—employers, by definition, are a very diverse set of organisations. It is very easy to say—and I speak as an employer myself—what we do not get and what is not good, but when charged to be absolutely articulate about what your needs are, it becomes quite difficult, not least because their business is not in teasing out

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training, learning outcomes and being able to then put them into a set of assessed activity, that is our expertise.

**Q621 Mr Marsden:** Chris, if I could take us on from there, you rightly reminded us you have been around a long time and you said you would not be around if you had not been doing something right with employers. Moving beyond City and Guilds, do you think it is true across the board that qualifications are in need of reform because they are not sufficiently responsive to employer needs, or are we looking at particular black holes in particular sectors?

**Mr Humphries:** I think we have had two types of qualifications in the sector and they have been meeting different needs. The vast majority of qualifications which are on the NQF that are approved by their NTOs and get onto the National Qualifications Framework, NQF as it is now, have usually gone through two stages of good testing. They have either been developed in conjunction with groups of employers, they have usually then been signed off by the NTO. I think the vast majority of those cases you can argue both from the initial testing with groups of employers and the NTO side, most of those are now reviewed every two to three years where they used to be reviewed every five to six years. The rate at which they are updated and modernised has really halved or doubled, depending on how you measure that. That is part of the reason why it is essential to keep light-touch because if the review process takes too long and you have to do it every three years, then the gap between need and delivery is getting bigger. The whole set of second groups of qualifications, which were designed more for the learner, to meet the needs of individual learners, perhaps learners doing lifelong learning, doing a bit of tasting and testing or looking to update and professionalise and modernise through short courses a set of skills they already had, these have a much less measurable impact, both in terms of benefit for employers. A lot of the criticism which has been focused on qualifications over the last few years has been on those short courses which serve as, immediately, the sort of thing John was talking about.

**Q622 Chairman:** John said he had to produce his own because people like you did not do the short ones.

**Mr Humphries:** City and Guilds does not do short courses, there is no question about that, we do not, we do full-scale courses. We do create modular programmes where people can do bits and pieces. They are all modularised, but we still design them in the context of a qualification which qualifies you for something. It is not us that stops John putting the short courses into the market place, it is the policy today. A lot of the focus has been on the extent to which those things can be seen to be making a visible and tangible employment difference.

**Q623 Mr Marsden:** This is the debate between soft enabling skills or hardwire skills, essentially.

**Mr Humphries:** In part, it is also the debate about whether you allow someone to do small bits of learning in a modular form, and that is enough, or because of the challenge which is seen to exist around how many qualified people we have, whether the public priority for expenditure should be on the full qualifications. It is that latter thing which has driven a lot of the behaviour.

**Q624 Mr Marsden:** Fine. Thank you. Greg, I wonder if I could bring you in here and ask you one or two basic questions about what happens to your own agency, OCR's agency. What would you say the rate of turnover is for the qualifications which you produce? Is it possible to quantify?

**Mr Watson:** Pretty much everything at the moment is turning over on an annual basis. I would have to go back and check exact statistics if the Committee wanted them. At the very least, because we are in a period of stasis, because Leitch is up in the air and the QCF is slightly up in the air, we have got a lot of things now on very short accreditation cycles. In fact, when you read the misleading numbers of qualifications which are often quoted in speeches and papers, much of that reflects the fact that we have currently got three or four parallel versions of the same qualification which is being re-licensed annually.

**Q625 Mr Marsden:** This is the new improved version, it is not a new thing? I am not being critical.

**Mr Watson:** No, honestly, it is very often not even newly improved, it is simply re-licensed for another year while we work out what we are doing long-term.

**Q626 Mr Marsden:** You would argue then that these figures which are thrown around of 6,000, 10,000 are based on a misunderstanding of what is actually out there, that in real terms the real number of different products is far less?

**Mr Watson:** Without a doubt. In fact, John and I were talking about this the other evening. We are three-quarters of the way towards the real answer through some work that the auditing bodies have been doing collectively. The sweepstake ticket I have got in my desk says 500 will be the final answer.

**Q627 Mr Marsden:** In that case, I am tempted to ask why you have not been more successful in your PR in persuading the rest of us all who constantly quote these things, but I will not go on to that!

**Mr Watson:** For the same reason that CLAIT is still heavily used after 15 years, I suspect.

**Q628 Mr Marsden:** Let us talk about the new things which you launch. Of the qualifications which you do launch that are new, how many of them fail to stimulate enough demand? How many flop?

**Mr Watson:** Of the ones which we have conceived, consulted with employers or universities and schools and colleges about a launch, I would say our success

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rate is 75%. Of those which are born of a sector skills strategy of some sort, less than 10%, off the top of my head.

**Q629 Mr Marsden:** That is a very interesting differential, is it not? What happens to them? How long do you leave them out there before you decide, "This is not selling", to put it crudely?

**Mr Watson:** The shortest time would be about three years. There is a lead-in for a typical college of the year before launch needing to have it in a prospectus to recruit students for it.

**Q630 Mr Marsden:** Chris, what about you?

**Mr Humphries:** We have a significant number of qualifications which do not have any sales, but in every case they are qualifications we have put into the market at the request of an NTO or an SSC. Many of them are there for very legitimate reasons. They are qualifications at Level 4 and Level 5 where the sector desperately wants to persuade people in their industry to up-skill and they cannot do that unless there is something in the marketplace. Then there are others where the sector is keen to get a particular group or occupation to take up training and, again, you cannot do it, so we will often put things into the marketplace at the request of an SSC in order to allow them to promote to the sector in order to do it. We accept that is a loss-maker for us in the context of trying to provide a complete service for the industry. What we have found recently, through work we have been doing under this Vocational Qualification Reform Programme, because the awarding bodies have a strand of work ourselves in that, is that the most significant number of those vocational qualifications which have low take-up, the SSCs themselves do not want to remove from the market, because we have asked them, because they are still keen to try and get their industry to take them up, so you plan that into your business.

**Q631 Mr Marsden:** A cruel or cynical person might say that the SSCs were anxious to keep them out there because it justified their existence.

**Mr Humphries:** I would not say that, I would say in our relationships there is always a genuine industry reason behind them seeking to do it, particularly the higher level qualifications where it is a hard sell to get the industry to take up those. Given that this predates the SSCs and dates back to the NTOs as well, I would not say that.

**Mr Watson:** To shed a bit of light on the problem. OCR itself has a formal approval process for deciding to go ahead with a new qualification. It does not have 13 steps in it, it has two. What is interesting is, having seen a couple of cycles through now since I have been involved in post-19 qualifications, I am beginning to get interested in those qualifications which come back for a second run when the first run failed. I have been going back and reviewing the papers which were submitted with the original internal proposal and I think the most regular feature which I discover in those that have

failed is that they were originally claimed by the NTO or the SSC as licences to practise, "These will be mandatory from . . ." and there is usually a date quoted in the paper. Many, many times, when we go back to understand why that qualification never took off, in truth it is because there was not appetite for that kind of very strict licence to practise in that particular sector, although there was a desire for it.

**Mr Humphries:** It was more intention and desire.

**Mr Watson:** Yes, but because it did not acquire the status of a licence to practise, no learner felt compelled to go and get it.

**Q632 Mr Marsden:** Isabel, could I possibly ask you quickly, would it help, both in terms of public perception and also in terms of practical utility, if some of these qualifications had a sunset clause in them? You would say, "If they do not reach a certain target market within three or five years, that is it".

**Ms Sutcliffe:** I think the system works quite well as it does at the moment in terms of review, evaluation and remove if because I think we all have similar systems for keeping existing qualifications under review, particularly those with low take-up. We would have an annual review, those with no take-up and the reasons behind it. It is a long process to remove anything because you are never quite sure where a learner might be on a journey for all of those reasons. We have had some issues with what seems to have been rather arbitrary accreditation end dates placed on qualifications, which is the same sort of thing because you are never quite sure if you are going to get an extension or you can get it reaccredited. An employer using a qualification is one thing, but if you think about a college or a training provider looking at a range, it makes their planning going forward quite difficult if they do not know whether to brave security for something they want to invest in, it could be planned as well as people, to get a programme off the ground.

**Q633 Mr Marsden:** The answer to my question is basically no?

**Ms Sutcliffe:** Yes. It works okay, so there are lots of other things to fix.

**Mr McNamara:** Can I give a very brief view from a professional body. Any awarding body, professional body is very, very close to employers in designing qualifications at the design stage, as we do. We do not launch anything without an employer group, sometimes with the regulator if it is regulatory, but if it is business building, it is employer-led, we design it, we float it and we test fly it. There have been a number of cases where we have not launched a qualification because it does not work, and if it does not work we do not launch it. We build in our own sunset clauses because, certainly at Level 3, those qualifications which build into a larger suite of Level 3s are designed to improve bottom line. If they do not improve bottom line they will not fly and that is an inbuilt part of the process. Other awarding bodies I know do the same thing, but it is becoming more and more critical for that to happen. To pick on Greg's point, the work we have done on Strand 4 in

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terms of numbers, it looks like it will be between 500 and 1,000, which is on that framework, if you get the data right, if you count it right, if you codify it properly, and we are getting into that data now. As you say, the fact that people are still on platforms saying, "It is 5,000. It is 6,000. It is 22,000", these are real figures and real complexities which we are trying to break through.

**Q634 Mr Marsden:** Chairman, I wonder if I could come finally to the issue of accrediting in-house training, which touches quite sharply on what you have said. Can I stay with you, John, possibly Alan might want to add something on this as well. There has been a lot talked about employers' own training programmes and the point at which they come into sync with things that come from outside. Would it be possible, or sensible, for those training programmes to be accredited and effectively brought into the National Qualifications Framework?

**Mr McNamara:** I think in some cases the short answer is yes. We already accredit some organisations' qualifications and they put them through the rigour of external assessment, an external look, and they are accredited. I think into the future, as long as that externality is brought forward for those organisations coming into the framework, why not.

**Q635 Mr Marsden:** I mentioned that particularly because we had a very stimulating session not so long ago in this section of the inquiry with union learning reps. It is fairly clear from the evidence they gave, and, indeed, from the written evidence we have received, that some of the more dramatic things in terms of trying to engage adult learners come from that in-house short-term training.

**Ms Sutcliffe:** Absolutely.

**Mr Stevenson:** I was going to fully support what has been said. The Meat Training Council has concentrated on management development. As an industry, it has a weak management structure. In many cases it is family orientated and does not always follow that the rest of the family, as they go back, have the ability to manage a company properly. We have done knife skills, we have done supermarket courses, all designed in-house with the help and support of employers and the industry generally and these have been launched. Generally, in the case of knife skills, they have now been accredited and management development as well.

**Mr Humphries:** This has been happening for many years. The three examples which Ken Boston gave in his QCA review this year were all employers which City and Guilds is already accrediting and they are training for. Tesco's training, Orange is another one, London Underground's training, all of their training is both meeting national standards, completely accredited within the framework, and branded Tesco's as well as City and Guilds in the National Qualifications Framework. These things are being done already and in big volumes when you consider the whole of Tesco's training.

**Q636 Mr Marsden:** We had evidence from the 157 Group of Colleges, and other people in the FE sector have certainly said to me personally it would be a great help. Why is there such a dichotomy of understanding between what seems to go on in FE colleges about this and what, as you say, is already happening on the ground floor?

**Mr Humphries:** Because, of course, this training takes place in Tesco's stores, not in colleges. The training is Tesco's in-house training but they changed—if I use them as an example—their training procedures to meet ours and QCA's requirements, they changed their staff development requirements, they changed their reporting and assessment requirements because their staff said, "We would like to have your training accredited". They changed and built in new systems into Tesco's so that their staff training would meet the externally accredited requirements of the National Qualifications Framework but, as a result of that, the training takes place inside Tesco's. It happens to be externally accredited and assessed by us but it, therefore, is not happening in colleges or training providers, it is happening in the employer's premises.

**Q637 Mr Marsden:** You are saying it is not a question of reinventing the wheel, it is a question of better communication and better understanding between the different sectors?

**Mr Humphries:** And encouraging the practice because what I must say to you is when we took Tesco's proposition we had to go to the QCA main board in order to get it through because the tendency of the staff was to reject this as a model for acceptance within the framework. It was quite a battle to get it accredited and accepted that the standards were being maintained. What we need to do is make it easier for it to happen, providing external quality assurance requirements are met. What you cannot afford to do is have acme stores provide training which is not comparable to the network and then have them taken up by Wal-Mart or Asda later and have them say, "This is rubbish. Why was this accredited? These people can't do the job". Maintaining quality remains critically important, but let them bring it into the framework through external quality assurance, sure, why not.

**Chairman:** I have got to call a halt to this. It has been a very good session, and I think some of you might prepare yourselves for coming back again because we just started getting under the subject. It has been a very good session. Alan, John, Isabel, Greg and Chris, can I thank you all very much for your attendance. As I say, we have learned a lot, but we may have to come back to you. As you are travelling away from here, if there are things which we should have asked you or you should have said to us, get in touch. Most of you meet us a lot of the time anyway. We want this skills inquiry to be a rather good one and we will not do that without your help. Thank you all.

**Supplementary memorandum submitted by Greg Watson, Chief Executive, OCR**

Thank you for the opportunity to give oral evidence on skills to the Select Committee on 21 May 2007.

At several points during the session we discussed adult IT user qualifications, and, in particular, OCR's CLAIT (Computer Literacy and Information Technology), still the UK's most heavily used vocational qualification. I thought it would be helpful to provide some further information on this subject, so I have attached some brief details of the role of e-skills in developing iTQ, setting these alongside the continued performance of CLAIT. I hope this might provide a specific example of some of the risks which emerged from our evidence, notably of mission creep by SSCs, the tendency for unproductive policy churn, and the higher success rate of qualifications which have emerged through a dialogue between awarding bodies, teachers and learners, rather than through the top-down sector-led model proposed in the Leitch Report.

In 2002, e-skills, the newly formed Sector Skills Council for the IT industry, began development work on a replacement for the Using IT NVQ. The existing NVQ, developed by the now defunct IT National Training Organisation, had a disastrously low uptake and was considered by many to be undeliverable.

Branded as "iTQ", the replacement for the NVQ was developed by e-skills in partnership with the Learning and Skills Council. The vision was to develop a qualification that would transform the IT skills of the workforce and contribute significantly to government PSA targets. The LSC funded a series of pilots in 2003 seeking to pump prime demand by arranging and paying for the delivery of iTQ to employers and training providers who participated.

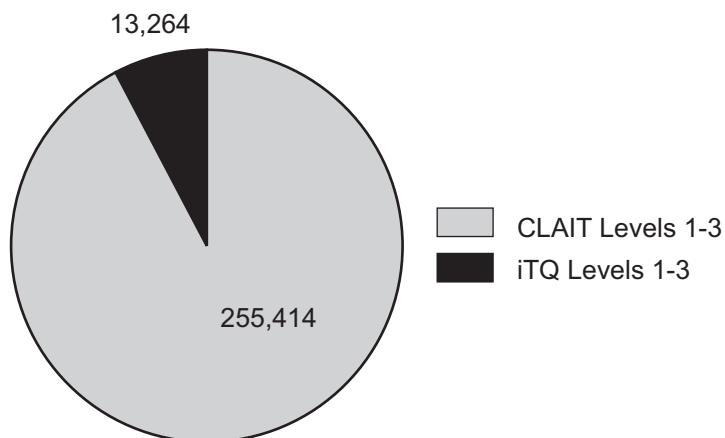
In September 2004 iTQ was launched. The LSC briefed all local LSCs that iTQ must be the preferred IT User qualification and linked it explicitly to government PSA targets. Deliverers of CLAIT were told that, from the following year, they must switch to iTQ if they wished to continue to draw down LSC funding. Later, the LSC announced funding for the "e-passport", a product developed by e-skills to support iTQ and which has become a source of revenue to e-skills.

iTQ is currently part of a QCA-funded test and trial, looking at how iTQ might be adapted to carry credit values in line with the proposed Qualification and Credit Framework (QCF). OCR is funding a further trial with CLAIT, in partnership with Ufi/Learndirect.

With the public funding of CLAIT ebbing away, the uptake of CLAIT is declining, but it remains healthy, possibly because of the numbers of adult learners who contribute to the costs of the programme. iTQ is a useful qualification, with its own strong features, but it has been least successful in becoming embedded in training delivered by employers—its original purpose. Although uptake of iTQ is showing signs of significant growth, it remains well behind CLAIT, as the following data shows:

**COMPARING ACHIEVEMENT RATES BETWEEN AN SSC DEVELOPED QUALIFICATION  
AND AN OCR "DEMAND LED QUALIFICATION"**

**OCR CLAIT and iTQ Achievements**



source: OCR data on full achievements October 2003 - September 2006

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\* The data relates only to achievements of iTQ with OCR in the major provider of iTQ awards, there will be some additional achievements of iTQ with other awarding bodies. However, this would be more than balanced out if achievements of other IT User qualifications, notably the European Computer Driving Licence, were added to the CLAIT achievements.

OCR CLAIT is accredited by QCA in the current national qualifications framework until September 2008. e-skills has already informed OCR that it will not support the continuation of CLAIT, or any other independently developed IT User qualification (such as the European Computer Driving Licence), beyond that date. In so doing, e-skills would be able to significantly increase the “demand” for iTQ and its associated products.

*May 2007*

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## Monday 4 June 2007

Members present

Mr Barry Sheerman, in the Chair

Mr Douglas Carswell  
Mr David Chaytor  
Jeff Ennis  
Paul Holmes  
Helen Jones

Fiona Mactaggart  
Mr Gordon Marsden  
Mr Andrew Pelling  
Stephen Williams

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### Memorandum submitted by the English Regional Development Agencies

#### REGIONAL DEVELOPMENT AGENCIES

##### *1. Introduction*

England's nine Regional Development Agencies (RDAs) were set up eight years ago to promote economic prosperity throughout the UK. The overall mission is to make sustainable improvements in the economic performance of all English regions. To this end, each RDA leads the development of a Regional Economic Strategy (RES) along with a wide range of regional partners, including local businesses, government, universities, community and volunteer groups. Since their foundation, RDAs have created (or safeguarded) nearly 800,000 jobs; aided the creation of around 60,000 new businesses; and brought over 12,000 hectares of brownfield land to life. RDAs have also brought some £8 billion of private sector funding into regional development.

##### *2. Regional context*

RDAs are responsible for working with partners and employers to grow the regional economy—by promoting employment, business growth and competitiveness and by enhancing the development and application of skills. The newly revised Regional Economic Strategies provide a clear vision to transforming regional economies through building on assets and tackling areas of underperformance. The RES is based on both sound evidence and consultation with regional employers, sectors, funders, providers and agencies. It has a clear focus on increasing GVA and diminishing the differential in GVA between and within regions.

The difference in economic growth and productivity in each region is related, to a large extent, to the number of people in employment and the productivity of the labour force and its sectors. In order to reduce the gap in GVA, regions need to improve total productivity and get more people into employment. RDAs are fundamental in driving this forward, encouraging innovation and enterprise through their business support role, and with it the need for higher-level skills. There is a strong economic case for considering business and skills together as the drivers of productivity. The implementation of Leitch and delivery of the stretching targets therefore have to be seen within the wider productivity agenda.

This means working with companies to invest in innovation and sustainable production alongside developing the managers and leaders, and investing in individuals to develop higher-level skills.

RDAs work effectively with sectors and clusters, and recognise their value as both growth sectors and high employment sectors. RDAs are working hard to ensure that the articulation of the skills needs from these sectors and the work of the Sector Skills Councils are brought together more effectively.

Increasing economic activity rates and ensuring that the region's workforce can support a rapidly changing economy will require regular re-skilling, up-skilling at all skills levels and providing the opportunity to work to all that are willing. The development of these skills is cumulative, and therefore the impact can be seen over time, not as a quick fix.

##### *3. Where the regional tier adds value*

The Leitch review seeks to create a skills system that meets the need of individuals and employers. Employer investment in skills or recruitment of staff occurs as a result of a desire for improved business performance, with skills and employment being examples of derived demand. Given the derived nature of skills demand, it will be essential to engage businesses and harness business support and enterprise services in order to drive up employer demand for skills. RDAs are in a strong position to respond to the Leitch challenge by raising demand for skills and to spur the creation of a demand-led skills system.

RDAs are already working with supply and demand side organisations within each region. Major progress has been made and each region now has:

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- A clear statement of skills priorities, based on detailed knowledge of business demand and aligned to economic priorities set out in the RES.
  - An integrated approach to business support and skills brokerage through management of Business Links.
  - Local/ sub-regional priority setting where economic boundaries show this is appropriate and cities or sub-regions have the capacity to do so. (eg city skills and employment strategies / boards)

Developing plans for skills provision, linked to employment and business support, should continue to be based on regional priorities:

RDAs can ensure skills can be linked into the competitiveness agendas, in a way no other body is able to do. As a result the collective impact on productivity is maximized. Working at the regional level:

- The evidence base is sufficiently robust to allow hard choices to be made.
- It is an appropriate level at which to share best practice, generate synergies, and with this, commission activity to benefit regional productivity.
- It is also the best level to prioritise investment, align funding and allocate grants to ensure greatest impact and lack of duplication.
- There are existing partnership arrangements which enable the strategic direction and delivery of skills priorities. These recognize there is a regional labour market which needs to be addressed, and also make links to local, sub-regional and city region labour markets.
- The regions have been recognised with the decision-making and distribution of European funding.
- There is a proven track record in terms of delivery.

RDAs operate regionally but can ensure that local and sub-regional action to address specific labour markets are linked to regional economic priorities and are not operating in isolation. They can also ensure that wider travel-to-work areas are taken into account. Nobody else is in a position to do this.

#### *4. Regional strategic framework*

At the present time, Regional Skills Partnerships provide a platform for the skills priorities for the region identified from the RES, driven forward by a range of delivery partners. Regional Skills Partnerships are not separate entities, they are genuine partnerships made up of all the key partners. In looking forward, these could be enhanced further in a number of ways.

There is a clear need for a partnership approach, led by the RDAs, to work across the full range of the skills agenda—drawing together the interests of employers, individual learners, training providers and funders, local authorities and other key organisations.

Each region should have the flexibility and accountability to decide how best to ensure its skills priorities are met. Consideration should be given as to involvement of the newly formed Regional LSC Councils, which are presently being defined and will perform a specific role and function.

The regional level should not duplicate what happens at a sub regional or City Region level, but should ensure connectivity between these, and the RES. The region also needs to provide connectivity to the national lead and drivers.

#### *5. Sub regional and local level delivery*

In order to ensure a market driven approach, delivery and engagement is best done at the most appropriate spatial and economic level, determined by local labour market and employer demand. Already, “local areas”, Cities, City Regions and potential “Multi Areas” have articulated their skills and employment needs around retention and recruitment, based on the needs of their employers and individuals within the locality.

A number of Employment and Skills Boards are already being set up to respond to the priorities for that locality and to ensure that partners are clear what needs to be delivered. They are responding to the market and to economic need. A clear set of deliverables should be achieved, based on the area they serve and the overarching contribution they make to the regional economy.

However, they should not be seen as governance structures. The National Commission in setting up its network of Employment and Skills Boards, needs to ensure it does not either duplicate these, or proliferate a series of Boards at a spatial level which does not properly represent the natural labour market, or increase bureaucracy through licensing.

There needs to be coherence and synergies between these, and a feeding back of intelligence into the regional level to ensure overall impact on the regional economy.

## QUESTIONS AND ANSWERS

### 6. What should we take from the Leitch Report on UK skills gaps? What are the demographic issues which need to be taken into account in skills policy?

In general terms, RDAs welcome the key features identified in the proposal document and in particular the strong response to Leitch in raising adult skill levels. We have provided comments on the Leitch Report through various fora and, very recently, on the latest draft of the Leitch Implementation Plan. Our key recommendations to the drafting team are to ensure that the plan reflects the need to upskill at all levels, and for businesses to make effective use of skills, if productivity is to improve. The demand for skills is derived from the needs of business and the economy. People need to be in jobs that use their skills effectively if productivity is to improve. We need to generate employer demand for skills, and provide them with support and advice on how to change their business strategy and work organization to make best use of these skills.

RDAs see there being a number of essential elements that form an integral part of a successful implementation plan for Leitch. These include:

- Employer engagement (in widest sense from awareness through to full buy in—culture change).
- Excellent shared understanding of the market (ie employer needs, the drivers behind these and supply response).
- Responsive, effective demand led skills system (again culture change).
- Excellent relevant advice and brokerage—for employers and individuals (adults and young people).
- Public funding focused on highest priorities/areas of greatest market failure.
- Appropriate measures of success.
- Robust, flexible partnerships at national, regional and local levels.

The Leitch Report provides a national picture of the UK skill needs, but does not look at a sub-national level. Hence there is a risk that the impact of demographic changes, which vary across regions and areas of the country, will be misunderstood and result in policy errors. We suggest as a starting point the differential impact of demographic changes across the country is mapped and due consideration given to how these affects different spatial levels.

It is also necessary to recognize the importance of Leitch in pulling together all the 14–19 developments with wider skills issues and this reinforces the need to have employers engaged at all levels. The whole process should focus on producing a seamless progression in terms of promoting skills for employment from school, into work-based provision, FE HE and into the workplace.

The Leitch Report recognises that most of the people that will constitute the workforce in 2020 are already in employment. The Leitch report also identifies that the workforce will need to update their skills as the economy changes. Hence there is a mismatch between the government emphasis on skills investment in young people and the needs of the existing and ageing workforce. Further implications are as follows:

- Where demographic trends will lead to reductions the number of young people entering the workforce, skills requirements will need to be met increasingly from the existing (adult) workforce.
- It will be important for vocational and academic qualifications to develop individuals' employability, both by qualification design and delivery responding to employer need and by developing broader generic employability skills and experience in the learners.
- Many current and former workers will need to retrain to take up job opportunities as part of the ongoing economic restructuring in the regions. The focus needs to be on the current workforce and on upskilling as well as retraining. Current interventions and targets will not achieve the step change needed to be globally competitive in 2010.

### 7. Are the measures that we have available to assess the success of skills strategy robust?

We recognize the need to apply performance measures that are at the same time appropriate and tangible. However, in our view the measures currently used to assess the skills strategy are relatively crude and not totally appropriate—in particular they focus on the supply side and use qualification based as proxy for skills development. This needs to be balanced by demand side indicators, eg employer demand for/ investment in skills. We need to progress both the supply and demand side if we are going to achieve the tripartite model visioned in the Skills Strategy.

There is a need to measure the impact of the Skills Strategy on improving wider economic performance, with intermediate measures reflecting the extent to which firms are adopting higher value-added production strategies, and improved take up and use of skills eg increases in the numbers of jobs that use higher level skills and increased employer investment in skills.

Consideration needs to be given to how the system might be made more effective and sophisticated, without making it overly complex. Care need to be given in selecting measures to avoid elevating a statistic to indicator/performance measure status, as this can lead/distort actions and behaviours which render it inappropriate for its chosen purpose.

We endorse the value of qualifications as a universal measure for achievement against level indicators and competencies. The emerging qualifications framework will still be the best benchmark against which employees can be judged.

#### NATIONAL POLICY/ISSUES

##### *8. Are the Government's priorities for skills broadly correct—for example, the focus on first "level 2" qualifications?*

A full appropriate Level 2 should be the minimum aim of any national skills strategy if we are to achieve the step change in productivity. However, in specific sectors additional Level 3 targets are critical to ensure that the appropriate intermediate skills levels are achieved. Some flexibility in funding is, in our view, needed to support the attainment of these priority skills.

The first full Level 2 is also an appropriate priority in terms of supporting the employability of individuals. However, in our view what is funded is too rigidly tied to full qualifications and the restriction in terms of first full Level 2 ie with the changing economic climate the individual who needs to retrain at Level 2 will not be able to do so at the public expense with subsequent impact on their employability There is a significant challenge implicit in the demand led system where the public purse will only support very specific predetermined priorities. Leitch places its focus on the utilisation of public funding on basic/lower level skills with the aim to achieving the “pull through” to intermediate/higher level skills development via funding from other sources (including some public sector—first Level 3, for example)—but with the level of public funding tapering off as the benefit to individual/employer increases. The failure to expand the Level 3 offer and absence of support for vocational provision at Level 4 is a significant constraint on the future productivity of businesses. This, together with the suggestion that learners must commit to full qualifications to receive public support, is likely to limit individual choice and the available provision, as providers mitigate further risk through the pursuit of mainstream funding.

##### *9. How do other targets, such as the “50% into HE” fit with the wider skills agenda?*

This target needs to be considered alongside the Leitch recommendation that 40% of adults qualified to Level 4 (the 50% target is for 18–30-year-olds). In addition, we recommend:

- more sophisticating targeting to link to the Government's aspiration to strengthen the vocational route into HE: It is worth noting that in its current PSA consultation DfES are proposing an emphasis on Level 4+ science qualifications under the skills PSA, and capturing post 16 participation in physical sciences under the increasing educational attainment PSA; and
- targeting particular subject areas to incentivise skills development in relation to economically important subjects. GCSE targets, for example, Maths, English and Sciences are very important.

It is arguable (given the detailed international analysis contained in the Leitch Report and the demography of the UK) that the 50% into HE target should be redefined as 50% of post-19 citizens available for employment should be engaged in HE or higher level skills development.

##### *10. What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

We welcome Leitch's proposal to bring skills and employment much closer together through a universal IAG service, New Deal for Skills and closely aligned JCP and LSC provider networks and services. This alignment is vital if we are going to get more of the economically inactive back to work through skills training.

In our experience there are excellent examples of collaboration between Government Departments, between Departments and other partners, national and regional. These include examples of LSC and JCP working together to develop a Regional Skills and Jobs Plan, the new Skills for Jobs initiative and regional single approved JCP/LSC providers list. There have however, also been inconsistencies in the way different departments collaborate regarding “skills” policies at the regional level—eg DWP and DEFRA continue to pursue policies that do not appear to join up with other departmental approaches; by contrast there are also some tensions (still) between DfES and DWP in relation to skills and workless agendas. The inflexibility of JCP budgets and schemes can also impede progress.

*11. Do current funding structures support a more responsive skills training system? How could they be improved?*

In our view, no. The activities of a host of agencies operating in each region, including the LSC and JCP, are directed by national funding and targets rather than regional priorities. This results in a fragmented regional target framework that acts as a disincentive to collaboration to achieve regional economic aims, which limits the success of Government achieving the Regional Economic Performance 2 Target—ie to reduce the gap in economic growth rates between the regions. The current funding structures are geared to deliver national PSA targets on full qualification achievements rather than responding to the needs of individual learners and employers.

Rolling this down to the delivery level, most FE colleges are highly reliant on LSC funding, and therefore are primarily focused on achieving LSC set targets that relate to qualification achievements. Public funding for colleges does not extend to supporting responsive delivery if it does not lead to a full qualification. Research shows that the majority of employers do not want to embark on long term skills programmes such as NVQ frameworks. FE providers offer a limited range of CPD/short courses to business and delivery fragmented. Despite employers asking for this kind of provision at all skills levels, the FE sector maintains focus on full qualifications up to Level 2.

We support the new approach proposed through Train to Gain. The funding system is based on employer demand “triggering” a pull down of funding to support delivery of the skills programme agreed with the employer. This is a major step forward.

We recommend that a proportion of Train to Gain programme funds are ring-fenced to support business-driven skills provision eg short courses, CPD and leadership and management, bite size qualifications. This, and the national roll out of the Level 3 and 4 Train to Gain pilots to provide a full skills offer employers will really value.

This would really help gain the confidence of employers in publicly supported skills programmes, and lead to their participation in apprenticeships and full qualifications in the long run.

The LSC are in the process of implementing new funding processes for the FE System that are linked to college business planning where colleges/providers can reflect the local demand for skills where this has been expressed through dialogue with businesses. It is perhaps not the funding system but the economics of running course in colleges that create inflexibilities, while delivery in the workplace can increase flexibilities.

Government should require national bodies to set plans based on regional economic priorities, rather than seeking to fit regional activity into previously set national targets. This will ensure that national plans and investment decisions reflect the economic needs of the regions and therefore its national economy, rather than economic development activity having to be massaged to fit nationally set targets or programmes. This is particularly important for skills.

Leitch made no explicit mention of the regional interface and regional economic demand. Leitch's proposals for a new Commission for Employment and Skills need to be flexible in order to take account of regional and local circumstances. The initial Regional Funding Allocations exercise has been a good starting point in joining up economic development, housing and transport funding; but it has excluded skills funding which is needed to deliver enhanced economic performance.

*12. Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

The principle is right. The challenge now is to develop a more robust learning culture in the UK. We need to promote the benefits of investing in skills development to employers. The current approach is too “broad brush”, leaving individuals and companies with real skills needs unable to access public funds. Funding formulae should link to the needs of employers as articulated through the SSAs.

Perhaps tax relief for individuals and businesses investing in training should be explored or schemes piloted. The introduction of the new Learning Accounts will help in this respect.

RDAs should retain the option to fund skills development outside of Government targets to help to meet economic skills needs and stimulate local markets.

#### SUPPLY SIDE

*13. Is there a case for a less regulated supply-side system with fewer intermediary agencies and bodies? What are the potential risks and benefits of such an approach?*

Yes, we need to merge functions and processes into fewer bodies with clear accountability. The key intermediary bodies should be Train to Gain (businesses) and IAG (individual) services to streamline access into provision—these should be heavily promoted. Management information from these services should inform provision (only happening in part in relation to Train to Gain). In this way the supply side could be market driven and possibly would need less regulation.

Potential benefits include:

- skills development addressing local economic need (if delivered at the regional level);
- clarity of purpose;
- (longer term) efficiency savings.

There are risks, but we believe these can be managed. They include:

- Inability to generate management information of the quality required to support system—it would have to be reliable, accurate and timely.
- Confusion to customers as result of restructuring.
- Short term inefficiencies/discontinuities from associated retraining, redeployment, possibly redundancies.

*14. What do national and regional agencies currently do well? How are bodies such as the Regional Skills Partnerships working?*

RDAs have clear role in bringing together partners to agree a common vision for their region through the RES. RDAs, through RES's, are unique in promoting a long term view of people and skills in the context of the wider economy and social framework.

Supporting this, mechanisms such as RES implementation plans have been developed with all key partners to identify how they will assist in delivering the RES. RDAs should work with the new National Commission for Employment and Skills and the Local Boards to ensure grounding with the RES and RSPs. RDA involvement in business support, and increasingly innovation, puts us in an ideal position to drive up employer demand for skills. The integration of skills brokerage with other business support facilitates this. In regions where the RDA is responsible for delivering a combined brokerage service (ie Train to Gain and wider business support) there is the greatest potential to join up brokerage services into a coherent whole.

In turn, RSPs are supporting regionally agreed priorities, and aligning plans and funding to address those priorities. This joint planning and working ensures appropriate targeting of funding and reduces duplication. RSP working is characterized by goodwill and common commitment.

The introduction of a regional tier in the LSC structure is to be welcomed. At the regional level the LSC is starting to create a demand led system focusing on customer choice through the development of the regional commissioning plan. However it is early days to judge their performance.

There is still scope for national and regional bodies to collaborate further eg LSC research driven at the national level (eg NESS) and the regional analysis of this data. Regional bodies can identify what will make a difference at the regional, subregional and local levels which in a region dominated by SMEs is critical for the economy otherwise provision doesn't met needs.

*15. Does the LSC need to be the subject of further reform?*

The LSC would benefit from a period of time to implement and embed the current round of changes. A culture of partnership working rather than a contract culture needs to be developed within the LSC. We have good examples of RDA-LSC partnerships developing and this needs to be encouraged.

Alongside this there is a need to reform PSA targets to support the shift to a truly demand led system—there is too much focus on funding qualifications because of their need to meet the PSA targets.

There is a need to clarify the role and purpose of the LSC regarding their economic development function(s).

*16. What is the typical experience of a college or other provider who wants to put on new provision in response to local employer demand?*

In our view, the main consideration will be who is going to pay—this will dictate the experience. In our experience, colleges and providers usually do this in spite of, rather than supported by, public funding structures, or when regional partners focus their discretionary funding on employer responsiveness.

*17. Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning?*

We see many examples of universities, colleges and other training providers working well and further developing their employer engagement activity. One key aim needs to be to encourage training providers to deliver, on a consistent basis, high quality, specialist training aligned with industry clusters, regional priority sectors and travel to work partners. This is needed to ensure that specialist skills networks are capable of meeting the needs of regional economies, and supporting RES aspirations. Also we need to provide more scope for providers to develop programmes for new growing industries eg environmental technologies,

which do not readily fit in with the traditional areas of learning. We feel that the Government needs to implement the reforms outlined in the FE White Paper before considering any further structural reforms ie specialisation, employer responsiveness, meeting community need.

High levels of specialisation work better in urban areas, but in the rural communities access to general provision is the norm. If rural communities are not to become the poor relation in provision then colleges in rural areas need to develop specialisms that reflect the needs of the local labour market or provide progression routes into specialist provision. With any specialist system there needs to be “escape routes” for those who need or want to change direction, traditionally we are not very good at this.

In terms of the 14–19 agenda, reforms are currently being introduced to develop more collaboration in the training and education process more collaborative, in order to meet the demands of the Diploma entitlement. Further reforms at this stage will over burden the emerging Gateway Provision at local levels. These collaborative consortia need to be part of any structural reforms to ensure an easily accessible local learning environment.

#### DEMAND SIDE

##### *Employers:*

###### *18. What should a “demand-led” system really look like?*

We welcome the priority for developing a demand-led skills system—this is essential to achieving the Leitch ambition. Such as system will feature:

- Employers and individuals being supported in making informed decisions about skills investment via a range of mechanisms.
- Assistance for employers to help identify what their current needs are—in our experience even the big companies have little idea of what their skills needs will be in six months let alone 5+ years.
- The employer being clear about what provision is available to meet their needs.
- The provider responding quickly and responsively to employer requests. Training being delivered in a way that suits the employer, at a time, place and quality acceptable to meet the business need.
- If an employer approaches a provider who cannot meet their needs there is a simple and clear referral system to match their needs to a suitable provider. To be truly demand led this system must be able to respond to all employer skills needs, not just requests for qualification-based training.
- Employers, employees and the public sector should pay their fair share; as indicated above there should be clarity about what the public purse pays for.

There may still be the need to develop provision in areas of particular regional need to tackle market failures arising from businesses pursuing low skills trajectories as part of a wider strategy for priority sectors. Employer needs must also focus on the long term needs by growing future workforces low in the supply chain and the Diploma framework will help to encourage this. However, this must be flexible enough to meet the employers changing demands.

###### *19. Do employers feel like they are shaping skills training—for example through Sector Skills Councils?*

In our view this is likely to depend on their size and sector. Also not all employers relate to the sectors as defined by the footprint of the SSCs. There is scope to raise awareness of SSCs and improve SSC engagement with employers significantly for many SSCs. Big multi-national companies probably have good relationships with the SSCs and have a significant say in the shaping of skills training. However, the SSA is designed to articulate the needs for the sector as a whole. We feel that there needs to also be more direct intervention and support to individual (particularly smaller) companies.

Employers wish to develop relationships with their suppliers, and shape provision at a local level. Clearly this needs to be cascaded into SSCs to ensure that national qualifications and frameworks are well informed.

In our experience, employers believe that the system is complex, impenetrable and slow to respond and change. They feel there needs to be an acknowledgement of the fact that qualifications are not always what they want.

Rather than add further regional SSC resource, the existing networks and infrastructure should be more effectively utilised to “inform” the strategic drivers of the SSCs. SSCs need to work through partners, cluster organisations and bodies to shape the agenda, not feel that they need to duplicate the local level working.

###### *20. Do employers feel closely involved with the design of qualifications?*

In our experience, no. SSCs do clearly work with groups of employers to shape the qualification to meet employer need. However a small employer who does not engage with an SSC would see no relevance to the processes set up by SSCs to shape and approve qualifications. Also employers will be less inclined to get involved in this process if their need is not qualification based.

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The 14–19 Diploma development is a good example to how to shape qualifications via employer engagement but generally employer groups have found this process challenging because of a lack of experience in this field.

*21. Should employers be further incentivised to take up training? If so, by what means?*

Training needs to be seen by employers as business expenditure investment with a tangible return on the bottom line rather than an overhead or discretionary cost (or as a “product” that is pushed at them isolation of wider business support).

Consistent with the Leitch vision, we recommend seeing how the “pledge” works out and if this does not achieve the desired results then we should explore the training levy route. We cannot afford to fail on this one.

Courses meeting recognised skills gaps in high value areas—eg mathematics and engineering etc should be incentivised (eg no tuition fees, golden handshakes etc) to encourage take up—though clearly this may relate to individuals rather than employers.

*22. What is the role of Union Learning Reps?*

Their role is to act as the intermediary between an employee and their employer to represent their training and learning needs. They have an important role in stimulating demand for learning which may not in the first instance be employer related. They therefore prepare the ground for further learning in the workplace. The union learning reps will also help source the training and identify any funding opportunities.

*23. What roles should employment agencies play in facilitating training?*

*Learners*

*24. What is the typical experience of someone looking for skills training?*

Assuming the individual knows what it is they need and are looking for, most will look locally and use personal recommendations to identify providers. They may try one or two avenues, but if those with whom they speak cannot help them (due to funding restrictions, target groups etc) people may give up.

For the less aware the experience appears pretty daunting, characterized by:

- Being unsure where to go for help.
- Being signposted and re-signposted without much satisfaction.
- Sometimes given partial advice by a provider if they go directly to them.
- Facing lack of clarity re support for course costs.
- Lacking information on what the prospects are after completing the course.
- Facing a lack of flexibility in delivery.
- Experiencing bureaucratic and confusing processes regarding enrolment.

There is little accessible support for adults over the age of 25 that are facing a change of career / re-training etc. The process is very frustrating and time consuming, particularly for those made redundant.

Leisure / pleasure skills and learning will often be pursued during the evenings or weekends, and may be informal or non-formal (ie not necessarily leading to a qualification). Having a one stop shop for assessment, identification and signposting could provide a much more coherent and accessible experience.

*25. What information, advice and guidance is available to potential learners?*

There are pockets of good practice and many services providing either one of or a combination of, information, advice and guidance through both public and private sector channels. The three are different and require different resources to deliver. Examples of provisions include: Union Learning Reps, Connexions (for under 19s), Next Steps, Learndirect, individual institutions, HE Careers service, Sector Skills Councils, Job Centre Plus, LSC, independent guidance counsellors. Many of these operate independently of one another. There is often therefore unnecessary duplication of effort and materials. Sources of information and advice include the prospectus, learndirect phone line, the college offering the course, friends and family.

Many publicly funded services provide support for those who fit within the Government target groups (those without their first full Level 2 qualifications or with numeracy and literacy needs) but services are advertised as wider more inclusive services which causes confusion amongst other groups of individuals. It would be helpful to have “gatekeeper” brokers for individuals who can carry out an initial assessment to

understand individual needs and then signpost them to the most appropriate support such as careers advice, skills / training provision and, who can advise on what funding / services are available to the individual concerned and what would need to be paid for by the individual themselves—a one stop shop for IAG.

We support the principle of a universal entitlement to IAG set out by Leitch. We believe that we should be making a strong reality of the proposals for adult IAG with some sensible funding behind it. It could be argued that adult IAG has been inadequately funded and inappropriately delivered for years and that has led to a less than efficient use of training resource as well as a missed opportunity to engage potential learners.

IAG services and resources should be coordinated at regional level, informed by the vision set out in the RES, and including up-to-date economic and labour market intelligence. Intermediate and higher skilled labour markets often operate at a regional level. The regional level provides the best balance between efficiency, consistency and detail considerations when coordinating LMI.

*26. What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?*

Again, there is much support for those outside education, training and the world of employment, but much of it is not joined up—meaning that individuals are at risk of exclusion during transition periods or progressing from one level of activity to another. For many who have are furthest away from the labour market, the journey to sustainable employment or engagement in the labour market is long and requires significant and consistent support.

Research in some areas has identified that there is very little in the way of support for older people (45+), particularly those who do not claim benefits, to (re-) engage with the labour market and employment. Whilst the recent age legislation will help in this area, much IAG and support work is aimed at those already in the workforce or under the age of 25.

A much closer, integrated and local approach to service provision is required with more flexible funds to support individuals' needs (demand).

Due to reductions in ACL budgets and other sources of funding for the voluntary sector, there is a potential concern around sources of funding for initial engagement in learning and employment focused activity that does not lead directly to a job outcome or qualification.

*27. What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

We welcome the proposals for Learner Accounts to encourage demand from individuals. The role of Learner Accounts should be to provide individuals with an incentive to update their skills, whilst giving them relevant support and choice and encouraging more people to take greater responsibility for their own development. They should promote an increase the uptake of learning, putting the money in the hands of the customer, albeit means tested.

Factors to consider include:

- How individuals will influence / inform the design and delivery of their learning?
- What support (Information, Advice and Guidance) will be provided to help individuals make informed choices?
- Who will qualify (and who will not). Will this scheme be open to everyone or specific groups (eg those who have not yet achieved their first full Level 2, Level 3 etc)?
- What criteria will there be regarding what funds can and cannot be spent on?
- Will there be a refund / exchange mechanism for the provision which does not meet the individuals initial needs and objectives or quality standards?
- Can the learner account be combined with other learning discounts?
- Who will administer the accounts—what will the role of the individual actually be?
- How will provision be rated/feedback obtained (eg what is in demand, but not provided by the accredited learning providers; (e-bay style?) rating by individuals on the provision)
- Will some individuals be able to access support via Train to Gain and their Learner Account?
- Consideration should be given to match funding / double credit in areas of regional skills shortage to incentivise people to take qualifications in areas of market need. Similar boost for disadvantaged communities?
- They should not be open to fraud, and not be driven by qualifications.

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## APPRENTICESHIPS

**28. What should apprenticeships look like?**

Apprenticeships should offer/include the following:

- They should be a partnership between the employer, employee, learning provider and Government.
- Apprenticeship programs should have a high value for both employers, learners and parents.
- They should have excellent standards of training (competence and knowledge based) both within the employer and the education establishment. Such standards would provide the best exposure to actual real-life experiences within the employer environment with the educational support at a time and place most suitable for the apprentice and employer.
- They should be Level 2 and Level 3, available for 16+ including adult apprentices.
- Those following a young apprenticeship course should feel that they can progress to Level 3 training certain in the knowledge that provision exists in their vocational area. Funded apprenticeships offered at the young apprenticeship level should be determined by the regional skills priorities.
- The apprentice, having completed the training, should be able to carry out the role to a high standard, unsupervised.
- Skills learned by the apprentice should be transferable and recognised as excellent, particularly within that sector.

**29. How close are they currently to this vision?**

There is still a fair amount of work to do:

- Apprenticeships are not viewed in the same light as the traditional academic route.
- More employers need to see the value of apprenticeships and sign-up to the programme.

**30. What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework?**

There are currently over 180 apprenticeships available across a multitude of sectors. However, a key constraint in some areas and sectors is the lack of suitable employer placements. We would support increasing the numbers for both apprenticeships and adult apprenticeships as long as there is enough employer support to make these worthwhile for the apprentice. For example, in the engineering sector (SEMTA footprint) there is a significant interest for Level 3 Adult Apprenticeships that are delivered to meet the needs of the business not, therefore, in line with normal FE terms.

**31. What is the current success rate for apprenticeships?**

Success rates of course vary considerably and we are currently in the process of addressing the really poor provision.

**32. What can we learn from practice in other administrations with apprenticeship systems—ie., Scotland and Wales?**

## QUALIFICATIONS

**33. Do the qualifications which are currently available make sense to employers and learners?**

No. There are still too many, the picture is too complex and people do not understand:

- what qualifications exist;
- what they are/offer in terms of learning objectives and outcomes—and so what they “qualify” the individual to do;
- how they relate to each other regarding equivalents (old vs new, level vs level etc) or
- what progression routes are available.

There is often insufficient analysis of the long-term impact of new qualifications before they are rolled out nationally, and there is insufficient “accessible” information in the public domain related to what qualifications are available and what they mean / stand for.

*34. Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalization?*

It is too early to say whether the QCF will succeed in rationalizing the system.—We look forward to being updated on progress. Our current view is that there remain too many different bodies involved in designing, accrediting and inspecting.

Work underway within the 14–19 reform is creating more qualification choices and confusing matters further eg the new Specialised Diplomas use GCSEs and A levels as modules / elements within them.

There is evidence that Level 2 and Level 3 qualifications are generally far narrower than those in Germany. Also within the UK vocational qualifications of the same type and level can vary hugely in learning hours. For example, official figures quoted by Ewart Keep indicate that 650 notional learning hours are required to achieve a Level 3 in Animal Care, compared with 1,220 notional hours in construction, 1,475–2,400 notional hours in IT and 3,900 notional hours in engineering.

Our feeling is therefore that further rationalization is likely to be required. This must be transparent and easy to understand. Clear communication is critical.

*June 2007*

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*Witnesses:* **Mr Steven Broomhead**, Chief Executive, North West Regional Development Agency, and **Mr John Korzeniewski**, Regional Director, North West Learning and Skills Council, gave evidence.

**Q638 Chairman:** I welcome Steven Broomhead and John Korzeniewski to our deliberations. We are very pleased to have two people to talk to us about skills. One is the regional director of the North West Learning and Skills Council and the other is the Chief Executive of the North West Regional Development Agency. Interestingly, both of you started off in the world of education as principals of colleges. You have both been around the block to some extent, and I expect you know where all the bodies are buried! We usually give witnesses an opportunity not to repeat their cvs but say where we are in skills at the moment. We are just getting under the skin of our inquiry into skills. We looked at the diploma and got that out because we wanted it to influence what the Government was or was not up to, but we are now back in the main stream and we find it an extremely complex area. This morning we spoke to the head of a major construction company, Kier. We were told that they employed some of their staff for three months to look at different sources of funding for various kinds of skills training and in the end gave up because they could have gone on for ever. The things that were available when they started disappeared half-way through the three months and so on. They painted a picture of the skills world which was extremely complex for a major employer in what appeared to be a focused sector. Why is it perceived as being so complex?

**Mr Broomhead:** First, I think that with skills we are at a pivotal stage in policy development terms. We have had the Foster review; we have the Leitch report. I know that the Department for Education and Skills is moving steadily towards an implementation plan which it has shared with partners. The key theme of that is an employer-led and demand-led approach. It is true that from a customer access and route-to-market point of view many employers claim to have found it rather difficult over the years to access good advice and information for adults. That may be partially solved if the Government, following the Comprehensive Spending Review, can support the development of an adult guidance service for adults. Second, I think

that the very complex funding arrangements in place before have deterred some employers from being able to access the courses that they want. Third, perhaps the courses that they want have not been available on demand and at the time and with the flexibility required in order for them to access them properly. There has been a lot of confusion. I believe that Leitch offers a golden opportunity for us to refocus on a vocational world-class skills agenda, but the devil is always in the detail about how these plans are turned into reality.

**Q639 Chairman:** Some very respected individuals in terms of knowing the world of skills have said that there is nothing new. People have said that it ought to be demand-led and employers ought to have a much higher profile, but governments have said that for many years. Do employers really know what they want?

**Mr Broomhead:** I think most employers in the past have tended to voice their concerns about short-term skill needs linked to their particular business needs and opportunities, and certainly there has been a need to take a much more medium-term view. They have had a much more reliable policy base and also labour market intelligence for those decisions to be reached. That is why I believe the regional development agencies have a part to play here. We are responsible for bringing together partners to develop a Regional Economic Strategy, of which skills is a key theme. We will not improve productivity and competitiveness in the UK and make ourselves a world-class economy unless we join together skills, productivity and competitiveness. We have done that. Generally speaking, if the confusion experienced in the past can be addressed by Leitch it will be a good thing on which to move forward.

**Q640 Chairman:** Mr Korzeniewski, is it necessarily complex? What about all the siren voices that say that it should all be swept away and we should make it easily understandable, and anyway it is all the fault of the LSC?

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**Mr Korzeniewski:** And the achievements are the LSCs. I agree with my colleague that we work with a complex system. Clearly, one of our major responsibilities is to make sense of it in the North West. I also agree that Leitch provides opportunities for simplification. We think that we are in a good position to take advantage of that simplification, working locally, nationally as well as regionally.

**Q641 Helen Jones:** Were you disappointed that Leitch gave very little attention to the role of Regional Development Agencies in his review, and why do you think that was?

**Mr Broomhead:** We were disappointed when the report came out, but we also saw it as an opportunity for RDAs. The Department has not always been as strong on the regional agenda as we think it should perhaps have been in terms of its recognition of regional economic strategies and the strong partnerships between ourselves and the LSC, in particular the role of the Regional Skills Partnership. Since Leitch was published we have worked quite hard. My understanding is that Government intends to publish the Leitch implementation plan on 14 June, and we have been very heavily involved in making submissions about that in a number of areas: first, the importance of regional economic strategies. Whilst we accept that there is a national skills policy with national targets, partners in each region have worked together to establish a set of regional skills priorities. My colleague and I work very closely on that. We believe that now there is recognition of the regional debate and the role of development agencies. Our employers in the North West have been waiting with baited breath for action under Leitch and now they want to see what will happen in terms of changes at the region. The evolution of the LSC to have a regional governance structure is also very supportive of the fact that we can get regional focus around the key economic issues that should drive the skills agenda in the future.

**Q642 Helen Jones:** I want to tease that out a little. We hear a lot about the need for skills strategy to be employer-led, but looking to the future there are occasions, are there not, when there are no employers to lead it? You will know as well as I do that the Omega development in Warrington is a good example of that. We are looking forward to what will be there in the future and trying to train for that. What do you think should be the role of Regional Development Agencies in developing skills, looking at the way that the economy in the region will develop in future and making sure that we have the skills to meet it? How can that best be put in place?

**Mr Broomhead:** Our responsibility as a development agency is very much about economic development and sustainable economic growth. That is why I believe we have a very strong partnership with the delivery side of skills in terms of the LSC in the region. To answer the specific question, one of our roles is to make sure we join up all those issues, so we will be working with the Sector Skills Councils and

various professional trade bodies such as the CBI, the Chambers of Commerce, Institute of Directors and private sector partners to make sure we take a much more proactive medium-term and policy and evidence-based approach to the development of skills across our region. It varies from place to place. The skills needs in Greater Manchester are very different from the skills needs in Cumbria, which is why we believe—perhaps we may have the opportunity to talk about how we organise ourselves in this matter—that sub-regional working between our two organisations is as important in many ways as regional working.

**Q643 Helen Jones:** Perhaps Mr Korzeniewski can come in on the back of that. Only a very small part of the RDA's budget is devoted to skills; most of the spending is on economic development. Bearing in mind what has just been said, in your view where is that money best spent?

**Mr Korzeniewski:** First, one of our drivers is the Regional Economic Strategy. We have a set of regional skills priorities which are determined through the Regional Skills Partnership. That gives us a picture of what is required in the region going forward. We can then put that against the various deliverers of skills, because we are a central body but not the only one. At high level it is not us at all. In my view, the best place for the RDAs to put their money is in the places where ours do not go, so we are, as it were, operating a pool in the region against those priorities.

**Q644 Helen Jones:** Assume I am an adult and I am looking to upgrade my skills. How will I know which skills will be of most value to me in the future and where I should go to get them? The planning being done at RDA level is all very well, but if I am a learner on the ground how will I know where I should be learning and what kind of learning I should be taking up which will give me the best chance of getting a decent job in years to come?

**Mr Korzeniewski:** At the moment I think that is very difficult. I echo my colleague's point about Leitch's recommendation about a comprehensive adult information and guidance service which should provide that. There is information available generically through things like Learndirect, but in a specific place it is very difficult at the moment. Obviously, there are intermediaries and providers who can help, but there is not a comprehensive service that can provide that for the total range of individuals. If you are in the system already you will tend to know.

**Q645 Helen Jones:** Mr Broomhead, referring to the priorities and targets set by Leitch, he took very much a national and sectoral approach. Does that fit with your experience of what is happening in the North West region, or do you suggest there are different priorities which ought to be addressed regionally?

**Mr Broomhead:** We have had quite a lot of discussion with our sponsoring department, the DTI, about this very issue. Each RDA has its own

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Regional Economic Strategy and needs and, frankly, we need to reflect the fact that if there are different economic issues and needs there must be different sets of targets in different regions. Certainly, the employment and skills issues are very different in the North West from what they are in the North East. For instance, the arrival of the BBC in Media City—Salford—will produce a whole set of new needs around the creation of digital industries which will not be needed in the East of England. We need a system of variable geometry which also fits with targets. I think that we are now at a stage with the sub-national review being carried out by Government as part of the Comprehensive Spending Review where we can have a discussion about national and regional targets so we can have a much more appropriate set of arrangements than we have at the moment.

**Q646 Jeff Ennis:** We have heard evidence from representatives of the Sector Skills Councils that they feel that with their expanded role they are very much under-resourced. Do you agree with that statement? If so, from where do you think additional resources should be obtained?

**Mr Broomhead:** To be fair, they are still new organisations, and certainly they have been given a very important, pivotal role in terms of the Leitch report and its implementation, particularly in relation to the licensing of qualifications, which will then turn into funding arrangements for learning providers and colleges. In my view, if they are to fulfil that role, particularly the licensing of qualifications, they will have to be a much stronger and better resourced organisation than it is at the moment. Perhaps some of that resource should not necessarily come from the public purse, because frankly these organisations are the licensed voice of employers. Therefore, if employers believe that they want to do something for their particular sector perhaps they should make a voluntary contribution—I do not suggest a levy—towards their development. My experience is that the larger, blue chip businesses have good knowledge of and working relationships with each of the SSCs. The small to medium size enterprises, for example the ones I meet in my day job at Chambers of Commerce events, do not even understand the names of the SSCs. I think that some work is to be done among medium size enterprises to raise the level of awareness of those SSCs.

**Mr Korzeniewski:** In the North West we have a system of what we call Sector Skills and Productivity Alliances which essentially bring together the SSC, the RDA and ourselves to talk about the sectoral implications of the economic strategy and help us get that employer voice through the sector councils into regional decisions and choices. Although it is a slightly different point, in the North West we have a good track record of engagement with SSCs.

**Q647 Jeff Ennis:** Mr Broomhead, to go back to the point about employers making a contribution, has it not always been the 64 thousand-dollar question? In this country employers want to have everything on a plate by and large, do they not?

**Mr Broomhead:** Obviously, that is a big policy issue. Many employers in the past have been entrusted with delivering training. If you take a market-led approach to skills, certainly in some of the earlier elements of the discussions on Leitch I was rather worried that we would see the re-introduction of naked market forces in education and training. Certainly, the market must be more dominant, but there will always be a need for intervention particularly around learners who face disadvantage. A key issue for me is how small and medium size enterprises in particular that have never had a culture of training and professional development will respond to this. Whilst the results of Train to Gain which has been established are quite encouraging—people are ringing Train to Gain and getting advice and so on—a lot of work is to be done on a big set of cultural changes which it is hoped can be fulfilled by Leitch.

**Q648 Jeff Ennis:** Following your comments on making Sector Skills Councils more visible to employers, does that not reflect the fact that some of them have got out of the starting blocks a lot quicker than others and some have a considerable way to go to show their wares to potential employers and employees, etc? Do you think there is a role for your two organisations to help the Sector Skills Councils achieve that role?

**Mr Broomhead:** First, SSCs have variable visibility and performance. Generally speaking, the process has worked well but they are all new. Certainly, we feel that at regional level we can work the Sector Skills Agreements with each of the councils to make sure employers understand more and more the work of an SSC. In particular, if the employer's pledge is to be fulfilled—that is a key recommendation in the Leitch report—we have a lot of work to do to get employers to understand the role of the SSC and what the pledge means in practice.

**Mr Korzeniewski:** Not all SSCs play in the same way in each region. Some are more important to some regions. Given the focus of the RES in a way that tell us the relationships and the prioritising in a particular place, we will see that reflected in regional strategies.

**Q649 Jeff Ennis:** Can you give a positive example of where your organisations have engaged with a particular Sector Skills Council in your region to the benefit of both companies and potential employees?

**Mr Korzeniewski:** I can think of a couple: Cogent Sector Skills Council for the chemicals industry and Sector Skills and Productivity Alliances in the North West. It has been demonstrated that there is a shortage of apprenticeships particularly along the Mersey estuary where there is a conglomeration of petro-chemical firms, as you are aware. As a result of that, in our regional commissioning plan we commissioned about 70 extra apprenticeship places, so there is a direct line of sight there. We have another example of working with one or two Sector Skills Councils. I refer to working with Proskills and Cogent on qualifications in business improvement

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techniques in the North West which we have been able to commission. I do not say I can give you an example for every Sector Skills Council.

**Q650 Chairman:** You have not really said anything positive or negative—you have been neutral—about Sector Skills Councils. You have said these are early days, but we have heard quite a lot of criticism from people like the Institute of Directors. They say that they are not the genuine voice of the employer and criticise the suggestion that Sector Skills Councils can be put in place. I take it that this afternoon we will get a bit more of that from the Engineering Employers Federation. What is your view of them?

**Mr Broomhead:** Clearly, British Chambers of Commerce and the Institute of Directors, to take two, are likely to view the SSCs as a threat because they see themselves as the voice of their members and they do not want to see their policy voice diluted by another body. What we have said to those bodies in my region is that they should get behind the SSCs. They will express their own views but they ought to engage more in the SSCs and make sure that their members are aware of what they are about and their future potential. For years employers have moaned about the mismatch between the outputs from colleges and universities in relation to their own businesses. I keep telling them that this is a golden opportunity for them to get involved with a body that is likely to shape qualifications and competencies that they need. They are new at the moment, but the challenge facing the SSCs will come through the Leitch implementation plan and that will have to be met through the new national commission on skills and employment which Leitch recommends should be developed.

**Mr Korzeniewski:** For me, the issue is: what is the gap in the system that SSCs are designed to fill? I think that the signal from Leitch on qualifications is an important one in defining a role for them. Apart from that, I agree with my colleague that in many cases they regard them as young developing organisations. I think we can give examples where they have affected our planning and spending.

**Q651 Chairman:** Would you give them some money to be more effective in your region? In principle, are you allowed to do so?

**Mr Korzeniewski:** The honest answer is that at the moment we are trying to put as much money into direct delivery as opposed to capacity building. The work that we have described doing with them is expensive of our time across the region.

**Q652 Mr Chaytor:** As a supplementary, Mr Korzeniewski, can you think of a single Sector Skills Council that is likely to become financially self-sufficient by 2008?

**Mr Korzeniewski:** That is a good question, but I am not sure that I have the information to be able to answer it.

**Q653 Mr Chaytor:** What is your gut feeling?

**Mr Korzeniewski:** I have mentioned the name of one or two which are very visible in our work in the region. In a way, I guess that that provides some kind of answer.

**Q654 Chairman:** Is there not a temptation for some of them to raise a bit and get into areas where you would not expect them to be and would not want them to be?

**Mr Broomhead:** I think that would be a matter for the new national commission because it would have oversight of and make regulatory arrangements for the SSCs. What I would not like to see is a move to create more SSCs than there are now. We came from a situation in which there were about 70 national training organisations of one sort or another. That was very confusing to both learners and employers. I think that the 25 we now have is about right, although the boundaries sometimes do not suit the needs of individual employers in certain areas.

**Q655 Paul Holmes:** You just said that there had been 70 training bodies and now it is better and simpler. Would that not apply equally to yourselves? We have two separate organisations: the Regional Development Agency and the regional Learning and Skills Council. Each has a different Chief Executive and so forth. Why not just create one body? Would it not be more efficient and clear? Would not employers find it simpler to deal with?

**Mr Broomhead:** To go back in time a little, up until 1997 we had the Further Education Funding Council and a large number of separate TECs. That changed in terms of what happened with the development of the RDAs and in particular the Learning and Skills Council. We have seen a greater shift in the number of bodies going downwards in simplification. I was of the belief at the time of my appointment to the development agency in 2003 that there needed to be greater regional synergy between the work of the Learning and Skills Council and its remit to deliver skills and that of the RDA whose remit is to deliver sustainable economic growth within my region. There were discussions about that out of which emerged the Bill now going through Parliament to remove 47 arms of the LSC and create nine regional bodies. We are content with that, because I and my colleague can have a strategic and operational dialogue about particular issues. I mentioned the BBC. Obviously, we can work together to shift resources if required into those areas. When we have had redundancies in places we have been able to work together round those areas. As to the big challenges in my area to do with nuclear decommissioning in West Cumbria, again we can work together on those areas. Rather than move to one body, which has been mooted as part of the Government's sub-national review, our relationship is very strong. I am a member of the board of the regional LSC, so the economic input is made. My colleague makes his input into the Regional Skills Partnership. I think we have a very good and strong working relationship. If we merged them it would

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make a very large organisation. We might be criticised for being large and having insufficient focus.

**Mr Korzeniewski:** We work nationally, regionally and locally and that is helpful. We are probably the only body that does that. We also work across the range from young people, including pre-16 increasingly, to adults in the workforce, so we can help to join that up as well so that particularly over time the regional economic strategy and the skills priorities should be influencing what goes on, for example, in the new Diplomas and apprenticeships. As my colleague has said, he attends the existing regional board in the North West and challenges there in terms of ensuring that the plans in draft meet the needs of the regional economy as described in the RES. I believe that we have a good relationship that is both positive and challenging at the moment. I am not totally sure what we would gain by your suggestion. It is a lot to merge.

**Q656 Paul Holmes:** Do both of you think that London is going in the wrong direction by becoming one body that effectively is told what to do by Ken Livingstone?

**Mr Broomhead:** We wait with interest to see how in the medium term that works out in practice. At the moment I understand that it is a set of strategic relationships between the London LSC and the Mayor to try to address the big strategic issues and plan on a more London-wide basis. I am not certain that it is a merger, but I may be wrong.

**Q657 Paul Holmes:** But in practice the London Skills and Employment Board is headed by Ken Livingstone and the London LSC will implement what it is told to do by that body, so in effect in London the LSC has been taken over.

**Mr Korzeniewski:** Obviously, that is a description. If I may just reflect on the differences between London and the North West, London is a region, as I understand it. The Mayor's responsibilities are the same as the geography of the London region of the LSC, whereas there is no parallel for that in the North West of England. I guess that the nearest kind of Employment and Skills Board might be Greater Manchester or Greater Merseyside as that comes forward. That would not have the same relationship with the region as the London arrangements simply because of geography. Part of the complexity for the LSC is to manage national priorities alongside regional and sub-regional ones. I think that is part of the skill of working within the Learning and Skills Council. Whereas I can see how complexity can be dealt with in that way in London for the reasons I have suggested, I am not sure that it can be done in the same way in the North West.

**Q658 Paul Holmes:** But are you not saying, therefore, that London is one city and has an identity and so it is okay there but in the North West you have the needs of Manchester which are very different from rural needs elsewhere in that region? Is that not an argument for going back to the 47 LSCs instead of having a regional LSC?

**Mr Korzeniewski:** That would be five in the North West, which was the structure before. What we have worked hard at—I hope that you are starting to see it come through—is exactly that regional dimension in the North West which puts us in a better place than when we were five separate local councils reporting nationally and almost missing out the step of asking: what is our contribution to the regional economic strategy?

**Mr Broomhead:** In our region we have five sub-regional partners which are made up of the public, private and voluntary sectors. They work alongside the regional LSC and RDA particularly in offering economic intelligence about areas that require public or private sector investment. When the Bill is passed we will see the demise of the 47. They are also very costly; all have overheads. I am very conscious about my overheads with CSR around the corner. We have seen their demise. But employers in those areas want to have their say about skills issues. Our model has been that employers will work with the existing structure—the sub-regional partnerships—to make sure that the skills voice and strategies are dealt with there. That will feed into the work of the LSC and RDA at regional level.

**Q659 Paul Holmes:** The North West has a good reputation and you say that you work well together, but imagine a hypothetical region where the person in charge of the Learning and Skills Council just takes no notice of what the RDA says and goes off on different paths. What mechanism would stop that?

**Mr Broomhead:** I should have said the very nature of our relationship is that the North West leads for all RDAs on skills issues. If that was the case and there was tension—

**Q660 Chairman:** How do you get on with them?

**Mr Broomhead:** Each RDA has a particular role for a particular department or policy area, so for example Yorkshire leads for the Treasury; the South West leads for DCMS. Each one of us takes a policy role. Whilst we are regionally focused we have to work across the national policy agenda. I have forgotten my train of thought.

**Q661 Chairman:** You were telling us about Ed Balls being a Yorkshire MP.

**Mr Broomhead:** We lead on skills because we volunteered to do that.

**Q662 Paul Holmes:** But what about the mechanism that would stop the LSC going off at a tangent in any given region?

**Mr Broomhead:** First, we deal with that at a national level in a proper way because of the relationships that we have in our RDAs with the LSC. One also has the Regional Skills Partnerships and what they do should not be underestimated. They work within the context of the national policy framework and targets and also within the Regional Economic Strategy. Therefore, if my colleague was being difficult he would have to deal with those issues through that employer-led Regional Skills

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Partnership. I do not believe that those employers and other people from the public sector would allow those tensions to continue.

**Q663 Paul Holmes:** There is no hard and fast rule or regulation; it is down to the commonsense functioning of the groups within the region?

**Mr Broomhead:** Yes, and also the way in which our boards relate. I have a private sector-led board, so if there were tensions there I would have to report back to Government. Ultimately, the RDA is accountable to Government.

**Q664 Paul Holmes:** Therefore, neither of the witnesses thinks it is necessary or a good idea to go down the London route? When the Further Education and Training Bill goes through it will place a direct requirement on the LSC in London to implement the adult budget according to the London Skills Employment Board's plan; in other words, it will do as it is told by Ken Livingstone's body?

**Mr Broomhead:** I do not believe it is necessary in my region for me and my colleague to sign a memorandum of understanding to say we will love each other for all time. It depends I think on clear agreed strategies and good close working relationships, which I think we have.

**Q665 Mr Pelling:** I do not think that things are as simple as they may seem in London. The Mayor does not really have powers of direction over the LSC; otherwise, things would have been merged. From my understanding of London's point of view there is a desperate need for Level 1 training skills to be inculcated. Were you saying in your previous answers that there needed to be greater sophistication in terms of Government setting different targets regionally?

**Mr Broomhead:** There has been a very strong focus on Levels 1 and 2 and those skills that are about employability and productivity. We have said very strongly to the DfES in the Leitch consultation that whilst that is fine in our region there is a need for Levels 3 and 4 if we are to increase economic competitiveness. We need more freedom to deal with that in our region. I hope that Leitch will give us those freedoms in order to move that forward.

**Mr Korzeniewski:** If you start from the Regional Economic Strategy, as we have suggested, in the North West it talks about the needs for skills at Levels 3 and 4, but it also talks about the needs of those who have no skill at all, which I guess is very similar to what you have described for London. There is not that much difference between national targets and what is required on the ground. They are pretty sound. But there are nuances; people in need of Level 2 already have Level 2 and there are subtleties like that. That is often quite micro in the solution rather than big picture policy stuff. That is the kind of skill that is developed in each region about understanding those slight differences.

**Q666 Mr Pelling:** LSCs have always been condemned as being dominated by Coventry. What leverage do you believe can be applied by Government particularly in the case of London to be able to argue the benefits of such flexibility?

**Mr Korzeniewski:** I do not feel dominated by the dead hand of Coventry. Clearly, I have to account for the delivery of national targets in the North West region through the LSCs route. That is a serious process but, as you have heard from my colleague, he also has an expectation that we will deliver to the region that which the region needs. That is often the same thing. There are however occasions when one is pooling money and making use of other money. For example, we have ESF funds in the North West that we can bring to the table and small funds from the RDA. We spend quite a lot of money on Level 3. We cannot go to Level 5 of course. Therefore, that is the challenge we face on the ground in the region. I simply make the point that I think that is best done at regional level rather than in five different places in a region.

**Q667 Mr Carswell:** What would happen to the skills base and the wider economy in the North West if the North West Learning and Skills Council and the North West Regional Development Agency did not exist?

**Mr Broomhead:** The development agency works to its own targets which include a contribution to the wider skills targets. We have a series of economic targets around brownfield land, skills, employment, new businesses and so on which are audited by the National Audit Office and signed off at ministerial level. In terms of the number of jobs created, for example, we have always met those targets. I think the question to ask is: if we did not exist would those jobs still be created by the market? Probably not. To go back to my example of the BBC's move to the North West, if it had not been for the RDA working very strongly with the BBC and the private sector, with the support of Government, those jobs would not be moving to the North West, generating and levering in additional jobs and skills opportunities. I think that in terms of the RDA we have a very good, evaluated, evidence-based and auditable track record. We have made a significant contribution to economic growth and GVA performance.

**Mr Korzeniewski:** If the question is that the money is still there but the organisation is not then that is one answer. If the question is about the public funding not being there as well as the Learning and Skills Council there is a different answer. Clearly, employers spend a lot of money on training and development and skills, but I think they spend it in a different way from Government might wish some of it to be spent. We are probably talking about market failure. It may well be that spending on higher levels skills would still be there but there would be an issue about people without skills and whether or not employers would pay for them. It would be a question of market failure. If the public funding was available there would still need to be a mechanism for distributing it, however it was set up. Even in a demand-led system what we see is our role

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changing from perhaps originally when we were more involved in planning to a body that is more concerned with ensuring that that system works but in a different way.

**Q668 Mr Carswell:** Given how critically important you are to the economy of the North West, talk me through the mechanism of local accountability to people who live in that region. How are you directly accountable?

**Mr Broomhead:** As for the RDA, obviously we are accountable upwards to Government through our sponsoring department. We are audited by the National Audit Office. Each RDA has recently been inspected. We have our own version of Ofsted through the NAO's independent performance system.

**Q669 Mr Carswell:** What about downward accountability?

**Mr Broomhead:** That would be, first, to the regional assembly which is made up of elected politicians and the private sector. Under the terms of the 1999 RDA Act they have responsibility for the scrutiny of RDA's policy and the performance of its projects. Therefore, there is democratic accountability there. There is a discussion going on with Government about whether that is strong enough and it should be improved. We also have accountability through communication systems. We have regular dialogues with MPs and an annual general meeting. For the four years I have been in this job we regularly have a turnout at the AGM of 600 people. Obviously, we are a quango and suffer from the same issues about democratic accountability as other bodies.

**Q670 Mr Carswell:** Accountability is to officials in Whitehall and the regional assembly and that is about it?

**Mr Broomhead:** There are other routes. It depends on how one believes accountability works. There is a regular dialogue with local authorities about the nature of the work we are doing, but in a formal sense our accountability at local level is derived through the regional assembly.

**Q671 Chairman:** What about local MPs in the region? Is that part of your accountability?

**Mr Broomhead:** I think that is a very important part of our accountability. We have dialogues and e-mail updates once a week and regular meetings with MPs. There is perhaps a debate to be had about whether that is strong enough and there should be more. Should there be a select committee for each region? Should there be a select committee for the regions, or one MP who is responsible for the whole of the region and is given accountability to Parliament? All those things are being discussed at the moment as part of the sub-national review.

**Q672 Mr Carswell:** Given what some people might characterise as a big democratic deficit and a problem with accountability, I am quite interested in some of the matters that Ken Livingstone proposes. Is it not the case that his proposal will basically make

a quango that has responsibility but very little accountability finally accountable and answerable for delivering skills in London? Should that not be rolled out elsewhere?

**Mr Korzeniewski:** It is difficult for me to talk about London because I read about it rather than become involved in it.

**Chairman:** Would you not like to be elected? You could handle skills in the North West and run for election?

**Q673 Mr Carswell:** If people were not happy they could let you know and something would be done about it.

**Mr Korzeniewski:** My answer on accountability would be similar to my colleague's. We have the ministerial route through the LSC's Chief Executive. We have also been scrutinised this year by the regional assembly. We are trying to ensure that our new area teams meet with their MPs. We also work very closely with local government through local strategic partnerships. Obviously, it is about a smaller geographic area, but it is an increasingly close relationship with us, but the simple fact is that our councils are not elected.

**Q674 Mr Marsden:** The RDA has been very supportive of Blackpool's position. We have heard a lot of discussion in previous meetings of the Committee about how important it is to have a sub-regional strategy and how little Leitch has talked about this. Do you believe that there is more to be done in that area? Mr Korzeniewski, there has been a lot of talk about the importance of funding enabling skills for older learners, accepting the Government's present overall priority. Is that something on which you believe you have a grip, or is it something on which you allow other people to get a grip in the North West?

**Mr Korzeniewski:** Perhaps you would put the second point again.

**Q675 Mr Marsden:** We have heard a lot of controversy about the funding of enabling skills, or so-called soft skills. Is that something on which you feel you have a handle or is it something on which you are letting colleges and other providers have a handle in the North West?

**Mr Broomhead:** If I may take the first point, earlier I referred to the fact that in the North West we were moving from five separate LSC boards to one regional board. Clearly, we need to make sure that at sub-regional level, for instance Lancashire, employers feel they can have an input into the wider skills agenda so that input can then be reflected in strategies and plans and ultimately resources put into the sub-region. We want to do that. We are not creating another body, which would be complete madness, but linking that into the sub-regional partnership which in this case is the Lancashire economic partnership. I think that there is a challenge within Leitch because Leitch talks about the establishment of Employment and Skills Boards either within cities or other places. One of the matters about which RDAs seek clarification from

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the DfES is the exact purpose of those Employment and Skills Boards and what would be their spatial definition. If we are not careful there is a danger that everybody will want an Employment and Skills Board and we will get back to where we were before and we do not deal with the simplification agenda that we need to tackle.

**Mr Korzeniewski:** We are involved in conversations about the sub-regional dimension in our work going forward in the new world. We have met the Chief Executive in Blackpool as part of our conversations within the Lancashire office. In terms of the kinds of skills on offer, there are a number of answers to it. One is that qualifications reform is a central part of a demand-led system. One can see very easily how they can be bought-in qualifications, if that is what employers want. That is one part of the answer. The other part of the answer is that insofar as that is made manifest through the Regional Economic Strategy—you are quite right that it is one thing that employers say they want—if it is given that level of publicity, as it were, it will become even more of a priority for RES in terms of seeking solutions. But I believe that qualifications reform as a systemic matter must underpin that kind of change.

**Q676 Paul Holmes:** You have been doing the pilot on Train to Gain for Level 3?

**Mr Broomhead:** Yes.

**Q677 Paul Holmes:** We have received evidence to suggest that so far it has been a disaster because people have been asked to pay 50% of the fees themselves. The initial enrolment was minuscule. You have cut the contribution to one third. Has that made any difference?

**Mr Broomhead:** In simple terms, we have to evaluate the issue and project. Certainly, for some individuals the level of fees that they have been asked to contribute has come as a shock to the system.

**Q678 Chairman:** We are witnessing the collapse of the whole system of lifelong learning, are we not? I do not know about the North West, but the national figures are a disaster, are they not?

**Mr Broomhead:** Bodies such as NIACE and others who have given evidence here would say that.

**Q679 Chairman:** But the statistics show that, do they not? The number of people enrolling in courses has dropped by half a million. Surely, that is reflected in the North West, is it not?

**Mr Korzeniewski:** The statistics do show that and it is reflected in the North West, but the number of adults in the system who gain qualifications is growing. In the sense of the priorities being achieved the picture is a positive one.

**Q680 Chairman:** How do you judge whether or not it is positive, because some people say that Train to Gain is much too narrow for many employers and they want other stuff but they are not allowed to have it. They can have Train to Gain. It is like the early model Ford: you can have it in any colour you

like as long as it is black. You can have training but it must be Train to Gain and for a lot of employers it is not appropriate.

**Mr Korzeniewski:** I see Train to Gain as a process. In terms of the training outcome you are quite right; it has been focused on Level 2 with the grain of policy, but we have seen the Level 3 pilot coming through, which obviously is to be evaluated. In the North West we are trialling some higher education as well through other mechanisms as part of the Train to Gain offer. A broader offer is being tested and trialled.

**Q681 Chairman:** You are not elected people. Are you not being a bit cautious because you are worried about upsetting people? Mr Broomhead was nodding quite strongly when I put my question. There is something really wrong with this. If we do not turn it around fast and tell the Government there is something really wrong the training opportunities of a lot of people will be lost. Is that not the truth? Are you not being a little timid?

**Mr Broomhead:** We agree that there is an issue, and that is why we say that the whole thing needs proper evaluation. We are aware of the cost to the individual of Level 3.

**Q682 Chairman:** Back in your college principal days you would have been really exercised about this, would you not?

**Mr Broomhead:** Yes, I think we would, but we have seen cycles of policy emphasis. Back in 1997 the matter on everybody's lips was the Kennedy report which was about the celebration of lifelong learning which was not necessarily always linked to public resources supporting qualifications. We are now moving towards Leitch which is much more fundamentalist and vocational. It seems as though public sector funding should be made available only to qualifications. I think that is a very big policy debate for Government to have, particularly for those people with literacy and numeracy difficulties.

**Mr Korzeniewski:** There has been a shift over 10 years from widening participation to the economic mission of further education that we are seeing in practice.

**Q683 Chairman:** But we cannot have both?

**Mr Broomhead:** I think you can have both but it depends on what the cost will be. I imagine that that will be an issue for Government when it looks at the total cost of implementing Leitch. You can have both; you can have lifelong learning embedded within workforce development strategies, but whether or not you can continue to put public resources into what were called non-schedule 2 courses—flower arranging, pottery and so on—is an interesting question for the future.

**Q684 Paul Holmes:** To go back to the initial question, with your pilot on Level 3 and 50% fees, is it your advice to Government that this will not work and people and employers will just not pay, or is it too early to say?

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**Mr Broomhead:** It is too early to say. I think that is why we both agree that we need to evaluate it.

**Q685 Paul Holmes:** The initial take-up was non-existent, so it cannot be too early to say, surely?

**Mr Korzeniewski:** I think that over the summer we will see a media campaign to encourage employers and individuals to consider the importance of skills. When that comes through and it has been a continuous part of the landscape, as it were, we will start to see differences. It is a bit like the Gremlins campaign; it puts the issue of basic skills more public and more firmly in people's minds. Obviously, it is a very fast-changing environment in which we are working, but that will be a very important part of getting across the whole skills agenda to individuals as well as employers. That

might well change the proportion that people are prepared to pay for the benefits they get through qualifications.

**Q686 Chairman:** We have enjoyed the intellectual capacity of both of you and have learnt a lot in this session. Is it worth our going to the North West to see it for ourselves?

**Mr Korzeniewski:** Yes; you would be very welcome.

**Q687 Chairman:** Can you put on some really informative stuff for us or help in that regard?

**Mr Korzeniewski:** Of course we will do that, Chairman.

**Q688 Chairman:** Is there anything you want to say to the Committee before we finish?

**Mr Broomhead:** No, but thank you for the opportunity.

**Mr Korzeniewski:** Do come to the North West.

### Memorandum submitted by Professor Frank Coffield

#### KEY TASKS PROPOSED FOR LEARNING AND SKILLS SECTOR

Year	Task	Proposed by
2007	(i) 1.5 million adults and young people to achieve basic skills (ii) Completion rate of 75% for apprentices (53% in 2005) (iii) New Framework for Excellence introduced (iv) Quality Improvement Strategy to be fully operational (v) Initial trials of Learner Accounts	LSC (2006b: 34) DfES (2006: 18) LSC (2006a: 13) White Paper on FE (2006: 46) LSC (2007: 7)
2008	(i) Five new specialised Diplomas to be available for 14–19 year olds (ii) All poor provision to be eliminated by LSC (iii) Eight more National Skills Academies to open (iv) New Framework for Excellence to be used by all providers (v) DfES to reduce LSS staff by 325 (vi) 60% of 16 year olds to achieve five good GCSEs (56.4 in 2005)	White Paper on FE (2006: 12) White Paper on FE (2006: 12) DfES (2006: 18) LSC (2006a: 13) White Paper on FE (2006: 10) DfES (2006: 11)
2009	(i) Common funding approach for colleges, sixth forms and training providers (ii) Qualifications and Credit Framework to be operational	LSC (2007: 7) LSC (2007: 7)
2010	(i) All 14 Diplomas for 14–19-year-olds to be widely available (ii) 2.25 million adults and young people to improve basic skills (iii) Reduce by 40% proportion of adults without Level 2 (iv) All FE teachers qualified or working towards a qualification (v) Success rates for FE Colleges to be 80% (76% in 2007) (vi) 50% of 18–30-year-olds in HE (vii) Foundation Learning Tier to have a full set of progression pathways (viii) 200 Academies to be open (ix) Reduce by 2% proportion of young people not in education, employment or training (x) Fee contribution by learners to rise to 50% (xi) A fully demand-led system to be in place	DfES (2006: 18) LSC (2006b: 34) QIA (2007: 20) QIA (2007: 20) QIA (2007: 20) White Paper on FE (2006: 16) White Paper on FE (2006: 44) DfES (2006: 13) LSC (2006b: 5) Leitch (2006) LSC (2007: 7)
2012	A self-regulating system to be in place, raising standards and tackling underperformance	LSC (2007: 7)
2013	(i) All 14 Diplomas available nationwide for 14–19 year olds (ii) 85% of 19 year olds to achieve a Level 2 qualification	White Paper on FE (2006: 12) DfES (2006: 18)
2015	(i) 90% of 17-year-olds participating in education or training (ii) Majority of adult FE budget to be demand led	DfES (2006: 18) DfES (2006: 22)

<i>Year Task</i>	<i>Proposed by</i>
2020 (i) 95% of adults with basic skills (85% literacy and 79% numeracy in 2005) ie treble projected rates of improvement	Leitch (2006: 14)
(ii) 90 + % of adults with Level 2 (69% in 2005)	Leitch (2006: 14)
(iii) 500,000 Apprentices (256,000 in 2005)	
(iv) 40 + % of adults with Level 4 (29% in 2005)	

June 2007

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### **Memorandum submitted by EEF, the Manufacturers' Association**

#### **ABOUT US**

1. EEF, the manufacturers' organisation, has a membership of 6,000 manufacturing, engineering and technology-based businesses and represents the interests of manufacturing at all levels of government. Comprising 11 regional associations, the Engineering Construction Industries Association (ECIA) and UK Steel, EEF is one of the UK's leading providers of business services in health, safety and environment, employment relations and employment law, manufacturing performance, education, training and skills.

#### **CONTEXT**

2. EEF welcomed the findings of the final Leitch report on skills. In particular, recommendations to place greater emphasis on intermediate and higher level skills is especially relevant to the needs of manufacturing. Furthermore, the report recognised the need to achieve the higher level skills within the existing workforce, in addition to improving the flow of more highly skilled individuals into the workforce. This is essential if the UK economy is to compete in higher-value added activities, which will increasingly rely on knowledge and innovation.

3. We also welcomed the proposal to move further in the direction of a system of demand-led training provision. The review correctly identifies the short comings of the current system of trying to predict and provide training provision. There is a need to direct a much greater share of public subsidy for training through well-informed customers. Train to Gain and Learner Accounts are two potential mechanisms for achieving this.

4. Thirdly, the report recognised the current complexity of the learning and skills landscape in England, including the number of bodies and intermediaries—both sectoral and regional—that have been established to influence training provision and finding flows. While the report is not a blueprint for reform, the acknowledgement of the current confusion is welcome.

5. Finally the report recommends the introduction of some form of compulsion on employers if unsatisfactory progress in improving skills is made by 2010. EEF has cautioned against the use of compulsion in the engagement of employers in training activity. The government must first provide the framework which supports employer-sponsored education and training. Without this framework, employers will continue to face constraints to providing more and better training. EEF research has identified a number of these barriers including a lack of information on available training and suppliers and a lack of appropriate provision locally.

6. Also important in determining the impact of education and skills policy is how outcomes are measured. At present, international league tables are often cited as a proxy for the UK's relative position on skills and training. In a global economy, this measurement can be useful in assessing what progress is being made compared with our competitors. It can also be useful in analysing the role of skills in the UK's productivity performance. These tables often do not tell the whole story. For example, the US has a similar proportion of its workforce educated to the equivalent of Level 3. It is the much higher proportion of people qualified to Level 4 and above which has a greater impact on US productivity performance.

7. Moreover, it tells us less about the types of skills and qualifications the UK needs to develop in order to improve innovation and competitiveness, for example. Government targets should not, therefore, primarily be aimed at improving the UK's standing in international league tables. Rather, they should focus on helping the UK to develop the skills needed to improve productivity and innovation.

#### **NATIONAL POLICY**

8. Current government policy is focussed on a number of key themes:
  - increasing participation in education for those aged 17 years and over;
  - increasing the proportion of 19 year olds qualified to NVQ Level 2;

- raising to 50% the proportion of 18–30 year olds in higher education;
- improving completion rates of apprenticeships and;
- all adults to achieve a Level 2 qualification.

9. EEF agrees that more should be done to improve achievement of school-age children. A significant proportion (54%, according to DfES) of young people finish compulsory schooling without five good grade GCSEs (or equivalent) including English and mathematics. Thereafter, employers and colleges have an uphill struggle to bring young people up to an acceptable standard, and to a level from which they can progress into further, high level skills training. This is particularly acute in engineering, which recruits many of its entrants at degree and Advanced Apprentice level.

10. Furthermore, it is essential that the vast majority of the existing workforce is qualified to a level expected at the end of compulsory schooling (NVQ Level 2). At the very least business needs a workforce to have adequate numeracy and literacy skills. Without these foundations it is difficult to engage individuals and offer training to meet skill needs. Efforts to ensure that all individuals are equipped with these skills are necessary if the UK is to meet its ambitions to increase the stock of intermediate and higher level skills.

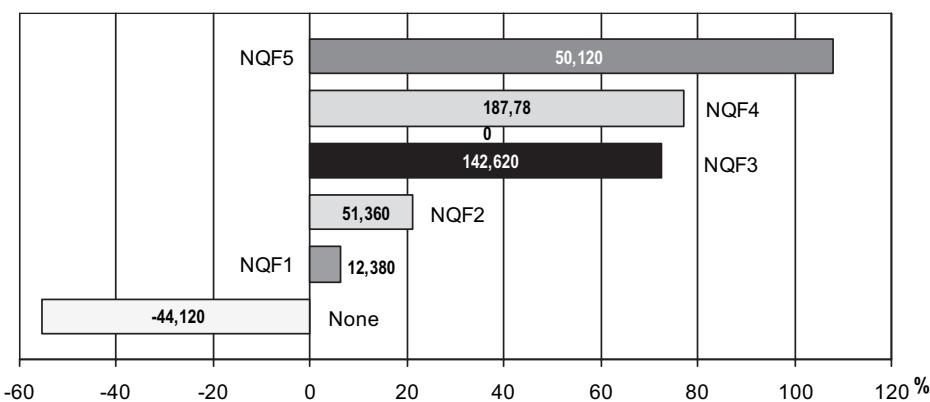
11. Providing adults with a first full Level 2 qualification can therefore act as an important stepping stone to further learning. However targets can skew behaviour, and promoting Level 2 qualifications to people for whom a Level 3 or some other form of training or qualification may be more appropriate (for both the individual and company) will result in lacklustre engagement and potential loss of credibility for training activity. The individual resents being taught what they “already know”, and companies gain little value in releasing staff to simply receive accreditation of existing skills. Perhaps this accounts for the high proportion of “deadweight” ascribed to the Employer Training Pilot activity, where it is clear that “assessment” rather than “learning” took up the greater proportion of provider activity.

12. In addition, the workforce in manufacturing is changing. Chart 1 illustrates that job shedding has been concentrated in lower skilled occupations and the proportion of management and professional positions has increased. This trend is forecast to continue over the next decade as firms demand higher level skills to ensure they meet their strategic priorities—increasing innovation; accessing new markets; improving productivity and responding to customer demands.

**Chart 1**

#### UNSKILLED OCCUPATIONS DRIVE JOB SHEDDING, % CHANGE IN EMPLOYMENT

**Figure 1: Incremental Demand by Qualification for periods 2004-2014  
England, Financial services**



*Source: Institute for Employment Research*

13. Nevertheless, the present focus of having targets and funding that only supports the achievement of single level qualifications and hence a hierarchy of qualification achievement is too narrow. We need a structure that also recognises that the accumulation of a breadth of relevant qualifications and skill sets (even if at the same level) is equally valid and required.

14. The government's target for young people in higher education recognises the role of a higher skilled workforce in meeting the competitive challenges the UK faces. EEF welcomed Leitch's recommendation to widen this ambition. The report suggests enabling higher education providers and employers to work together to ensure more people capable of degree-level study and achievement have the opportunity to do so. We also recommend the promotion of alternatives to academic degrees (such as NVQs at Level 4 and 5) to those in work. The funding of higher education (HE) also needs to be opened up and made available

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to a wider range of providers that can demonstrate they can deliver the quality required. This is a consideration of the new further education (FE) Bill, and also by the Higher Education Funding Council for England (EHEFCE) employer engagement initiatives.

15. Importantly, increasing the numbers of people with higher level qualifications will only have the desired impact on productivity and competitiveness if the subjects they study are relevant to the needs of the country. Over the past decade enrolments in engineering and technology degree courses have been flat. However, there appeared to be an increase in applications last year. This could suggest that the introduction of higher tuition fees may have helped make these subjects more attractive.

16. However, increasing the numbers of people studying science and technology subjects at a higher level must start by encouraging young people to continue them at GSCE and beyond. Good careers information and guidance and high quality teaching, which enthuses young people, is key to this.

#### THE ROLE OF GOVERNMENT, EMPLOYERS AND INDIVIDUALS

17. A number of departments are currently involved in developing and implementing the government's skills strategy. This recognises the fact that the need to improve skills and training cuts across a number of policy areas including innovation; regional development and social policy. There still remains a need for more joined up thinking between departments. For example, linking the Department for Work and Pensions (DWP) strategy to promote increased employment and the Department for Education and Skills strategy needs to bring together initiatives to get marginal groups back into work and the challenges presented by an ageing workforce. The Leitch review has some useful recommendations in this respect, including the adult careers service.

18. There is also a need for greater coordination across business improvement initiatives. The implications for skills and training should be considered across programmes such as lean and general business improvement, innovation, design and energy efficiency. This does not imply that more organisations need to be involved in these fields, rather a need for more seamless working. Nevertheless, the drive to simplify business support programmes must not lose sight of the important linkages with skills. The new Commission for Employment and Skills will have an important role in coordinating these issues.

19. In addition to creating the framework for post-16 learning and skills, government makes a substantial financial contribution to post-16 training. This year, the budget of Learning and Skills Council (LSC)—the main body responsible for funding post-16 learning—will rise to almost £11 billion. This supplements the estimated £33 billion that employers invest in workforce training—reflecting the benefits firms can receive from improving skills.

20. Individuals also benefit from acquiring new skills. These benefits are often reflected in higher salaries. However, individuals tend to make less of a financial contribution to their education and training. Outside of higher education, some individuals contribute to their own development. However, this does not appear to be particularly well embedded in the UK's learning culture. For example, there has been some take up of Career Development Loans to improve vocational skills, but evidence from a 2001 survey showed that borrowers tended to be young, well educated and employed.

21. Learner Accounts could be a vehicle for leveraging greater individual investment in training. An evaluation of the original Individual Learning Account (ILA) system of learning accounts suggested that it had some success in stimulating individual demand—79% of learners thought that something like an ILA would encourage them to invest more of their own money in learning/training<sup>1</sup>.

22. The design and implementation of Learner Accounts will be critical in their success in encouraging greater individual investment. EEF would like to see the new system of Learner Accounts deliver the following:

- equip individuals with transferable skills, preferably through certified learning;
- motivate individuals to engage in their own development and offered progression opportunities;
- offer some form of entitlement/account that can be moved between employers;
- encourage employers to partner with employee to increase investment in skills; and
- put more/real purchasing power in the hands of “training customers”;

#### APPRENTICESHIPS

23. Engineering has a long tradition of apprenticeships and EEF recommends that manufacturing and engineering companies consider apprenticeships when planning for future competitiveness. The role of apprenticeship in preparing the engineering and manufacturing workforce for the future cannot be understated.

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<sup>1</sup> Individual Learning Accounts: A Consultation Exercise on a New ILA Style Scheme. Final Report to the Department for Education and Skills (2002)

24. With that in mind, we believe that apprenticeships should be challenging, exciting, and a real alternative in terms of learning style to academic courses. Of course, engineering needs “blue skies” thinkers, researchers and academics, but it also needs practical, technically-skilled people to put ideas into practice and make concepts reality.

25. Given the challenging nature of an engineering or manufacturing apprenticeship, we are concerned that too often, apprenticeships are only promoted to low-achievers, and those who have failed to achieve academically before the age of 16. While apprenticeships offer a new way to learn, they are not necessarily an easier way to learn. This is why the entry requirement for an Advanced Apprenticeship is usually four to five GCSEs at A\*-C, including English, Maths and Science.

26. High level learning has always been part of the engineering apprenticeship framework, and many Advanced Apprentices study to degree level at some point in their careers. The recent EEF Apprentice of the Year awards ceremonies in West Midlands, East Midlands and Mid-England, Wales, and the South West, show the true levels of achievement of many young people on apprenticeships. For example, in the West Midlands awards, all the final year finalists had completed or were completing a Higher National Certificate or Diploma, and some had ambitions to continue to university. A survey in 2003 by the Engineering Technology Board (ETB) of engineering technician apprentices showed that 92% of them wished to progress to become a professional engineer.

27. Engineering apprenticeships therefore need to prepare young people both for skilled technical employment on completion, but also for progression to appropriate higher education. There are no figures available for actual progression from engineering Advanced Apprenticeships to higher education, but we believe it to be in the region of 10–15%. This could be increased in the future if Leitch’s recommendations on allowing funding for higher education institutions to work more closely with employers are implemented. Former apprentices make different students to those entering higher education directly after A-levels. Indeed, research from the OECD<sup>2</sup> points to greater returns to NVQs at Level 2 when obtained based on work experience and employer-provided training. They may expect local provision and part-time study to enable them to continue in employment, often with the company which has supported them in their apprenticeship.

#### *Funding*

28. There is however, a disparity in the funding of apprenticeship, which could potentially exclude a number of high calibre applicants. The present practice of providing less state funding for apprentices aged over 19 at the start of the framework disadvantages those of this age group. In 2005–06, of the 171,000 people starting an apprenticeship or advanced apprenticeship, more than 70,000 were over the age of 19.

29. The reduced funding for these apprentices, who complete the same framework as younger candidates, does not reflect the true cost of their training and employment. Moreover, people who would benefit from an apprenticeship but who are over the age of 25 receive no funding at all. We believe that the age cap on funding should be withdrawn, enabling employers and training providers to recruit the very best candidates.

#### *Framework*

30. The value of the apprenticeship frameworks to engineering employers is in its combination of off-the-job underpinning knowledge with on-the-job competence-based qualifications. Engineering has always had this off-the-job element (now known as the Technical Certificate) which gives young people a broad introduction to basic principles before enabling them to specialise in their particular area of engineering. Employers like the flexibility of having a large number of technical certificates and NVQs to choose from, although this can lead to complexity in communicating the “message” of the benefit of apprenticeships to employers.

31. We do not believe there is a case for wholesale reform of the framework, especially as engineering has struggled to accommodate previous reforms (eg following the Sir John Cassells review). Engineering is widely acknowledged as the “gold standard” and should not have to compromise in either content or delivery in order to fit with other frameworks. It is paramount that the national requirements for apprentice frameworks should be demanding, yet flexible enough to allow individual sectors to design their own frameworks to suit their needs.

32. However, there are elements of the framework which could be improved. Key skills achievement, despite their introduction at employers’ request several years ago, should no longer be a compulsory component of frameworks. Instead, we believe that the government should ensure that those leaving the state education system (including those that have five GCSEs at grade C and above) have key skills at least at Level 2. Frameworks should not be used to do remedial work, and providers are currently tasked with

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<sup>2</sup> OECD (2005) UK Economic Survey 2005

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putting this deficiency right with funding that provides only between £165 and £148 depending on age, per key skill. The new benchmark for schools of numbers of students achieving five GCSEs at A\*-C including English, mathematics and science is a step in the right direction.

#### THE SUPPLY-SIDE

33. Currently employers source training from a range of providers; FE colleges, commercial providers and in-house training. The Leitch Review identified the relatively low take up of FE college training provision in its final report. This is particularly the case among small and medium sized companies.

34. Earlier in this submission we highlighted a perceived lack of appropriate training provision as a barrier to firms offering more training opportunities. EEF research suggest that public providers are often not in tune with needs of employers and that courses are sometimes not available or appropriate. The complex way in which the supply of training is determined is a major factor in supply failing to meet demand.

35. A number of agencies and bodies have been established in recent years to understand business skill needs and inform provision. Sector Skills Councils (SSCs) are tasked with understanding employer needs in the sectors they represent. And in partnership with business they are to construct Sector Skills Agreements which are intended to map out what skills are needed and how they are to be supplied. In addition, Regional Skills Partnerships (RSPs) were established to bring together key stakeholders in business and education and skills to plan the strategic skills priorities for each regional development agency (RDA) region linked to their Regional Economic Strategies. Once these priorities had been determined, RSPs would then interface with the regional and local arms of the Learning and Skills Council—the body responsible for organising and funding provision. In theory this is an employer-led system—provision is determined by a network of regional and sectoral bodies which understand the factors driving business skill needs and influences decisions on training provision.

36. EEF's analysis<sup>3</sup>, submitted to the Leitch review, identified a number of problems with this "predict and provide approach". Taking a broad overview of the post-16 education and skills environment, there is a very substantial separation between policy makers (government) and end-users (employers and individuals). Research by Hodgson et al (2005)<sup>4</sup>, illustrates the extent of this separation. At the top of the tree there are government departments, such as DfES, DTI and HM Treasury, whose main function it is to determine national priorities, targets and budgets. The national LSC, as controller of post-16 learning budgets also plays leading role in the government's skills agenda. Moving through the system, there are the sector and regional bodies, the various regional and local divisions of the LSC, learning partnerships (where appropriate) and, of course, training providers. Without a high level of employer engagement and perfect information flows, we believe that this approach will not lead to an optimal supply of training provision.

37. Furthermore, it is unclear how successful many of these intermediaries have been at engaging with employers. While these bodies are intended to be led by employers, for employers, some, particularly in the regions appear to be dominated by public sector representatives from the learning and skills sector, such as the regional LSC, Job Centre Plus, Higher Education, the Government Office and the RDA, among others.

38. The research on skills needs also varies in both depth and ambition across the different regions and sectors. However, a number of common themes have emerged. Firstly, much of it is based on employment forecasts by sector and occupation. While this type of manpower planning has its place in giving an indication of the types of jobs that will exist over the next decade, it is unclear what it really say about what type of education and training is needed.

39. The outcomes of Sector Skills Councils (SSC) and RSP research show that relying on this type of analysis is little or no substitute for engaging with business and understanding the economic changes that underpin shifting skill needs. For example, some SSCs have identified generic skill deficiencies, such as management and leadership, general IT skills, communication and customer handling skills as priority areas for development in addition to unspecified technical and practical skills. While we are not suggesting that this analysis is wrong, it is too general to provide an accurate picture of the types of skills firms need now and in the future to inform training supply.

40. In addition, the complexity of the learning and skills infrastructure makes it difficult for employers wishing to engage with these organisations and the work they do. The need for employer engagement is often maintained as essential to underpinning the work of RSPs and SSCs (and in future Skills Academies). Yet, it is not always clear to a small or medium sized company that did want to influence policy where to go and how to get in contact.

41. Together these issues raise questions about the current supply-driven approach to training provision. Firms are finding that the labour market intelligence being used to shape training supply is not contributing to a responsive learning and skills sector switched on to the needs of modern manufacturing. Instead, the

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<sup>3</sup> EEF (2006) Learning to Change: why the UK skills system must do better

<sup>4</sup> Hodgson A. et al (2005) A new learning and skills landscape? The LSC within the learning and skills sector.

emphasis by DfES on targeting particular groups may in fact be distorting the supply of provision as the LSC aims to fulfil targets on learner numbers within key groups. This top-down approach to planning and funding does not ensure a match between training supply and demand. Furthermore, even if the information flowing from RSPs and SSCs was comprehensive in its analysis of skill needs by region and sector, the LSC has little discretion to fund priorities identified, outside of national targets. The current framework for funding and planning may have contributed to the lack of movement in improving intermediate level skills, for example.

42. There have, nevertheless, been some welcome developments. The roll out of Train to Gain, and in particular the brokerage element of the initiative, is a small step towards a more demand-led learning and skills sector. Funding is more effective if it puts greater purchasing power in the hands of informed customers. This means giving employers and individuals the tools and support to establish skill needs, and then allowing providers the flexibility, enabled through the funding mechanism, to deliver it. This includes allowing private training providers to play a role in skills delivery.

43. The Employer Training Pilots (now Train to Gain) had a significant impact on an important aspect of training—that of flexibility of provision. Employers involved in the pilots valued the way in which providers were able to fit delivery and assessment methods to the employer's working practices, thereby reducing disruption to core company activities.

44. That said, the UK lacks a properly functioning market in skills training. Employers struggle to make informed choices on training, while providers fail to understand or respond to their needs. We are hopeful that the skills brokers being introduced under Train to Gain will be able to advise companies on the best provision to meet their needs. However, we do have concerns that these brokers will lack the ability to advise companies on sector-specific training. It is likely that brokers will be assigned by geographical area, which will mean they are dealing with a diversity of companies on their patch. It remains uncertain how these individuals accumulate enough specialist knowledge to advise an engineering company in the morning, a care home in the afternoon, and a family-run shop the next day. The answer must lie in their training and in creating an infrastructure to keep them informed. Secondly, it will be counterproductive if brokers were given learner targets and incentives. Employers will only value this service if it is impartial as well as knowledgeable.

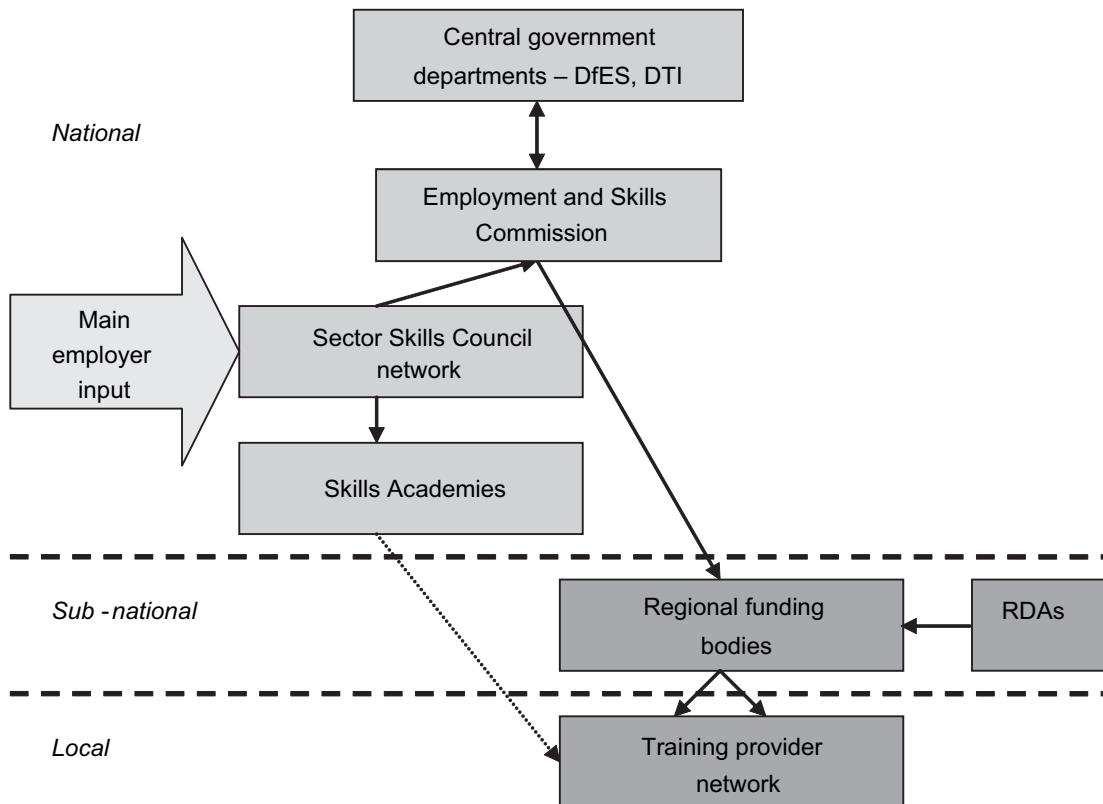
45. EEF welcomed the Leitch review's recommendation to move further and faster towards a demand-led system of training provision than current targets. We also agree that the government should make a radical change from the current system and adopt a sector-driven approach. Sector Skills Councils are best placed to identify the skill needs of the business they represent and which will vary significantly from sector to sector. They need to use this information to input into qualification frameworks, ensuring apprenticeship frameworks are up to date and maintaining national occupation standards.

46. In order to do this SSCs must firstly be adequately resourced and secondly, headed up by teams of influential people with a detailed knowledge of their sector. The final report of the Leitch review identified a possible conflict of interest for SSCs in delivering services to employers in their sector and becoming self-financing by 2008. A reduction in the number of SSCs could cut duplication across the SSC network, freeing up additional resources for SSCs to concentrate on sector-specific issues. The recommendations in the Leitch review could lead to this happening through market mechanisms. Importantly, SSCs should be released from their restrictive framework, which places unnecessary emphasis on labour market forecasting at the expense of employer dialogue.

#### DEMAND

47. The Leitch review's recommendation to move towards a more demand-led system of post-16 training was perhaps one of the most significant. Routing a much greater proportion of funding through mechanisms such as Train to Gain and Learner Accounts is one method of achieving this. Intervention by government is necessary if firms are to be informed of available provision and if providers are to understand the needs of business and individuals. The government can therefore bridge information failures between the demand and supply sides.

48. In order for this to happen there must be rationalisation of the bodies involved in skills policy development and clarification of their roles.

**Figure 1****A STREAMLINED SKILLS INFRASTRUCTURE**

49. Figure 1 illustrates how this simplified infrastructure might operate in practice. The policy development process in this model should clarify the roles of each stakeholder and how they would be expected to influence at the national and sub-national level. Furthermore, under this proposal much of the bureaucracy that distances learners and providers from decision makers is swept away. This should ultimately lead to a more transparent relationship between central government departments and the Employment and Skills Commission.

50. While we envisage greater business involvement across the learning and skills network through increased representation on regional and national boards, the main point of engagement should be through sector skills councils. Importantly, this should also result in an improvement in the quality of information flowing between stakeholders. The analysis of skills needs carried out by SSCs should be underpinned by more comprehensive dialogue with employers.

**INCREASING INVESTMENT**

51. Previous EEF research<sup>5</sup> highlighted the lack of strategic planning by some firms when deciding who should receive training and identifying appropriate training. This has a direct impact on training outcomes. Training that is not sufficiently linked with business strategy will not deliver the same degree of improvement in productivity as training that is. A priority should therefore be assist firms in investing more strategically. This would further reinforce the view that the introduction of compulsory measures would not have the desired impact on skills and productivity if planned training is not driven by business objectives.

52. Currently there is little in the way of practical guidance for business. There is a role for the new regional skills brokerage service—the advice and guidance element of Train2Gain—but firms may benefit more from receiving guidance from experts familiar with the environment and challenges of the industry. There is a potential role here for the Manufacturing Advisory Service (MAS). We welcome the fact that MAS is currently looking at its position in the marketplace and how its remit could be expanded.

53. Another useful mechanism in helping firms to think strategically about training is the Investors in People (IIP) standard. Our 2005 research showed a link between those firms with or working towards the standard and the productivity benefits from training. The IIP standard sets a level of good practice for

<sup>5</sup> EEF (2005) Skills for Productivity: Can the UK deliver?

training and development of people to achieve business goals. Some of the key elements of the standard involve linking training to business plans, communicating strategies with the workforce, measuring performance and continually looking for ways to improve the way people are managed and developed.

54. Despite a good level of awareness of the framework, take-up remains relatively low. Given the problems with employer training that we have identified, IIP can play an important role in helping companies to train more effectively. We welcomed the Leitch review's recommendation to review the role and remit of IIP. There should be a renewed effort to promote to business the benefits of participation in IIP.

#### QUALIFICATIONS

55. There can be no doubt that employers can be confused by the range and diversity of qualifications which are available. However, awarding bodies create qualifications to meet market needs. Therefore, any qualification must once have been in demand, even if it has now fallen into disuse. The system needs to be flexible to take account of qualifications and frameworks that have low demand/take up. Certain sub sectors are niche sectors and will never be able to produce a large number of learners, yet they still should have access to qualifications and frameworks that are adequately funded.

56. We accept that there may be a fair degree of overlap between qualifications, and are hopeful that the Framework for Achievement will rationalise the number of modules without reducing the flexibility of the qualifications structure.

57. Employers may also wish to be able to effectively create their own qualifications, drawn from various structures, to match more closely the skills required in the modern workplace. For example, by selecting modules across NVQ frameworks. We agree that whole qualifications are of value (particularly in terms of transferability), but in practice if an individual is taught modules which they do not use regularly, that learning is not necessarily useful in future employment. It is preferable for both individual and employer that qualifications can be tailored to a certain degree, to provide the skills necessary for the individual to be successful and productive in their current job. The Framework for Achievement should allow employers to adopt this modular approach within a funded system.

58. We have yet to see the benefit of the Qualifications and Credit Framework in engineering, and are working with SEMTA (the Sector Skills Council for Science, Engineering and Manufacturing Technologies) to help with its implementation.

#### CONCLUSION

59. EEF welcomes this timely opportunity to contribute to this inquiry into post-16 skills training. The Leitch Review has generated a crucial debate concerning how we tackle the skills gaps that are acting as a drag on the competitiveness of the UK economy. It is important we ensure this debate helps to deliver the truly demand-led skills and training system which the business community requires, in order that manufacturing is better able to meet the challenges of ever heightened global competition.

*January 2007*

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**Witnesses:** **Professor Frank Coffield**, Institute of Education, and **Ms Lee Hopley**, Senior Economist, EEF, the manufacturers' organisation, gave evidence.

**Q689 Chairman:** I welcome Professor Frank Coffield and Lee Hopley from the Engineering Employers Federation. Ms Hopley, you were supposed to be here with a colleague, Mr Stephen Radley.

**Ms Hopley:** No. The last communication expressed a preference for just one of us to attend.

**Q690 Chairman:** Is that so? I am informed that you decided to send two but withdrew one. I shall be writing to your President because I do not expect witnesses to change at the last minute.

**Ms Hopley:** As far as we were concerned, we were asked to send one witness.

**Q691 Chairman:** We never make a mistake. I will be in touch with your President. You heard what we talked about earlier. You are here because you have some expertise that we need to tap into. Professor Coffield, you are known to have very strong opinions. You have published some very interesting

and robust opinions about skills training. Lee Hopley, your organisation has called for the abolition of all sorts of things. You want the Sector Skills Councils to be culled, do you not?

**Ms Hopley:** We think that there should be fewer of them.

**Q692 Chairman:** That means you want to get rid of some?

**Ms Hopley:** Yes.

**Q693 Chairman:** Do you want to get rid of your one?

**Ms Hopley:** It covers quite a broad footprint unlike some of the others that cover very narrow areas.

**Q694 Chairman:** Therefore, do you want to get rid of your big one or the narrow ones?

**Ms Hopley:** We have not said which ones specifically we think should be merged or should go.

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4 June 2007 Professor Frank Coffield and Ms Lee Hopley

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**Q695 Chairman:** We can guess that you will not be abolishing yours.

**Ms Hopley:** It is up for debate.

**Q696 Chairman:** Professor Coffield, where are we in all this? You heard the earlier session and know that we are trying to get under the skin of this. What on earth is going on in our skills provision? I thought that session came to life at the end when we got some honest opinions. In the nicest sense, they were both bureaucrats who had to tack when different policies and fashions came along. There have been lots of fashions and different policies over the past few years, have there not?

**Professor Coffield:** Over the past 10 years, let alone the past 100 years, there has been far too much change and too much proliferation of policy. I saw the amount of memoranda that you were being deluged with so I restricted myself to two charts. One deals with the sector as a whole.

**Q697 Chairman:** I like to think they are some of the simpler charts that we have received in this inquiry. We are very grateful for it.

**Professor Coffield:** I should like to make a couple of points as a result of the chart. First, the reason I am here is that I am the principal investigator of a study funded by the ESRC on the post-compulsory sector. I have been doing this for the past three and a half years and am currently writing a book on it. The chart comes from the first chapter. The first thing I say is that this is the result of endless tinkering by different governments and different administrations at different times. We do not have one coherent system; we have a sector which is unbelievably complex. The first and obvious conclusion I reached when I looked at it three years ago was that we needed simplification and rationalisation. Over the years I have come to the conclusion that more change would be a mistake. I think that a cost benefit analysis must take place before any further change is introduced to this sector. The advantages are obvious. One would have less duplication and overlap and administrative savings; one might have clearer roles and responsibilities, and one would certainly have clear communication. The whole system might be less baffling to learners and all those who work on it. Our research has shown that there are huge disadvantages from the constant turbulence in the sector. There are economic costs and redundancy costs in abolishing the 47 LSCs. Considerable numbers of people were paid off with large sums to the public purse. There are also human costs. A lot of people out there whom we have interviewed are very angry with the system and the way it has treated them both within public organisations and among employers. The Government is trying to involve more and more employers, but all those good employers who came forward and went on the councils of the 47 LSCs have now been disbanded. To put it mildly, they are disgruntled.

**Q698 Chairman:** Especially as they had been members of the training and enterprise councils beforehand?

**Professor Coffield:** But usually it has been another set, so there is a serial group of employers who are being upset by Government. There is also the loss of social capital. One of the interesting things I heard when sitting behind the two witnesses this afternoon was how well those two men got on. It takes time to build up social capital in the form of good relationships, personal relationships and networks. Those two men know of the possible duplication and overlap between their two organisations. I would leave them alone now to get on with it. A general factor that has been created by the endless change is the spread of uncertainty. The people working in these bodies are losing commitment to the whole organisation because they are waiting for the next reorganisation to come post-Leitch. My last point is that every time you restructure you lose two to three years. You are diverted from the main tasks by the meeting of targets. I think that the heart of the system is teaching and learning. You will notice that at the bottom of the system I squeezed in the learners who are supposedly the beneficiaries of all this public money. They are the people who are neglected. There is endless talk about the structures, roles and responsibilities of organisations, but what we should really be talking about is: how do the most disadvantaged learners get on in this sector?

**Q699 Chairman:** Ms Hopley, what is your view on this?

**Ms Hopley:** I very much agree with what Professor Coffield has said. The Learning and Skills sector has been in a state of flux for some time particularly from the point of view of infrastructure. In addition to many of the points already raised, there is an issue as to employer engagement. It is apparently so important to the Learning and Skills Councils, the Regional Skills Partnerships and Sector Skills Councils, but particularly for small and medium size companies that have an interest and want to become engaged in the Learning and Skills Sector. How do they do it most efficiently? Where is their voice best heard? Is it at the regional level, the sectoral level or with the LSC? I think it is very confusing for employers who wish to become involved and influence the system to know how best to do that.

**Q700 Fiona Mactaggart:** When I discovered that the two witnesses would appear together I thought that perhaps the clerk was trying to play a joke on me. It seems to me that in very fundamental ways you disagree. Professor Coffield would argue for more compulsion on employers. In his lecture in December that was one of the things he suggested might assist—correct me if I have it wrong—whereas that is anathema to the employers federation. To summarise it, the federation argues for a market and Professor Coffield argues for equity being more of a driving force. It seems to me that there are some real conflicts in your evidence, but you concur on one important issue, that is, the muddled landscape, in the language of the federation, which is summarised

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by the chart that has been produced. There is a muddled landscape. I think you may argue for sorting out the muddle in different ways. I have heard Professor Coffield say that we should not change anything but do we want the music to stop now? I think one does want to change some things. Can you deal with the critical changes that are necessary to make the landscape less muddled? What would you get rid of?

**Professor Coffield:** I want to correct you on the question of compulsion. The one thing that I like about Leitch—I do not like much about it—is the pledge of employers. I think that we need a half-way house to give them time finally to put their house in order. I studied the TECs and remember Geoffrey Holland saying that they were the last throw of voluntarism. We have been through all that; we have had 20 years to try the TECs and it has not worked. This is the last chance for the employers to put their own house in order. I think that they are entitled to that and to be told that Government will act by 2010 if the SMEs do not move. We have wonderful employers in this country but they are islands of excellence in a sea of indifference. It is that sea of indifference and cultural changes in this country that are incredibly difficult to deal with. I would give the employers the extra time and only then would I move to compulsion.

**Q701 Fiona Mactaggart:** Is that the only change you would make, or are you answering the first part of my question? I should like you to answer the whole of it.

**Professor Coffield:** I think the sector is crying out for a period of consolidation. Any more changes risk meeting the major targets that Leitch has put in front of the sector. I think that it would cause more harm than good to go for more structural change.

**Ms Hopley:** As to compulsion, there is a range of factors and constraints that firms face when accessing training. For example, the Chairman kicked off the session by giving the example of a large construction company that could not find its way round funding or accessing training. Imagine that being done by a firm of 25 which does not have dedicated HR or training personnel. It will be incredibly difficult just to find what one needs. The last thing one wants to do is to send someone off to do a part-time or nine-month qualification and end up not meeting the objectives. That will be incredibly off-putting. I believe that Train to Gain has a valuable role to play here and it could help to smooth some of the complexity for smaller firms and help them access the best form of training. There are also issues around stimulating demand, particularly in relation to smaller firms. From a manufacturing point of view that is where organisations such as the Manufacturing Advisory Service can step in. They are well regarded within the industry. It looks at things like generating productivity improvements. The next step on from that if one wants to sustain those productivity improvements is to consider whether some training in x, y or z would be appropriate in order to gain benefits from some productivity-type intervention and refer them to a

skills broker. The same could be said of things like the Design Council or the Carbon Trust, for example, when making investments in energy-efficient equipment. But I think that the landscape needs to be sorted out and there must be a supply of information and advice for small and medium size companies, ensuring that the training that is required is available. Leitch picked up on the whole predict-and-provide approach before. It has not delivered that in every case. Even the LSC mentioned earlier that it was moving away from trying to predict what employers need and then provide it. It is becoming more of a funding body in response to demand. Before one starts to talk about compulsion one needs to get smaller firms in the main to train better and ensure that the training required as part of a business strategy is there.

**Q702 Fiona Mactaggart:** You referred to something else which I thought was in common between the two bits of evidence, that is, the need for a stronger connection between skills in the economy generally and productivity. I thought that was a uniting factor in both sets of evidence. Ms Hopley has given one example, but I would be interested in any other examples of how that could be done. I think it is quite important for us as politicians to assist if we can in order to create a stronger demand for appropriate skills.

**Professor Coffield:** My example is that I think there needs to be more clarity in policy about what some of this training is for. Some of it is clearly for equity. In the research we have been doing we have met many employees who have never been trained in 20 years. They have had no training whatsoever and yet they are doing important and dangerous jobs, for example street lighting. Suddenly, they now have to do health and safety, which is all to the good but does not improve productivity. I think we should be clearer that some courses are for reasons of social equity, for example young people coming from school without basic qualifications in English and maths. That is a deep failure of the school system that should be put right. On the other hand, we must not forget that a large part of the training should be about improving the quality of training and the goods and services that we are producing. That is another type of training altogether and that is what will drive up productivity, not social equity training. The two are constantly confused in policy.

**Q703 Fiona Mactaggart:** Do you concur with the evidence given to us by the Engineering Employers Federation that, “Key skills should no longer be a compulsory component of frameworks; instead, we believe that the Government should ensure”—I would love to know how—“that those leaving state education have key skills at least at Level 2”? We are trying. Looking at both sets of evidence I have a feeling that there is a slight sense in which others should do other things and you will do these things. Professor Coffield, one of the themes of your evidence is that teachers should be left to teach, for which I much support, but you are saying that we should get rid of all this fluff; we need to teach and

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learn, whereas you, Ms Hopley, say that you should be allowed to do the stuff that you want to do. In a way, our job is to try to make sure that all the other bits are done. How will we do that?

**Ms Hopley:** You are referring to the basic issue of skills and that is where the pledge comes in. Qualifications up to full Level 2 are now paid for through Train to Gain. Employers will be given the opportunity to sign up to the pledge. Clearly, it is unacceptable that there are people in the workforce with inadequate numeracy and literacy skills which will also be a problem for employers. If they need to build on those with other skills, not necessarily full qualifications, that needs to be remedied. There is a question as to whether or not that should happen in the workplace. Clearly, people should not be entering the workforce without basic numeracy and literacy skills, but it happens.

**Q704 Fiona Mactaggart:** Should it prevent them getting employment?

**Ms Hopley:** Obviously, I am not saying that. I guess it comes down to what employers are willing to pay for. Employers are willing to pay for higher-level skills, less so to rectify to failings of the school system. Training paid for by the public purse is available, but there must also be a demand from individuals because sometimes they are unwilling to admit that they have a problem or that it is embarrassing; or they do not want to do it on their own time. I do not think we have quite got the balance between the individual's responsibility and the responsibility of the employer in the workplace.

**Q705 Chairman:** Professor Coffield, Ms Mactaggart is making a serious accusation.

**Professor Coffield:** What accusation?

**Q706 Chairman:** I think she is saying that you are flaffing around a bit in terms of the evidence you have given. On the one hand you do not want anything changed; on the other you do. You have your cake and eat it.

**Professor Coffield:** There is one thing that I do want changed, and could be changed. This sector suffers desperately from a number of young people who come from schools with poor qualifications, or no qualifications.

**Q707 Chairman:** But all the evidence given to this Committee is that it is improving year on year.

**Professor Coffield:** But you are still left with about 45%. Because you are concentrating on those who can get qualifications you neglect those who cannot.

**Q708 Chairman:** We on the Committee know that they do not all get five A to Cs, but you cannot extrapolate from that that 45% are not fit to go into employment.

**Professor Coffield:** I did not say that; those are your words, not mine. I am saying that they are leaving without decent qualifications. Their English and mathematics have been neglected by the schools.

**Q709 Chairman:** To settle it, are you saying that 45% leave without decent qualifications? If they do not get the A to Cs they do not have decent qualifications—full stop?

**Professor Coffield:** They do not have good qualifications in the basic skills. If you look at any FE college they come in with serious deficits. One of the things that we need to build into the system is the foundation learning tier. A very useful, thoughtful suggestion, which incidentally came from the LSCs, is that there is not enough investment in young people coming in at 16 and 17 to bring them up to standard. They do not need to be at Level 1 and Level 2; they need to be at Level 3 to stand a chance in employment in future, and yet here they come in at Level 1 from schools. Our research shows that the FE colleges do an excellent job. One of their great successes is that they turn young people back onto education who have been turned off it by 11 years of neglect in schools, because they will never get to the Cs in schools. I do not blame teachers; it is an indirect consequence of government policy. The significance that is attached to those targets means that teachers cannot deal with everybody and so they concentrate on driving up those Ds and Es who can become Cs. It is the people underneath that, the Ds, Es and Fs, who will never become Cs and are neglected. We need targets for them, and that is a serious problem for the future. If you look at the other figures NEET numbers are not going down. The Government was very successful in early years but they are now beginning to creep up.

**Q710 Fiona Mactaggart:** Dealing with that very point, you have just proposed a change, which I would support, but what you have done is what politicians do, ie you have identified a particular problem area which is a group of young people who are capable of being well served in FE. Not all of them get into FE but it is clear that the further education sector is rather good at dealing with this class of young person.

**Professor Coffield:** But no one else wants to teach them.

**Q711 Fiona Mactaggart:** What you are saying is that we should have targets for them. That is exactly what you have criticised the Government for doing when faced with a problem like this. I am not trying to trick you, but that is what politics is like. One says that in order to tackle one bit of the problem one takes a bunch of people who are good at dealing with it and give them that job and one probably needs to name the job in order to make sure it happens. That is what you have done and yet in your paper you say we should not do that; they should decide it for themselves.

**Professor Coffield:** I do not think I said the second part of that at all. What I ask for is more equity for this section of the community. Suppose we begin to treat the group I describe as well as higher education students and fund them at anything like the same level. People who teach in FE get less than those who teach the same subject in schools. People who teach in adult and community education get less than FE;

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people in work-based learning get less than others. There are deep inequalities in the system. I ask for some of those inequities to be treated. The DfES's memorandum to this Committee says that when resources allow it will do something for this group. I do not think that is good enough; I think we should move quickly to invest heavily in this area and drive down the NEET group as quickly as possible.

**Q712 Chairman:** You describe a situation that we all know about: for far too long young people in the education system have not had their needs and potentials recognised and serviced, but to be fair here is a government that has increasingly promoted post-14 education for young people to get out of school and into work-based learning and FE. You can go to the average FE college and find hundreds, if not thousands, of 14–16s. This is not a government that is doing only the same thing; here is a government that has changed quite a lot of policy in order to liberate those 14–16s sitting at the back of the class who may not be academic scholars but may have a lot of potential in other directions.

**Professor Coffield:** I give you that point. It is true that this Government has paid more attention to this sector than any government previously, and the investments are significant. All I point out is that in the FE colleges that we have visited for the past three years there is still a major inequality between the investment that goes into those who aim for higher education and those who go for Levels 1 and 2.

**Q713 Chairman:** But the *per capita* spending on FE has increased faster than in HE, has it not?

**Professor Coffield:** It is certainly not as high as it is for schools. There has been a 46% increase in real terms for FE since 1997; it is 65% for the schools.

**Chairman:** I referred to HE where spending has been much more modest.

**Q714 Fiona Mactaggart:** The gap between HE and FE has narrowed but it is still very significant

**Professor Coffield:** Yes, but one can point to another gap which is the gap between FE and schools. FE people do not really compare themselves with HE but with people who do similar work in schools, and there is still an eight per cent difference in salaries between them. Again, the Government says that it will deal with that when resources allow. If you wanted to change the atmosphere in FE colleges and bring with you the goodwill of the whole sector I would make that a major item of policy.

**Q715 Fiona Mactaggart:** Does your research tell you that goodwill produces learning achievement among students?

**Professor Coffield:** I think this Government has been very good at saying they will do a deal with people—nothing for nothing, something for something. One part of the deal would be equalised salaries and the other side would be major changes in teaching practices and investment in the development of teachers in FE. I think that could be a very good deal. You invest in them in return for more continuous professional development.

**Q716 Fiona Mactaggart:** I think I was asking a slightly different question to which I do not know the answer. Do we have enough understanding of what produces real gains in achievement by learners in FE? Do we know what it is that really makes the difference in their achievements?

**Professor Coffield:** I will give my answer and whether or not it is right I leave you to judge. I think that what makes a difference is good quality teaching; it is the quality of the staff and their commitment to students to give them a second chance and turn them back on again to education. In our research FE is full of people who are deeply committed to that and overall they do an excellent job. Of the youngsters we have interviewed the thing that has turned them round is the deep respect they have received from their tutors. That has made them respect themselves and the teachers and they begin to learn. It is that high quality relationship between tutor and student that has turned them round.

**Q717 Fiona Mactaggart:** Yet the higher paid teachers in schools did not give it to them?

**Professor Coffield:** The higher paid teachers in schools are concentrating on those who can get As, Bs and Cs because they have targets to meet.

**Q718 Mr Chaytor:** I want to ask about the concept of a demand-led system. First, Ms Hopley, do you assume that this is a given in terms of the future of the training system? Second, what do you understand it to be, and how would it be different from what we have currently?

**Ms Hopley:** I believe that the Leitch review was quite clear on the need for a demand-led system. I do not think that that means exclusively employers; individuals also have a role, but it must be underpinned by informed customers who understand what is available and what is best for their business. I do not think that is necessarily what we have at the moment. That brings me back to my point about SMEs knowing exactly what type of training will help them achieve their objectives. I think that the recent consultation on funding of a demand-led system was promising and something of which we were broadly supportive. There is a need to move away from predict and provide where lots of labour market forecasting and manpower planning are used to try to determine what provision should be made. Even as an economist I recognise that quite often forecasts are wide of the mark. There are particular difficulties with this type of labour market forecasting which looks broadly at what types of jobs will be needed in the future but says very little about what training is needed to underpin that provision. To put more purchasing power in the hands of informed customers will lead to a demand-led system which in part will be through Train to Gain. I believe that learner accounts which are to be rolled out later this year, hopefully after a successful pilot, will have a very important role to play from an individual's point of view.

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**Q719 Mr Chaytor:** But in terms of employers the criticism over many years has been that they have been dissatisfied with the publicly available provision through the colleges. Why have they not been more proactive in either seeking out provision through private providers or delivering it themselves on site?

**Ms Hopley:** A lot of the training that employers access comes through private providers, less so through FE colleges. Lots of large companies with the clout to go in and the critical mass of people for whom they want training do that. I think it is more difficult for a small and medium size companies. Too often they are presented with a menu of provision and they can either take it or leave it and that is not always what is necessary. Sometimes maybe a Level 2 qualification may not be stretching or demanding enough but perhaps Level 3 is initially too much but that is all that is on offer, so employers are given the choice to take it or leave it or find a private provider who is willing to do that. It is difficult for a small and medium size company essentially to develop training as well as everything else.

**Q720 Mr Chaytor:** Do you see any sign that the system has changed in the past few years?

**Ms Hopley:** Not particularly. I think that the brokerage offering of Train to Gain could make a difference, but that has not been going long. I do not believe there has been that much publicity of it as a national offering at the moment and I think we must wait and see.

**Q721 Mr Chaytor:** Professor Coffield, do you agree with Ms Hopley's analysis, or do you approach Leitch from a different point of view?

**Professor Coffield:** Forty years of looking at the education system in Great Britain, Scotland and England, tells me that this is the highest risk strategy I have ever seen any government propose. I am very concerned about what the outcomes might be. First, I do not understand how the demands of millions of individuals and tens of thousands of employers come together to form national priorities or respond to the public good. Second, let us try to predict what will happen in the market that will be created. Is it not likely that both private providers and colleges will start to concentrate on those courses with high volumes of students which are cheap to deliver? That is what anyone does in the market; you bring in as much money as you can quickly to preserve your organisation. What happens if that becomes the performance by both the private providers and colleges? Expensive courses are immediately threatened with low numbers and those will be engineering and construction which are the very things we need for productivity. The second thing that may happen is that courses for the disadvantaged and those with learning difficulties will not be very popular and so may be dropped. What about courses with small numbers in rural areas? I can see the LSC being forced to intervene as crisis after crisis hits the newspapers. Senior managers in colleges in two different parts of England whom we have interviewed predict major

problems within five years; they see that there will be a need for another restructuring within five years if this system is introduced because it will create such serious problems. They predict serious destabilisation of a number of colleges up and down the country.

**Q722 Mr Chaytor:** Is your prescription just the *status quo*? You are not in favour of radical change in terms of structural reorganisation?

**Professor Coffield:** Of structures, yes.

**Q723 Mr Chaytor:** But in terms of the flow of funds and how they are accessed do you just argue for the *status quo*?

**Professor Coffield:** No, I do not. To come to the second chart that I sent, which is entitled "Key tasks proposed for the sector", I have added five or six to that list since I submitted it as I go on reading and trying to understand the system. I think that the sector is trying to do too much. I just wonder how much radical change the sector can cope with. Just look at the list of things they have to do. I would go for the main priorities here. I do not think we can do all of this simultaneously; they are being pushed in all sorts of directions at one and the same time. There must be a concentration on the major issues. By the way, in that respect I accept what the two previous witnesses said. The priorities differ regionally, sub-regionally and locally.

**Q724 Mr Chaytor:** How are the priorities to be agreed? That is part of the problem, is it not? Your priority would be the NEET group, whereas the Government and employer priority would be increasing the skills of those already in the labour market.

**Professor Coffield:** We need both. After all, the heart of this Government's policy has been economic prosperity and social justice and both interact. Those are exactly the two priorities that I would have as well.

**Q725 Mr Chaytor:** You think there is a continuing role for strategic planning?

**Professor Coffield:** Yes.

**Q726 Mr Chaytor:** Is that through the LSC or RDA?

**Professor Coffield:** Both. The meeting this afternoon needed a bit of planning and the smoother it runs the more planning has been done. This is a small business here but compare that with trying to run all of this. How can you do all of this without planning? I think that is a bit of rhetoric on the part of Leitch; I simply do not see how you can move to another whole system of 14-19 without planning. Will the LSC plan the 14-19 but leave adult education alone and let it just go to the market?

**Ms Hopley:** Up to now some of the issues with planning have been the attempt to marry both a regional and sectoral approach with no one really taking the lead. I do not think there has been that much engagement between the two. Maybe the North West is different, but we have heard that some Sector Skills Councils find it quite difficult to become

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engaged at regional level. For example, it was the case that one member of the Skills for Business Network would represent the whole network on a Regional Skills Partnership. One might have someone from SEMTA covering Lantra, Cogent and e-skills in one region. That is not engagement and it is not particularly joined up. We were quite pleased that Leitch went for the sectoral approach because RDAs are essentially arbitrary regions and their economies are influenced by the sectors that make them up rather than by any geographical reasons.

**Q727 Mr Chaytor:** Do you think there is a problem with the way in which employers engage? There is a limit to the amount of time that any committed employer can give to being represented on the proliferation of working parties, task forces and partnership groups that have been set up. Is there a way of cutting through it or simplifying it?

**Ms Hopley:** I think there is. If it is to be a sector-based route and that is the way organisations that understand how businesses evolve, respond to competitive challenges and how they affect the skill needs of today and in the future that is the horse you will back. We say that you should engage with the Sector Skills Council, but at the moment it is very difficult. Does one engage with the RDA, the local LSC, Regional Skills Partnership, the Sector Skills Council, the EEF or CBI? If we go down the sector-based route then it is easier for companies to see how they can make a difference and where their time is best spent.

**Q728 Fiona Mactaggart:** If I understand Professor Coffield's paper correctly, he is more focused on neighbourhoods and local strategic partnerships as a planning centre than the sector. I think there is a conflict between these two. I represent Slough which has a very diverse economy but as a place is very powerful. How does one deal with the vision of getting everyone locally around the table, because at least they are local, or driving things via sectors? Is there not a conflict here that will never be resolved?

**Ms Hopley:** From a training supply point of view the needs of a steel company in the North West are not that much different from those of a steel company anywhere else in the country. The training, qualifications and national occupational standards are not different around the country. That is where sectors make a difference because they understand the needs of the industry and how the skill needs are likely to evolve, whereas it is unrealistic to expect a region to have that depth of understanding of skill needs of all the industries contained within it. That is perhaps where sectors have an advantage.

**Q729 Mr Pelling:** Mr Chaytor asked about demand-led skills training. Under a compulsory system would you return the moneys to the employers so that they would decide the skills training that they wanted?

**Professor Coffield:** We can look at what already happens in this country with construction as the model. We can look to Germany where there is a

fund developed by employers regionally and locally. The large employers put in more; the smaller ones put in less. They decide on what the quality of training should be. It is done in a very harmonious way. But the advantage of that kind of system is that the culture of training changes because everyone starts to be trained. One has licences to practise in which we are very much in favour. It makes for more cultural change. One of the things that arose in the earlier session was the problem about fees going up. That is a major cultural change. In this culture neither individuals nor employers is used to paying for education and training. You can see the resistance to change. Yet with these targets all of it is supposed to happen so easily; it goes up to 37.5% and then up to 50%. The first time you try it it does not work; you cannot change things overnight like this. In all these things the speed is too fast for cultural change.

**Q730 Helen Jones:** Should the responsibility of the public sector be to fund training which is specific to employers or to fund training which is transferable?

**Professor Coffield:** I think that the public sector should pay for the fundamental training of basic skills and so on probably up to Level 2 to make sure that no one leaves schools without that. After that, I think there is a combination of advantage between the employer, individual and society. I see that as being more a matter of one third, one third and one third, but it should not all be on the public purse. The situation created with Train to Gain just now is that if I was a small employer in any part of Great Britain I would watch to see how much I could get from the public purse before I trained at all. Why should I train them when there is so much public money available for just getting accreditation of the skills that my staff already have but for which they do not have qualifications?

**Q731 Jeff Ennis:** My first question is directed to Ms Hopley and relates to the Government's establishment of the new national Commission for Employment and Skills. Do you see this new commission performing a useful role?

**Ms Hopley:** Do we know what it is going to do? Potentially, yes. With the SSDA being rolled into it there is clearly still a need for some monitoring, evaluation, licensing etc of Sector Skills Councils. There must be oversight of those bodies. There is probably a need for one organisation that can take a strategic overview, if you like, of the skills agenda. Recently, it has been quite bitty. One has DTI doing a bit and the Treasury and Department for Education and Skills are involved. No one really had the lead. I think it is good to have a potentially independent organisation that can take that strategic overview, if that is what it will do, obviously taking direction from national government policy but also having a feel for what is going on on the ground through Sector Skills Councils, RDAs etc. That may have been missing in the way that the Skills Alliance and various other organisations have come together to date.

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**Q732 Jeff Ennis:** Given the evidence you have submitted, are you disappointed that the Learning and Skills Councils were not also brought into the commission?

**Ms Hopley:** At the moment I do not have the detail to see what the relationship between the two will be. I imagine that it would be close since it would be a national funding body.

**Q733 Jeff Ennis:** Given your earlier responses, Professor Coffield, about letting sleeping dogs lie in terms of restructuring, do you have any views on that?

**Professor Coffield:** I would be poking the dogs all the time but I would leave them where they are. Look at what Leitch suggests. He wants to relicense the SSCs and they are not three years old. That is the English problem, if I may say so. The LSC is still working through the last reorganisation; it has not completed it. Not all the teams are in place throughout the country to move from 47 LSCs to 148 local partnership teams. Before we even have them in place we are off on another reorganisation. I think this is a diversion.

**Ms Hopley:** I do not think it is the intention to re-license SSCs straight away. That was always going to happen as part of the process.

**Professor Coffield:** I just give it as an example of the constant turbulence in this sector.

**Q734 Jeff Ennis:** You feel that the situation will not help at all but will make it worse?

**Professor Coffield:** I think this change would divert most people in the sector away from their main job: to have fewer targets than we have at present and to concentrate upon improving the quality of teaching and learning. Those are the major issues that I believe face the sector.

**Q735 Stephen Williams:** Ms Hopley, as regards Train to Gain the evidence that your organisation put forward was that employers would value that service only if it was impartial as well as knowledgeable, but one of the problems that you also identified was that the brokers were given targets by Government and had to deliver or emphasise certain courses and a lot of the funding is now directed at Level 2 rather than elsewhere. Do you think that impedes their impartial nature?

**Ms Hopley:** One part of Train to Gain is the funding element. The brokerage is open to levels beyond Level 2. If an employer wants to access Level 3 a broker can provide options as to where that can be found but there is not necessarily public funding available. It would be inappropriate if they said they should do Level 2 if the employer demanded Level 3. That is not what the brokerage service is designed to do. The initial feedback on the brokerage service that we have had has been broadly positive. There are issues to do with individual brokers perhaps, but most of what we have heard is basically a training issue; it is not a massive hurdle that cannot be overcome. They have to be impartial; they cannot act on behalf of a particular college or try to push

things. To my knowledge, they do not have targets which means that they must push through x number of Level 2 qualifications.

**Q736 Stephen Williams:** Several college principals have said to me in the past that they think Train to Gain gets in the way. Maybe they speak from the perspective of seeing themselves as good colleges because good colleges know their local employment market and have good relations with employers. These brokers are more of a barrier and unnecessary intermediary whereas employers and colleges could be closer together. Is the impression of the particular sector that you represent that these brokers are needed because that bridge is not there?

**Ms Hopley:** Are you talking specifically about further education colleges?

**Q737 Stephen Williams:** Yes.

**Ms Hopley:** The use of further education colleges by employers is pretty low. I think the last National Employer Skills Survey showed that less than 20% of employers used FE colleges.

**Q738 Stephen Williams:** Why do you think that is?

**Ms Hopley:** Perhaps because the training that they demand is not offered or they have an arrangement with a private provider that can tailor provision which is available at their premises which perhaps the FE college cannot provide. There are a number of reasons.

**Q739 Chairman:** It could be cheaper?

**Ms Hopley:** Or it might not be. I do not know; it would depend on the content. Brokers are not confined to recommending further education colleges either. They have to outline where the provision is, whether it be in an FE college or a private provider; it is the one that is most appropriate for the employer.

**Q740 Stephen Williams:** Have you come across any evidence that the brokers are improving the relationship between employers and FE colleges?

**Ms Hopley:** I think it is too soon to say. It is intended to have a feedback loop where a broker will recommend some provision; people will be sent on training and there will be a follow-up to see whether the objectives have been met or whether the employer wants to take it further with additional training. For the length of time Train to Gain has been up and running I do not think we can be that far through the feedback loop.

**Q741 Stephen Williams:** Professor Coffield, I enjoyed your lecture—admittedly I skim-read it—in particular your description of the Learning and Skills sector as a vast and complex world and your invitation to the audience to hold onto their mind in case they lost it during the course of the lecture, perhaps when they looked at the various diagrams. You also say that it is a world that remains invisible to most politicians, academics and commentators. The Chairman often remarks that when we have these sessions we have a few commentators here. Are

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you basically saying that in this country policy-making is elitist and most of the people here who comment on what we do just have no empathy with or understanding of the skills needs of the majority of the population?

**Professor Coffield:** I do not think lack of empathy is the problem; they just do not have experience. Having interviewed 131 officials, my experience is that none has come through this sector; they have all gone through the sector that I went through: grammar schools, universities and onwards. But we have a group of six million learners in society and most people do not know the work of FE colleges. Adult community centres or work-based learning is another world for most policy-makers. The other problem is that there is not a lack of empathy; it is the amount of change and churning that goes on within the Civil Service. It is very difficult to go back either to the LSC or the DfES on a particular issue and find the same person in charge. We have been doing this study for three and a half years. The only constant in that time is my own research team. We are the only ones who have stayed together; everyone else has changed both in FE colleges and throughout the sector. Because of the turbulence everyone is moving round, sometimes from box to box within the sector, but they wear a different hat and have different loyalties.

**Q742 Stephen Williams:** But is there any alternative to that? Basically, you despair at the 21<sup>st</sup> century method of policy-making with revolving doors and a minister's need to hold onto his agenda every day in case somebody else tries to blow him off it. Is there any alternative to making policy?

**Professor Coffield:** I believe that in one of its latest documents the strategy unit at the Cabinet Office has suggested that maybe if we had more senior civil servants shadowing principals of colleges and other major parts of the sector, seeing it at the grass roots and being alongside it to observe the strains and tensions in making all these policies work simultaneously instead of just talking about it, that would be immensely helpful. That suggestion comes from Government.

**Q743 Stephen Williams:** Several of us as MPs take part in different shadowing schemes. I do that with scientists. I do not have a science background and I find that useful.

**Professor Coffield:** I agree.

**Q744 Chairman:** What is your reflection on the different experiences of the devolved assemblies? Are they doing it better? Do they have a remit here?

**Professor Coffield:** I must say that we are not doing a comparative study but it is interesting to note that one of the most interesting parts of Foster is the appendix at the end which does some cross-cultural work. He looks at the same kinds of sectors in Ontario, Canada, Denmark and Germany. One of the major conclusions it comes to is that all of these countries have highly successful post-compulsory sectors and do not have the major regulation that we have in England. This sector is over-regulated. The

one major conclusion is that in other countries, including Scotland, professionals are more trusted and are part of the policy-making environment. Part of that is to do with size. In Scotland it is possible to have all the FE principals in one room which you can hardly do in England, so size does make a difference.

**Q745 Chairman:** You appear to be very much in favour of the college sector providing education, but when I talked to senior persons in the construction industry I was told about their problem in going to colleges. They know their supply chain. The fact is that 60% of the houses they now build with modern methods of construction hardly require the use of bricklayers because parts are prefabricated offsite. They need a whole new set of skills. What they are about is not training their own employees but the SMEs in their supply chain so that they go along to a college supplier and say, "Can you do this?" and the college is deeply reluctant to stop providing plumbers and bricklayers in a conventional mode. Is that something you recognise?

**Professor Coffield:** I think there is something in that complaint. One of the issues that colleges find so difficult is that they are funded for long qualifications and a lot of employers want bits of qualifications. That is part of the tension between the two sectors. I think there is a need to move more quickly towards a credit system where you can do smaller bits of work and have them accredited by colleges, and for that to be funded by the LSC and to build on it over time towards a qualification. That is a move towards a lifelong learning system. We do not have it yet. Unfortunately, the LSC funds long qualifications and most employers do not want all of them; they want bits and pieces of it. We need to be more flexible.

**Ms Hopley:** I believe that a more modular approach to gaining qualifications is important, and not just for employers, because when Learner Accounts are rolled out how they engage in learning will be important from an individual perspective. I was not sure whether you are concerned with the appropriateness of some of the training offered by providers.

**Q746 Chairman:** Yes. The other comment they make is that when their people go into the FE college they will be told, "We know that you have come to do this but wouldn't you rather do that because we already have qualified teachers to teach it and it is more difficult to provide teaching for the training that your employers said they want?"

**Ms Hopley:** I now sound like a broken record, but the Sector Skills Council input, which understands how technologies are changing, should be influencing to a greater extent the supply and content of qualifications. There is no point in having boat-building courses in wood when the primary manufacturing material is fibreglass or something else, but that still happens.

**Q747 Chairman:** What is your view about apprenticeships? One of the constant themes in life, if you look at skills training, is apprenticeships. We

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have had them for ever; they are the longest form of training that we have, and we have an amazingly ambitious target to have 500,000 apprentices. What do you think of that ambition?

**Professor Coffield:** I am in favour of it. My concern is the quality of it. By all means go for the quantity, but the quality must be very high. Lorna Unwin who appeared before you has very serious concerns about the quality of some of the work placements to which these young people go.

**Ms Hopley:** There is an issue about quality, but we have to look beyond young people. I do not think that the target of half a million apprenticeships will be met through the traditional 16 to 19 year-olds; it will have to come from those who are now within the workforce.

**Q748 Mr Marsden:** Professor Coffield, perhaps I may return to the issue of older learners. I have looked at your lecture and there is much in it with which I sympathise. The thrust of it is: let teachers teach and let learners learn. A lot of that, not all, will produce its own reward and therefore the Government can feel happy with it. But is there not a problem as identified in Leitch in how one approaches older learners? Leaving aside whether or not the 21<sup>st</sup> century way of doing things, to which my colleague Mr Williams referred, can achieve this—assuming that we want to do it—is there not a problem about saying we can just let older learners learn, because we know that given demographic change if we waved a magic wand tomorrow and skilled up all young people to the levels we would like to see they still would not make the grade? We need a system where we help older learners not just to learn but to acquire additional skills. What is the balance between some of the mechanistic approaches perhaps that Train to Gain might provide, even if we get a large number of employers involved with older learners, and the sort of enabling skills about which I asked the LSC and RDA earlier? How do we get that balance between pure libertarianism on the one hand and a rather mechanistic approach on the other?

**Professor Coffield:** I do not think these are so divided in the lives of the adult unemployed as we have been looking at in two parts of England, the North East and London. Many of the unemployed adults we have interviewed come in for all sorts of reasons, most of them not about employment in the first instance. They come back either because they realise they cannot help their own children with their homework, because they do not have the basic skills themselves, or because they are women who have had two or three children and come for confidence-building reasons. Slowly but surely, with the same people over the three years their ambitions change; they begin to realise that they have abilities and can go back into the workforce.

**Q749 Mr Marsden:** I understand that and am sympathetic to it, but when we have had government ministers before us and have, putting it bluntly, chided them for too mechanistic an approach and say that they cutting too much

money from adult learning and so on they say that they can fund enabling skills but they have to see an element of progression. What you are suggesting does not really have a timeframe. I taught for the Open University myself for 20 years and so I know the sorts of things about which you are talking, but how will that fit into the sort of 2020 timeframe that Leitch and other commentators say is very important for us to have in mind?

**Professor Coffield:** I accept the main point you make that the major job is to train the people who are already in the workforce rather than simply to improve the quality of the young people who come into the workforce. I apologise that I have lost my next point and so I will pass it to my colleague.

**Q750 Mr Marsden:** Ms Hopley, first, do you accept the principle that we have to put much more emphasis on skills for older learners and, more importantly—assuming you accept that—so far is there much evidence that this is something that employer organisations such as yours have signed up for?

**Ms Hopley:** To clarify it, are you talking specifically about older workers?

**Q751 Mr Marsden:** I am talking of older learners who are either outside the workforce at the moment and may come into it or who are in the workforce and need to retrain.

**Ms Hopley:** Are we talking about the over-50s rather than the post-19 people?

**Q752 Mr Marsden:** Certainly not post-19.

**Ms Hopley:** There is certainly a recognition, maybe more so in manufacturing, about the ageing workforce within the sector and that people will need training to keep them not in the role they have been performing for the past five, seven or eight years but perhaps to move them into a new role and to keep them productive within the company for longer. I think that employers are increasingly beginning to recognise that this is not something that they have done in the past but must do so now and in the future. There is also an issue about the willingness of employees to do that. In a survey we conducted a couple of years ago we found that staff reluctance was quite a problem for increasing the quantity of training given to employees. Employees just did not want to do it.

**Q753 Mr Marsden:** Older employees or any employees?

**Ms Hopley:** I just wonder whether the problem is perhaps more acute among older workers who think that they are coming to the end of their working lives. I suspect that may be so.

**Professor Coffield:** Perhaps I may return to the point that I forgot. My answer is that I think we need a broader definition of progression. At present if you do Level 2 mathematics you cannot get funding for Level 1 language or anything else, for example IT. If you are good at this you may not be good at that at

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the same level. At present even if you go to Level 2 and move across that is not considered to be progression. I think that is too narrow.

*Ms Hopley:* I agree with that point.

**Q754 Chairman:** This has been a very good session. Is there anything that either witness will regret not having said to the Committee if we finish the session three minutes after six o'clock? Is there anything that you wish you had been asked?

*Professor Coffield:* I believe I have been treated very fairly.

*Ms Hopley:* I have nothing to add.

**Q755 Chairman:** Ms Hopley, I think your evidence has been first rate, but the message that will go back—I will send it in other ways—is that I do not

like the way your organisation has handled this matter. I shall be taking it up with your President and Chief Executive.

*Ms Hopley:* I will have to check to see what happened. It is my understanding that we had a request for only one representative from EEF to attend.

**Q756 Chairman:** We were given two representatives.

*Ms Hopley:* Subsequently, we were contacted and asked whether it could just be one.

**Chairman:** The message we have is that the Engineering Employers Federation has not taken this Committee seriously enough. If it wants to be taken seriously I want a dialogue with it as to why this has happened. Professor Coffield, it has been a pleasure to hear from you. Perhaps both of you will remain in contact. This is a very important inquiry and only with your help can we make it a good one.

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**Wednesday 20 June 2007**

Members present

Mr Barry Sheerman, in the Chair

Mr David Chaytor  
 Jeff Ennis  
 Paul Holmes  
 Helen Jones

Fiona Mactaggart  
 Mr Gordon Marsden  
 Stephen Williams  
 Mr Rob Wilson

**Memorandum submitted by Electrical Contractors' Association (ECA)*****1. What should we take from the Leitch Report on UK skills gaps? What are the demographic issues which need to be taken into account in skills policy?***

1.1 Demographically the electrical contracting industry is getting progressively older. In a few years more people will be retiring out of the industry than will be entering it either via traditional apprenticeships or other routes. This will increase the skills gap along with a loss of knowledge and experience.

1.2 Employers seem to be increasingly reluctant to employ 16-year-olds, as they perceive them to be too high a cost on the businesses profitability before they can begin to make a positive contribution.

1.3 School leavers have increasingly been leaving compulsory education with inappropriate qualification at a suitably high level to enter into the industry. The 14–19 Diploma goes some way to potentially addressing this issue but there is concern within the industry that the new diplomas will split the education system and be seen as an inferior qualification forcing young people to make decisions about their future career prospects at the age of 14.

1.4 Some electrical contractors would like to fill their skills gaps with mature people but find funding for 19–25-year-olds restricted. There is no funding for more mature adults. Funding needs to be made available for the post 25 year age group.

***2. Are the measures that we have available to assess the success of skills strategy robust?*****2.1 No Comment*****3. National Policy/Issues. Are the Government's priorities for skills broadly correct—for example, the focus on first "level 2" qualifications?***

3.1 The focusing on level 2 qualifications may prove satisfactory for some trades and industries but the electrical contracting industry requires operatives with level 3 and above qualifications. Government policy does not meet the industry need to address the ageing demographic of the Electrotechnical Engineering and Building Services Industry for direct employment of the indigenous work force.

***4. How do other targets, such as the "50% into HE" fit with the wider skills agenda?***

4.1 50% into HE is a laudable aim, however the electrical contracting industry, generally, recruits from the other 50%. This policy tends to turn the more able potential recruits away from the industry, as they do not see a progression route through to HE in the electrical contracting industry.

4.2 It would be better if all school pupils stayed on at school until the age of 18. Some would follow a broadly academic route whilst others a broadly vocational route. This group would fit into the 14–19 Diploma category. Industry could then, with the proper funding, recruit apprentices from age 18+. They could also recruit Graduate Apprentices to fill the high level positions within the industry.

***5. What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*****5.1 No Comment**

*6. Do current funding structures support a more responsive skills training system? How could they be improved?*

6.1 The current funding structures do not support the employment needs of industry and are too restrictive for employment opportunities for new entrants joining industry. Funding needs to be made available for post-25-year-olds and mature entrants to the labour market.

6.2 Proper careers advice should be made available with correct information about career paths which can be chosen to suit the interests and aspirations of individuals and not the general attitude. Entry into the Electrical contracting industry for school leavers is a minimum of three GCSE A–C and to enter at a higher level A levels or degree in an appropriate engineering discipline are required.

*7. Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

7.1 There needs to be a better balance struck between the three strategic requirements of employers business needs, individuals employability and national economic issues of full employment.

*8. Supply Side: Is there a case for a less regulated supply-side system with fewer intermediary agencies and bodies? What are the potential risks and benefits of such an approach?*

8.1 Employers are confused over the number of intermediaries between the source of funding and those who deliver the training. The risks of such an approach would be an opportunity for a training provider to offer training that suits the training provider rather than industry or the learner. The benefits of a less regulated approach would be more cost effective training.

*9. What do national and regional agencies currently do well? How are bodies such as the Regional Skills Partnerships working?*

9.1 No Comment

*10. Does the LSC need to be the subject of further reform?*

10.1 Making the LSC more approachable and willing to work with Industry employers bodies would help focus government money more directly on training rather than additional layers of consultancy.

*11. What is the typical experience of a college or other provider who wants to put on new provision in response to local employer demand?*

11.1 Typically the employer would be expected to meet the full cost of the training provision unless special funding was made available. Employers trade associations could provide a key role in helping to identify new areas of technology where future training was required and so focus training funds.

*12. Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning?*

12.1 The ability to work with industry bodies and Trade Associations in identifying future industry needs and how the training provision can most appropriately be met, would be a distinct advantage.

*13. Demand side: Employers: What should a “demand-led” system really look like?*

13.1 Employers are in the best position to understand the needs of the industry they should be instrumental in determining the training the operatives require. Whilst Sector Skills Councils and bodies, generally, consult with industry more employer input should be sought for policy decisions and the operational delivery mechanisms to enable a full training package to be offered.

*14. Do employers feel like they are shaping skills training—for example through Sector Skills Councils?*

14.1 This seems to be an improving situation with employers seeing the sector skills councils as listening to and applying their needs. However it still means the employer can be divorced from the training process and closer consultation with employers would be welcome.

15. *Do employers feel closely involved with the design of qualifications?*

15.1 Even with the sector skills council, many employers feel they are being handed the qualifications that some one else has determined.

16. *Should employers be further incentivised to take up training? If so, by what means?*

16.1 Grants for taking on apprentices and, schemes to fund mature entrants to the industry linked to the number of apprentices the company employs that provides an industry recognised outcome, would be welcome. Particularly through the initial two /three years where the new entrant is undergoing theoretical training and is in their unproductive stage of learning the industry requirements and safe working practices.

17. *What is the role of Union Learning Reps?*

17.1 No Comment.

18. *What roles should employment agencies play in facilitating training?*

18.1 Employment agencies should only recruit operatives who have qualified to the industry standards. Rather than employing under qualified operatives at cheaper rates of pay thereby undermining recognised industry training and qualifications.

18.2 Employment agencies should also take responsibility for training new industry entrants to the appropriate industry standard rather than poaching qualified personnel from other industry employees.

19. *Learners: What is the typical experience of someone looking for skills training?*

19.1 Typically learners take their advice from training providers who have a vested interest in selling their training and are offered little advice about the full industry requirements needed.

20. *What information, advice and guidance is available to potential learners?*

20.1 For the Electrotechnical industry the Sector Skills council offers a career advice line for those in or just leaving full time education, but this is of little help to the over 25 age group. Most advice is given at the point of delivery.

21. *What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?*

21.1 The entry levels to the Electrotechnical industry are high and so entrants with the lowest skill levels require additional support and in some cases pre qualification before taking on a level 3 course of study.

22. *What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

22.1 Funding to be made available directly to the learner so that they can select the training profile that suits them best is welcome. However, funding needs to also reflect the industry requirement for level 3 qualifications. It is also important that the learner gets good independent advice about the most appropriate training, rather than from a training provider with a vested interest in offering a training package.

23. *Apprenticeships: What should apprenticeships look like? How close are they currently to this vision?*

23.1 Apprenticeships should be industry demand led with involvement of employers from design to implementation through to qualification. The existing structure within the electrotechnical industry could be adapted to achieve this.

24. *What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework?*

24.1 Employers and learners value both on-site and off site training where it is perceived as being of good quality and relevant. Key skills must be industry relevant and integrated into the training and not as stand-alone, however if new industry entrants have the correct qualification requirements this tends not to be a problem.

*25. Are the number of places available appropriate, and in the right areas, and at the right level?*

25.1 The industry requires greater numbers of apprentices than at present to address the aging demographic of the existing workforce. The problem lies with the number of places that employers are prepared to make available due to the perceived costs of employment and training before an apprentice becomes productive.

*26. What is the current success rate for apprenticeships?*

26.1 Within the electrotechnical industry the success rate for successful completions of full apprenticeships is good. General industry figures show approximately a 50% completion with the leading national electrotechnical training provider Joint Training Limited (JTL) showing a success rate of approximately 60% of full framework completions.

*27. What can we learn from practice in other countries with apprenticeship systems—ie, Scotland and Wales?*

27.1 Funding of post 25 year olds. Funding of mature entrants. Tighter industry based systems of registration linked to qualifications.

*28. Qualifications: Do the qualifications which are currently available make sense to employers and learners?*

28.1 Most employers are confused over the number and variety of seemingly “relevant” qualifications. They need to be more industry than market driven.

28.2 Learners usually take their advice from training providers who have a vested interest in selling their product and may not give good careers advice about the full industry requirements the learner needs.

*29. Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalization?*

29.1 The general feeling within the industry is the training framework is generally in place but there is still a strong case for further rationalisation in training provision, future training requirements and appropriate funding availability.

*January 2007*

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**Memorandum submitted by the Society of Motor Manufacturers and Traders (SMMT) Ltd**

**INTRODUCTION**

1. SMMT is the leading trade association for the UK automotive industry, providing expert advice and information to its members as well as to external organisations. It represents more than 500 member companies ranging from vehicle manufacturers, component and material suppliers to power train providers and design engineers. The UK is home to the most diverse range of global brand vehicle manufacturers in Europe, but we also have particular strengths in premium and luxury vehicles, sports vehicles, motorsport, specialist vehicles, automotive components, vehicle design, design engineering, and engine manufacture. It is therefore important that more attention should be focused on these assets and the attractive career options they offer.

The motor industry is a crucial sector of the UK economy, generating a manufacturing turnover of £47 billion, contributing well over 10% of the UK's total exports and supporting around 850,000 jobs.

2. On 7 December 2006, the Secretary of State for Trade and Industry, Alistair Darling, announced that the successful Automotive Academy, a division of SMMT, is to share its expertise with wider industry and join Government's new National Manufacturing Skills Academy, to be launched later this month. The Automotive Academy has consistently promoted skills improvement at all levels, from shop floor right through to the boardroom. Its core programmes have concentrated on continuous improvement tools and techniques for manufacturing in line with the priorities identified in the Sector Skills Agreement (SSA) and the 2002 Automotive Innovation and Growth Team (AIGT) report. Its emerging priorities, shaped by an on-going dialogue with the industry, extend to technical skills, leadership, management and more general business support programmes.

3. SMMT Industry Forum, is the business improvement arm of the organisation. Industry Forum was established in 1996 with the aim of achieving sustainable world class operations in the UK automotive manufacturing and supply chain industry. The original focus was on manufacturing process improvement in the automotive sector—based around its MasterClass product delivered by specially trained engineers working with shop-floor teams. Industry Forum has also trained engineers for other business improvement

organisations in sectors such as aerospace, agriculture, metals and ceramics, and also for the regional initiative, the North East Productivity Alliance. The current products and services offered include lean assessment, team leader training, supply chain improvement, value stream mapping and raising purchasing performance. Industry Forum has also designed and developed products for the Automotive Academy and assisted the Academy in training trainers to strengthen the national delivery capability.

4. In October 2006, SMMT made a comprehensive submission to the Trade and Industry Select Committee's inquiry into skills shortages and the future of UK manufacturing. The submission outlined the diversity of the UK automotive industry, and the existence of difficult challenges to business improvement progress with the skills agenda.

5. SMMT welcomes the opportunity to submit a response to this inquiry. This response has been developed by SMMT in consultation with its membership. The comments in this submission are from a manufacturing perspective; however these concerns may be equally applied to retail and distribution in the automotive sector.

## CONTEXT

### *What should we take from the Leitch Report on UK skills gaps?*

6. SMMT welcomes the publication of the Leitch Report and its major strategic review of UK skills policy. Its analysis and recommendations deserve detailed consideration. Leitch highlights some fundamental issues which should be given greater consideration when shaping future UK skills policy.

#### Examples from the Leitch Report<sup>1</sup>:

“Skills are a derived demand: employers’ skills needs are a consequence both of their product strategy and the firm’s characteristics” (Paragraph 2.41)

“Good management is a prerequisite to improving business performance, a key aspect of which is effective use of workforce skills. It is managers in a business that decide on product and service strategies, whether to invest in training and how to deploy the skills of their workers.” (Paragraph 5.13)

7. Skills must complement and be adaptable to businesses product/market strategies and their supply chain position. Also skills need to be commercially effective and realistic for a business to remain competitive. It is clear that Leitch shares business concerns on the over simplistic reliance on a “market failure in skills” in framing UK skills policy—which Professor Ewart Keep highlighted in the first issue of SSDA Catalyst<sup>2</sup>. Low skills and skills gaps are symptoms which need to be remedied by first analysing the broader situation which gives rise to these effects and designing remedies accordingly. Simply trying to persuade employers that skills are a good thing in their own right and that therefore they should invest time and money in them is the wrong approach. This means that symptoms may be tackled, but the more sustainable resolution of underlying relations and linkages are neglected. Greater investment in skills development will only occur when the right strategic linkages are made with other aspects of business enterprise. As Professor Keep points out: “Misdiagnosis can lead to ineffective remedies, some of them very expensive . . . . Attempts to correct market failure through the promotion of the benefits of training have seemed to generate a relatively limited effect.”<sup>3</sup>

8. Adopting a broader approach to skills policy, Leitch observes that the UK needs world class management skills to enable better delivery of national workforce development. This is essential as the skills deficit is found to be greater amongst those who are already employed (and managing or in need of management) rather than those in education.

9. The global automotive industry has tackled strategic linkage between business planning, competitive capability, supply chain structure, workforce development and skills by developing its own quality management standard, TS16949, for application across the supply chain<sup>4</sup>. The standard requires firms to establish a training budget and to develop training plans. The standard also explains in some detail the skills and capabilities which firms need to acquire and be able demonstrate in order to operate effectively in today’s competitive global automotive supply chains. This standard (or equivalent) is cascaded down automotive supply chains from the multi-national corporations (MNCs) which head the sector. Purchasing power inherent in supply relationships is leveraged to incentivise managers to develop their workforce capabilities by acquiring the necessary skills in a systematic way. This approach typifies the industry-led approach which Leitch advocates.

10. The automotive industry experience suggests that imaginative industry leadership combined with customer power can provide powerful incentives for the acquisition of globally competitive skills and capabilities through managed workforce development. It remains to be seen whether the UK is genuinely

<sup>1</sup> Leitch Review of Skills, *Prosperity for all in the global economy—world class skills: Final Report* [www.hm-treasury.gov.uk/media/523/43/leitch\\_finalreport051206.pdf](http://www.hm-treasury.gov.uk/media/523/43/leitch_finalreport051206.pdf)

<sup>2</sup> Prof. Ewart Keep, *Market Failure in Skills*, [www.ssda.org.uk/ssda/default.aspx?page=2491](http://www.ssda.org.uk/ssda/default.aspx?page=2491)

<sup>3</sup> Prof. Ewart Keep, *Market Failure in Skills*, [www.ssda.org.uk/ssda/default.aspx?page=2491](http://www.ssda.org.uk/ssda/default.aspx?page=2491)

<sup>4</sup> SMMT Industry Forum—TS16949; [www.industryforum.co.uk/products/course\\_iso.shtml](http://www.industryforum.co.uk/products/course_iso.shtml)

able to move in this direction, providing effective incentives to employers which encourage them to raise employee skill levels as part of other relevant changes to their business capability—changes which are more meaningful to them and provide them with more immediate benefits than the current UK regime appears to offer.

11. Treating skills as a derived demand has implications for the UK qualifications strategy. Currently, too many UK qualifications do not bear a direct relationship to recognised business skills and capabilities. Employers are currently being offered qualifications as a proxy for skills. As long as skills and qualifications are not linked to firms' product-market strategies and supply chain strategies, employer engagement will be difficult to obtain.

12. Qualifications do have a role in improved global competitiveness and indeed the global automotive industry has introduced its own qualifications within its quality management framework. These qualifications address critical aspects of the drive for better business performance—the generation of structured performance information for management decision making. The automotive industry has adopted a focused approach to qualifications to drive up capability, not a blanket approach. Our business performance related qualifications are not covered by the Train To Gain framework and the means for achieving that link remain opaque. UK skills arrangements are disconnected from global best practice in workforce development as far as our industry is concerned. The focused linkage of qualifications, skills, management capability, supply chain and business strategy is in our view the best way of drive workforce development.

13. In summary, Leitch's recognition that skills are a derived demand needs to be fully acknowledged in the Government's response to his report. This response should examine carefully the way the global automotive industry has derived a demand for improved skills from clear standards for acceptable business operation which involve workforce development linked to relevant fit-for-purpose qualifications. Finally the Government should fully recognise the power of supply chains to cascade this approach to smaller firms in a way which enables them to see benefits in raising their capability.

#### *What are the demographic issues which need to be taken into account in skills policy?*

14. The UK and competitive engineering sector, including automotive manufacturing, faces serious demographic challenges for labour in the next decade. These are likely to affect the skills base and commercial capability of the overall engineering sector in the UK.

15. The Working Futures 2004–14 Report provides a forecast of the demographic trends within the SEMTA industries<sup>5</sup>. The forecast is as follows:

MAJOR GROUPS	2004 Employment '000	Expansion Demand '000	Replacement Demand '000	Net demand '000
	2004–14: '000	2004–14: '000	2004–14: '000	
Managers and senior staff	194	2	65	67
Professionals	127	0	39	39
Associate professionals and technicians	152	-1	45	44
Admin, clerical & secretarial	113	0	44	44
Skilled Trades	376	-69	119	50
Service occupations	18	2	7	9
Sales & customer service	28	9	9	18
Machine & transport operatives	289	-39	101	62
Elementary occupations	145	-54	46	-8
Total	1,442	-150	475	325

(Source: Working Futures 2004–14 Report<sup>6</sup>)

16. These figures need to be assessed against the background of persistent recruitment difficulties, shortages for technicians and skilled workers which have already occurred this decade. The recent 13% fall in Further Education (FE) numbers in engineering, manufacturing and technology is alarming when compared to this forecast<sup>7</sup>.

17. The automotive sector, narrowly defined as category SIC 34 (standard industrial classification [1992], division 34), accounts for about 15% of the SEMTA employment total covered in the forecast. However in practice the strong presence of the general engineering and metals industry firms within the automotive

<sup>5</sup> SEMTA (Science, Engineering, Manufacturing Technologies Alliance) is the Sector Skills Council for Science, Engineering and Manufacturing Technologies; [www.semta.org.uk](http://www.semta.org.uk)

<sup>6</sup> *Working Futures 2004–14 Sector Report*; [www.ssda.org.uk/pdf/Working%20Future%2020042014%20Sectoral%20Report%20R%20060215.pdf](http://www.ssda.org.uk/pdf/Working%20Future%2020042014%20Sectoral%20Report%20R%20060215.pdf)

<sup>7</sup> *Further education, work based learning and adult and community learning—learner numbers in England 2005–06*; National Statistics/LSC (Published 12 December 2006)

supply chain means that about 30% of these employees are linked to automotive manufacturing to some degree. Therefore, over the 10-year period covered in the forecast businesses in the automotive supply chain will need to recruit about 100,000 new employees.

18. The automotive sector narrowly, defined as SIC 34, is much more active in recruiting young people than the engineering sector generally (SIC 29–34). 5.2% of the workforce is aged 16–21 in SIC 34 compared with only 2.2% in engineering overall. Demographically driven skills problems could, therefore, become a particular problem in the automotive supply chain over the next decade—particularly those parts which lie outside SIC 34.

19. If SIC 34 firms continue to be more active in recruiting and training young people at the current rate or faster, they may also be subject to losses in terms of other parts of the engineering sector who are not as pro-active in recruiting and training, head-hunting properly trained staff. This “poaching” effect is recognised as a substantial disincentive to train particularly amongst SMEs.

*Are the measures that we have available to assess the success of skills strategy robust?*

20. The UK Skills Strategy was launched in March 2003 and the Final Report of the Leitch Review was published in December 2006. The Leitch Review suggests that the UK skills systems is not performing well enough to guarantee medium and long term global competitiveness for the UK economy. Leitch's conclusions in this regard seem to be quite widely shared within the UK business community.

21. SMMT does not believe that the available measures are robust enough. A strategic national programme requires good short, medium and long term goals, targets and measures. A robust programme performance measurement system should have indicated that a strategic programme required adjustment sooner than from the start of the programme (three and a half years from launch to Leitch).

#### NATIONAL POLICY/ISSUES

*Are the Government's priorities for skills broadly correct—for example, the focus on first “level 2” qualifications?*

22. These priorities were initially set in March 2003. Since this date, the Government has become increasingly concerned about the supply of science, technology, engineering and mathematics (STEM) skills as a factor in global competitiveness. The UK automotive industry has shared these concerns and their potential impact for sometime. The trends which underpin this concern have been under way for much longer and began to be evident in the 1990s when the expansion of higher education was not matched by an expansion of pupils and students for STEM qualifications. During this period it has become increasingly evident that the expansion of higher education may not be beneficial for vocational technical education in the UK.

23. Levels 3 and 4 technical skills will underpin global competitive capability for at least the next decade. Statistics published by DfES in December 2006 show a 24,000 fall in the number of learners in Further Education in Engineering and Manufacturing Technologies between 2003–04 and 2004–05 and a small fall in the number of learners in Work Based Learning under this heading<sup>8</sup>. These changes may have been the unintended outcome of other policies within FE or in other parts of the education system. Whatever the cause, the figures suggest that the Government's skills policies are not yet aligned with STEM skills requirements.

24. SMMT supports the motorsport led Learning Grid initiative to promote practical activities and initiatives to attract pupils and students to STEM careers<sup>9</sup>.

*How do other targets, such as the ‘50% into HE’ fit with the wider skills agenda?*

25. Targets and the issues surrounding them are complex. Recent research has suggested that in the 1990s, increasing graduate employment impacted positively on UK productivity via the diffusion of new ICT technologies. These technologies, to a large extent, did not require detailed subject specific technical knowledge and skills for their exploitation. However the advantage conferred in terms of global competition by these technologies is transient as basic use of ICT tools has spread throughout the global economy.

26. The impact of skills on national productivity and competitiveness is via firms' product-market strategies including their technology strategies. The expansion of Higher Education (HE) numbers in the UK has not been matched by the expansion of STEM skills within this education level. Recent FE figures suggest that the expansion may have been at the expense of other technical vocational skills elsewhere in the education system. It follows that there is a rising national deficit in terms of our ability to follow high technology product-market strategies in UK manufacturing. Those manufacturing industries which rely on Level 3, 4 and 5 STEM skills and vocational technical skills to support their strategies for global

<sup>8</sup> Further education, work based learning and adult and community learning—learner numbers in England 2005–06; National Statistics/LSC (Published 12 December 2006)

<sup>9</sup> Learning Grid; [www.learninggrid.co.uk](http://www.learninggrid.co.uk)

competitiveness are potentially at a disadvantage compared with countries. Germany, for example, has better managed links between future manufacturing technology strategies and technical education. In the UK, the automotive manufacturing industry increasingly relies on higher technical skills. The Working Futures forecast shows that demographic changes mean that this reliance will increase.

27. In summary the 50% target has been too broad brush and has not been sufficiently closely linked to changing labour market conditions, demographics and increased industrial global competitiveness. Companies in the automotive sector now find the recruitment of young people with the right skills in the UK increasingly difficult and report that the recruitment of these skills can be easier in other countries. This will inevitably influence global investment decision making in non UK owned MNCs.

*What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

28. The UK automotive industry is concerned with joined-up policies between skills, innovation, and competitiveness, rather than DfES/DWP working relationship. SMMT reiterates the need for coordinated and transparent policy making, but recognises that sound working and project processes are needed if this is to be achieved.

*Do current funding structures support a more responsive skills training system? How could they be improved?*

29. It is not clear that the UK skills training system has become very much more responsive to business and market demands this decade. Leitch makes a number of recommendations to make the system more genuinely employer-led and demand-led. We are unable to judge the Government's response to these recommendations.

30. There are difficulties in excessive reliance on the qualifications system to make the overall skills system more responsive and more "demand-led". Employers are offered skills via qualifications. Qualifications must therefore be offered which are useful to all stakeholders; employers, pupils and students, and which adapt to changing conditions within the global economy.

31. As far as employers are concerned, the qualifications development system has too many entities and too many stages, leading to a lack of clarity and consistency. The development of occupational standards is now in the hands of SSCs. The development of these standards is a time consuming process and funds are scarce and strictly limited for such projects. Qualifications are embedded in the QCA approval regime. Awarding bodies who develop and operate approved qualifications vary a great deal. Some are professional institutes, some are sector focused UK bodies, others are global service businesses.

32. The SMMT has, through its Automotive Academy, tried to develop supply chain management qualifications and curricula using a new national occupational standard developed at significant public expense. The development of this qualification fitted well with the DTI funded Supply Chain Group Scheme an initiative which emerged from a constructive dialogue between Government and industry at the start of the decade. This scheme is now coming to an end and has been a tremendous success—genuinely world unique—delivering quantitative benefits far in excess of its costs.

33. The process of developing a qualification to follow on from the Supply Chain Scheme proved to be expensive, time consuming and now falls to the National Skills Academy for Manufacturing to complete. The process of development highlighted the fact that even when industry-led qualifications and curricula have been developed it still takes time to make employers and students aware and to create reliable delivery processes and capacity, particularly within the FE system. Key questions arise: can this system be made more responsive by marginal change or is a more fundamental overhaul needed? As mentioned earlier in the response, when the global industry viewed quality management qualifications as a priority it acted outside the system.

*Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

34. The SSDA has recently published an article by Professor David Ashton entitled "Lessons from Abroad: Developing Sector Based Approaches to Skills." In the article he notes that the single most powerful factor in shaping the supply of skills through the national vocational education and training system is the way in which public money is available for subsidising vocational educational and training flows through the system. Professor Ashton found that the most efficient SSCs are those in New Zealand and the Netherlands, both of which are employer-led and directly in control of substantial funding for training.

35. The UK has opted for an open economic regime and is particularly open to foreign ownership of companies and which relies on substantial foreign funding of both investment and R&D. The largest inward investor in UK R&D in any sector is in the automotive industry. Additionally, the UK automotive sector has benefited from substantial investment by foreign firms including Japanese, US and German firms in UK facilities.

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36. The effectiveness of foreign investment and the return offered foreign investors is determined in part by how well human capital and physical capital investment strategies are linked within the national policy framework. The UK is likely to be in increased competition with countries which are more effective in terms employer-led skills systems. These countries will increasingly put employer bodies directly in control of substantial funding for training.

#### SUPPLY-SIDE

*Is there a case for a less regulated supply-side system with fewer intermediary agencies and bodies? What are the potential risks and benefits of such an approach?*

37. Specific processes within the system require radical overhaul. For example to facilitate the development and launch of industry-led qualifications. The effective launch of qualifications must be properly supported with delivery capability which is adequate for the task. We hope that the new Manufacturing Academy for Skills can help bring about more effective qualifications development and delivery systems for UK manufacturing, building on the experience that has been gained so far in manufacturing sectors.

*Does the LSC need to be the subject of further reform?*

38. The success of skills funding management in London will be a key indicator for further reform.

*What is the typical experience of a college or other provider who wants to put on new provision in response to local employer demand?*

39. SMMT has worked with a number of colleges to help develop their capability to work with firms to improve their operational capability. Our assessments suggest that the colleges have found this partnership beneficial. Partnering colleges in this way and using the assess/train/assess model to develop the college's capabilities means that the colleges are better placed to meet local employer demand with regard to automotive supply chains.

*Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning?*

40. Properly managed, efficient, effective, incremental improvement may be the best way forward rather than the inevitable delays and waste involved in fundamental institutional reform. Most critically we see that the UK skills system must be demand-led with qualifications that deliver the skills that employers and individuals need. A qualifications system which allows for the approval of employer-developed qualifications will be a useful step in this direction and make a good contribution to the goal proposed by Leitch of a simplified industry-led system.

#### DEMAND SIDE

*Employers:*

*What should a "demand-led" system really look like?*

41. The global automotive industry's experience with quality management offers one important model for consideration. Standards based on global competitiveness have been used to direct and enhance workforce development in the supply chain. The supply chain can be used effectively to incentivise workforce development and accelerate the spread of best practice from firms with international experience down the supply chain to smaller firms with a narrower market. In identifying "demand" it is important to engage fully with overseas MNCs operating successfully and investing in the UK. The companies can often bring a greater breadth of experience to the strategic issues so that the analysis of "demand" is based on global best practice.

*Do employers feel like they are shaping skills training—for example through Sector Skills Councils?*

42. The programmes developing the new 14–19 Diplomas have provided a worthwhile opportunity for Sector Skills Councils and employers to work together. The Diplomas represent an important strategic opportunity to offer young people a wider range of progression choices and thereby make a contribution to improving the flow of technical and vocationally skilled young people into industry.

*Do employers feel closely involved with the design of qualifications?*

43. There is considerable scope to go further in this direction. The design of qualifications is only one step on the road to effective workforce development. Limiting employer involvement in skills to just this element is unlikely to drive quality through the system efficiently. A well designed qualification can still be delivered through under performing training institutions and assessed in a manner which does command respect from employers.

*Should employers be further incentivised to take up training? If so, by what means?*

44. If incentives are deployed they should be fair, well focused and have a good rationale not least in terms of assisting the rapid acquisition of capabilities which improve business effectiveness in objectively measurable terms against accepted standards of competitiveness. Incentives should reflect competitiveness needs such as the lack of properly qualified workers in science, engineering, technology and mathematics.

45. Buying engagement is unlikely to involve employers in seeking objective capability improvements through strategic workforce development. Our experience suggests very strongly that large scale well designed and managed business development programmes, with an element of Government funding, plus significant private sector commitment, can provide the right conditions to accelerate workforce development along a supply chain.

46. Such schemes link skills to more fundamental strategic issues in a way which is meaningful to firms. The DTI Supply Chain Scheme is an excellent example of this approach. Supply chain groups can have a strong enabling role in shaping relevant skills training adaptation. This DTI initiative is aimed at helping the global competitiveness of the UK automotive and aerospace industries and was introduced following the Automotive Innovation and Growth study. Under this initiative, bespoke projects tailored to specific issues bring together supply chains to improve their performance and develop world class levels of productivity. Development activities are led by a "host" company with at least eight suppliers and the aim is to increase the capability of the supply chain as a whole as well as individual companies. Improvement measures such as value added per person and stock turns are mandatory across all projects. Other measures such as lead times for new product introduction have been used by host companies to match their priorities. This scheme has just closed for new applications.

*What is the role of Union Learning Reps?*

47. No comment

*What roles should employment agencies play in facilitating training?*

48. Employment agencies are a useful channel to ensure the manufacturing workforce has adequate skills. Temporary employment is a feature of many manufacturing operations. Where good operational standards exist to support training to a recognized standard, employment agencies can help ensure that the whole workforce has the appropriate skills.

*Learners:*

*What is the typical experience of someone looking for skills training?*

49. If the current situation is complicated and opaque for employers, it is likely to be equivalent or worse for someone looking for skills training, particularly if their experience of the education system to date has not been positive. Careers advice in schools needs to be substantially resourced to make sure that non academic school leavers find the right skills, especially where their experience of school education has not been positive.

*What information, advice and guidance (IAG)is available to potential learners?*

50. Existing IAG provision should be upgraded. We note that ESRC has just issued a funding call for research programmes to better understand the factors influencing the selection of scientific and technical career paths by young people before they enter the labour market. The key factors influencing career choice for today's young people do not seem to be sufficiently well understood.

*What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?*

51. The Leitch Review has called for better co-ordination between DWP and DfES funded initiatives in this area.

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*What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

52. Value for money considerations should be uppermost, not least in terms in incentivising the development of STEM skills and in putting people on developmental paths which can lead to qualifications which will command an earnings premium and meet recognised skill shortages.

*Apprenticeships:*

*What should apprenticeships look like? How close are they currently to this vision?*

53. No comment

*What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework?*

54. No comment

*Are the number of places available appropriate, and in the right areas, and at the right level?*

55. The 13% fall in non-Work Based Learning participants in English Further Education in 2005 concerns industry more than the relatively small decline in Work Based Learning participation in 2005<sup>10</sup>.

*What is the current success rate for apprenticeships?*

56. No comment

*What can we learn from practice in other countries with apprenticeship systems—ie. Scotland and Wales?*

57. The German technical education system remains one of the best in Europe but even the Germans are finding that increasing global competition and the cost pressures that it brings are making it harder to get employers to take on sufficient apprentices. The Germans are making impressive efforts to adjust their technical education so that it better meets the needs of future competitiveness and high valued added, technology intensive manufacturing. We have no specific comments on Scotland or Wales.

*Qualifications:*

*Do the qualifications which are currently available make sense to employers and learners?*

58. More work is required to develop a sensible set of qualifications which will support workforce development in the automotive sector effectively and secure better value for money from the substantial public funding devoted to skills. Qualifications are no use without effective delivery capability and this takes time and effort to put in place. Effective training capability needs to be supplemented by a business support system with a simple and credible gateway and outreach to employers so that employers can see the connection between qualifications, skills, business capability and competitive strategy.

*Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system?*

59. No comment

*January 2007*

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*Witnesses:* **Mr Ian Finney**, Group Managing Director, Concept Mouldings Ltd and **Mrs Diane Johnson**, Director, Eric Johnson of Northwich Ltd, gave evidence.

**Q757 Chairman:** Good morning. Can I welcome Ian Finney and Diane Johnson to the proceedings? We have been looking forward to meeting you because we are having an awful lot of people who say they know a great deal about skills but they are usually heads of large enterprises, whether public or private, and we really wanted to talk to people who are at the

sharp end, who run small businesses or who are involved in small businesses, to see what the present skill system in the UK looks like to them. You are very welcome. If you have not given evidence to a select committee before, we are not going to treat you as though you have just arrived from the private equity world in the City which I think is going along down

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<sup>10</sup> *Further education, work based learning and adult and community learning—learner numbers in England 2005–06*; National Statistics/LSC (Published 12 December 2006)

the corridor here, but we really just need to probe and find out what real life is like for you. We usually invite our witnesses to introduce themselves to get started; you do not have to repeat your CV because we have all got that. Diane, what does the world of skills look like from where you are sitting at the moment?

**Mrs Johnson:** My name is Diane Johnson; I work for Eric Johnson of Northwich Ltd. We are a small company employing just over 50; we have been a family company in business for 61 years and trained at least 300 apprentices. What does the world out there look like to me? It worries me because we now have a massive shortage of skills throughout all the building services industry. We have somehow got to encourage employers to take on young people because if we do not, in my view, in ten years' time we will be very much a de-skilled country. A country's economic value is based on the skills of your workforce so that is what worries me.

**Q758 Chairman:** Ian, would you agree with that?

**Mr Finney:** In principle yes I do agree with that. Concept Mouldings has been in business for about 16 years and we set up a successful business in what I would call a pretty deprived area of Wolverhampton. The work opportunities for the young people are limited at best and these young men and women are coming out of school at 16 with low self-esteem, very little purpose and as a means to try to help our business survive in the manufacturing sector in the 21<sup>st</sup> century we feel we have to grab them early, take away a little bit of their choice in that they usually come through the door a little bit angry about things and we try to calm them down and open their eyes to the opportunities that manufacturing can actually give them. I hope that a lot of the questions will be around how you can mould that person actually from 14 rather than 16 and how the focus of skills regime and how some of the educational money is put into the wrong areas. You have got an 80–20 rule of thumb, if you like, and you are trying to push a lot of people down the university path but vocational skills can open their eyes and make them go forward to proper futures in any sector and how manufacturing can play a part in that really.

**Q759 Chairman:** Diane, you are in electrical contacting; is that residential or commercial or what?

**Mrs Johnson:** Everything. The whole gambit. We will go from domestic to commercial to industrial.

**Q760 Chairman:** In terms of the way that you run training in your company, how do you keep abreast of changing technologies? It seems to me that even if you have a domestic boiler the kinds of systems and the electronics and all that that are involved, even in a residential household, are so much more sophisticated than they were, how do you keep your training up to date?

**Mrs Johnson:** All of our electricians will be trained to an NVQ Level 3 and then obviously each year something changes. You have the 16<sup>th</sup> Edition so we would send them on courses for 16<sup>th</sup> Edition. The new Edition has come out now which is the 17<sup>th</sup> Edition so all of our operatives whether they be female or male will have to go to college so that they are up with the regs. Also if something new comes on the market you

often find that the manufacturers will also put a course on. We are also part of the Electrical Contractors Association which is a trade association and their education and training department, whatever comes up new, if there needs to be a course and the employer wants it they will work with them to give us that course to educate our workforce.

**Q761 Chairman:** Who would supply those new courses? Would it be the manufacturer through the private sector directly, or would it be the local college?

**Mrs Johnson:** No, it would not be the local college. The 17<sup>th</sup> Edition will go through the local college but the manufacturers often put something on at their own premises or the Education and Training Committee of the Electrical Contractors Association will do something in-house or they will use providers as well. It is the whole gambit, to be honest.

**Q762 Chairman:** What about the whole Corgi thing?

**Mrs Johnson:** That is gas.

**Q763 Chairman:** That is only gas, is it?

**Mrs Johnson:** Yes, that is the whole gas area, not the electrotechnical.

**Q764 Chairman:** Is there not a Corgi kind of equivalent?

**Mrs Johnson:** I wish there was.

**Q765 Chairman:** People do die because of bad electrical fittings as well as gas fittings.

**Mrs Johnson:** If you want my honest wish list, my honest wish list would be that everybody who wants to be an electrician had to be licensed. For example, you today could leave your position here—and I mean no disrespect—go out and buy yourself a white van and a bag of tools and turn out to Helen's house and say, "I can rewire your house". That is outrageous.

**Q766 Chairman:** You will know that the daughter of a parliamentary colleague of ours died as a result of that sort of thing.

**Mrs Johnson:** Yes, Jenny Tonge's daughter. There are people in the industry who are not qualified and what we are fighting to get are qualified people in the industry. We give very good training but the trouble is that at the moment a lot of the children coming out of school at 16 are all being told to go to university or to further education so a lot of A–C students will go straight on to further education. We have to take our entrants from what is left and it is not always what we need.

**Q767 Chairman:** There are still 57%.

**Mrs Johnson:** Yes, but we are looking for people who are quite happy to stay electricians but we also want the people who are going to be the market leaders in the future in the industry; we are looking for people who are going to be the business managers who, through vocation, can still go to university. We are not getting that kind of candidate coming through. That is not the young person's fault, it is because at 16 you have to make a decision but no-one asks, "Do you know what is open to you? Do you know what it

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20 June 2007 Mr Ian Finney and Mrs Diane Johnson

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takes to be a plumber, an electrician, a bricklayer or whatever?" At 16 they are making these choices but, to be honest, they are very ill informed.

**Q768 Chairman:** That is a very important piece of information. Ian, you are part of the Society of the Motor Manufacturers and Traders, are you not?

**Mr Finney:** Yes.

**Q769 Chairman:** Are you better organised than the Electrical Contractors in terms of training?

**Mr Finney:** I think the automotive sector gives you a discipline. I guess you can look at the automotive industry as being leaders in what they do. We have gone through a turbulent time in the automotive industry and we are very much involved in niche volume manufacturing, technically difficult, pedestrian safety, carbon emissions are all part of our focus to meet EU legislation and you are in a changing environment within the global automotive sector in that you have to meet the requirements of TS16949, ISO9000, and ISO14001. As large manufacturing dies and withers away and is replaced by SMEs I think these SMEs are now agile and fit to innovate for the future. We do undertake most of our training. Like I was saying earlier really, we need people to sweep the floor, we need people who want to be production operatives, we need people who then go on to become supervisors, team leaders, engineers. Manufacturing is seen as being a dirty, poor career choice early on and that perception has to change. That mindset has to change in that the manufacturing business is about opportunity; it is about proper business management tools and there is a career path for whatever educational level you choose to come into the system. Education can open doors but of course opportunity / vision and purpose can really drive your vocational requirements through the system. Agreeing a little bit with Diane, the education system is very disjointed, we have loads and loads of disjointed schemes around. I feel sorry for my PA because when we are looking for a few new people, we are looking for production operatives—there is this incentive to try to encourage people to bring people on, we live in this disadvantaged area obviously and these are systems that are open to ourselves—she looks at me and goes, "Oh no Ian, not again" and there is a mountain of paper work and there is a load of cumbersome things that are necessary to undertake, a lot of hurdles/barriers and ticking of the boxes, but actually we just want to open the eyes of the young people and say, "Look at the opportunities that are there for you". We need to get to the 14-year-olds and we need to say to them, "Perhaps your vocation at this point in time or your capabilities are not really opening the doors for a university and a degree and trying to meet a pre-requisite Level 3, but look at what other opportunities are available for you". Let them go and experience them. This is not some corporate social responsibility goal that we are trying to put forward. This is because we need manufacturing to be lean, fit and organised to meet the challenges of the 21<sup>st</sup> century, the safety requirements that are coming in through the system, the carbon emissions. There are a lot of engineering

challenges and the focus of attention is to bring the bulk of the people from a zero to a Level 2. We need to focus quite a high concentration on the expenditure onto Level 3 that can help these people and guide these people up through zero to 2. At school they hid; from zero to seven a child learns the basics; you get from seven to 14 and you may have a clearer understanding of the real world around you than actually these educational skills have given you to date. It is a case of opening their eyes. If you wait until they are 16 to open their eyes, they come through our door and we have a relatively simple task for them to undertake. We will pay them £250 a week to undertake this simple task. They look at you and sort of go, "Well, what are my options? I can work here for 40 hours a week and somebody will pay me £250 a week or I can go to a job on the corner and earn £200 a day." You are saying to yourself that they are missing such an opportunity. We find it necessary to sit them down and say, "Look, that is a bad choice. We can't stop you, there is the door, but actually if you look and see what we can offer as a manufacturing unit, we can offer you whatever skill path or whatever crafted path that you want to take we can try to offer you that, but you have to want it." So for three or six months they may choose to fight it a little bit until they open their eyes and say, "Actually, it's not bad, this" and they drive themselves. It is up to us to craft and drive that path for them because unfortunately that is what you need within 21<sup>st</sup> century manufacturing; it is not seen as a nice place to be and everybody looks at it as though it is the black hole of Calcutta, but it is not the black hole of Calcutta any longer. These SMEs are nice, well-organised business units and to open somebody's eyes to that opportunity that actually presents itself in front of them is an important thing. There is a need for somebody to sweep the floor, there is a need for the production operative. If they feel challenged within that particular role they will stick to it; if they find it very easy then they will get bored with it. There is a role for the team leader; there is a role for the supervisor. Then you look at project management, developing new projects and it does not matter whether they are 16 or just coming out of university, as we get more and more into R&D and innovation and trying to move the debate forward to meet European legislative requirements we start to take university students who suffer with exactly the same problems. They come through the door, they have spent five years at university; great, no problem at all, they have learned how to press the buttons. Now we have to teach them how to start off with nothing and come out the other end with something, so start off with the raw material and bring it all the way to fruition, to the finished product. Again this university student says, "I've spent five years at university, I've got this degree and I want to earn £40,000 a year." So we say, "Well actually, we're an SME". Within a very competitive automotive sector we are trying to balance all this with the need for revenue streams and actually we want to teach it because that is what we need you to understand to give our business longevity. We do not have the pick of the crop, the best, because they go onto these large organisations. There is a lot of focus on the global car

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industry and how the press see it but actually the UK has lots of manufacturing businesses that actually utilise the skills of manufacturing. We have a very good car industry; we have a niche volume car industry which is very successful even down to your Morgans and your luxury sports cars. Let us not focus on this global industry; let us focus on what we are good at and we are good at innovation. It is time that we helped the people see that.

**Q770 Fiona Mactaggart:** Since we are focussing on skills—you both spoke about skills, but one of the things I am interested in is how relatively important are skills in terms of the success of your business? How important is it compared to access to capital? You, Diane, mentioned issues about regulation; I think you were arguing for more which was interesting and rare for small businesses. You mentioned the burden of bureaucracy, Ian, when you were doing things. I am just wondering, in terms of the things which prevent your business success, how important are skills in the kind of hierarchy of challenges that you face?

**Mrs Johnson:** For me skills are the most important thing. My business is not a business without skills because my business is not a business without a decent workforce who can carry out the domestic, the industrial, the commercial. What we are finding is that employers are reluctant to take 16-year-olds on. Why? Because they are very expensive now. That sounds an awful thing to say but when they come out school a lot of them are not fit for work, they do not have responsibility in them any more. If you come to work you turn up on time; not only do you turn up on time you do a good day's work for a good day's pay. You are treated properly, because of legislation of course they are treated properly now. That does not happen. They come along; they turn up late. It is basically like having a child again; you have to nurture them and bring them up and teach them how to deal with things socially. They go into people's houses and you say to them, "Please do not spend half an hour on your mobile phone because somehow I have to charge you out to that customer". Of course the customer will say, "Don't charge me for that electrician" (they do not realise he is an apprentice) "because he spent half an hour on his mobile phone." So you have to start with their social skills and also how they deal with the people they are working with. When a young person comes to work with us they are basically in 'a sit by Nellie' situation because you have to have someone supervising them all the time, so your productivity has to go down, that is understandable. What we are finding now is that it has to go down because the people who are teaching the young people have basically to teach them even social skills, that when you go in you are not abusive to people. Respect has gone basically and that is the problem we are coming across. This is not with all young people, I am talking a very broad brush here, but when we take young people on at 16 it takes us 12 months to get them into shape just to be able to put them with electricians out on the workforce. Employers are saying to me, "When I can get highly skilled, highly motivated operatives from Eastern

Europe, why do I want to take an apprentice on at 16 who is going to cost me X, Y, Z, I have to train him in social skills, they do not always come out with the qualifications that are necessary, they do not turn up at college; it really is an HR problem and it is costing us money?" I struggle to tell them why they should. Why do we do it? Because if we do not we will not have a business. I also get very annoyed because of the poaching situation. It is far easier to wait until somebody has trained someone else and then poach them for your business by offering them more money. For me skills are the main thing in my business and I am passionate about trying to change things so that young people when they come in are fit for purpose for work. That does not mean that they know the craft but they know what is expected in the workforce and I am not sure that is being taught in school.

**Q771 Fiona Mactaggart:** So you are saying that those kind of soft skills are very important—not just a bit important, very important—how would you change what happens in education to make those young people better at those things?

**Mrs Johnson:** I would in a way do a backward step. If you remember years ago there was work experience—which I call proper work experience—so people could go into manufacturing areas, into building services *et cetera*. For a fortnight they could come in and see how a business works. They cannot do that any more for a start because most of our clients will not let them on site because of the insurance, the health and safety issues. These young people have never been into a business. It is like saying to someone, "Right, you have left school today, next week you are going to do a little test to see if you want to be an apprentice, you want to be a plumber, whatever." They want to be a plumber because some daft person has told them they can earn £90,000 a year and all that sort of rubbish. They think that coming to do an apprenticeship after three weeks they can fit a toilet, they can put lights up, but it is a long process and they have to go to college. I think we have to go into schools earlier with employers, have what I suppose I would call a careers convention, something that would last a couple of days where you could get young people to come along regardless of what the business is and say, "Look, if you want to be a motor mechanic, if you want to be whatever, this is what you have to do". Also we have to inform parents because again, I agree with Ian, somehow if you do not go to university any more you are seen as not as good as the rest. That is a real big problem for the skills agenda because, looking at the 14–19 Diploma which actually could be brilliant, because that is how you could really let people know that this could be their introduction to industry. What we have to do is make sure the parents understand and make sure that the 14–19 Diploma fits in by saying that if someone does the 14–19 Diploma and does want to go to university, the university will accept how good it is, that it is useful but also that the 14–19 Diploma in whatever skill you are looking at in whatever area, fits into what the employer wants as well. That could be very, very useful.

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**Q772 Fiona Mactaggart:** When people talk about Diplomas we often hear that they could be good but I can hear in their voices the fact that they could also be bad. I suppose what I would like to hear from both of you is what would be the critical qualities that you would expect in that kind of a Diploma that would deal with some of your problems that you both described very vividly to us?

**Mrs Johnson:** I do not know enough about what is in the diploma so I am not going to sit here and say anything about it.

**Q773 Fiona Mactaggart:** They do not exist yet, but what I am asking you is to say that if they included X and Y and Z the problems that you currently experience would be reduced. That is really what I am asking you.

**Mrs Johnson:** In the Diploma, to me, you would have fit for purpose for work. Teach someone what they need to be able to work in whatever industry. Also, depending on what discipline they were going to, to give them background information for that. The biggest thing is that we have to sell it to the parents. You are all parents. If your child comes home and says, "They've asked us at school to do the 14–19 Diploma", regardless of what is in it and how good it is, if we have not sold it to the parents that this Diploma is as good as a GCSE and A level—as it stands at the moment—it is dead in the water because the people who are going to use it are the ones who are going to sit with their parents and say, "Should I do this, Mum?"

**Q774 Fiona Mactaggart:** Ian, do you have the same problem with work experience?

**Mr Finney:** I agree with Diane in a lot of areas. I think to capture them young is very important. Without reiterating what I have said, we are not really talking about the people that want to go to university. What we are talking about is the 57% that you rightly talked about earlier on and within that group of people there are differing skills and capabilities. Some are at the very bottom of the social skill level and some just do not quite make the grade. What is fundamentally wrong in the system at the moment is that educationally we stream them but there is a lot of focus on those people going to university and trying to find them the right career path. There is the disillusionment of the 57% who are all of a sudden told, "Well, you ain't going to make it lads; you're destined to work at Sainsbury, you're destined to work at McDonald's" (with the greatest of respect). You can take a career path very quickly through the retail sector; you can take a career path very quickly in other sectors because once you have learned to deal with somebody on a consumer-facing product I am seen to be pretty good and the group of people I am embraced with are people around 16–years-old. To fight my way to the top of a group of 16-year-olds is far simpler than to fight my way through a group that covers lots of age groups, offering lots of different disciplines. You can have all the key performance indicators you want—do not get me wrong, they are important boxes to tick—but unfortunately we are trying to tick too many boxes. If you go into a bank or

you ring up a bank and they go, "Yes, Mr Finney, this, this and this", if I ask a question that is outside the box they cannot cope with that. Unfortunately that is what the real world is really about, coping with a little bit of adversity over here. What manufacturing in essence does is teach you the "what-ifs". What if we undertake this as a problem and we have to craft a solution to problem? That is a much longer, more maturing life time skill, regardless of whatever sector you are in. I am sat here, talking about the automotive sector and because it is a global industry it does lead the debate on skills, it leads the debate on climate change. Whatever issue you want to talk about automotive industry is there because it is big business. It requires a high discipline of understanding to be able to even compete within that area. They make some mistakes. Ask them about China. China is a very unwieldy animal and the difference between buying this brake pedal from here and buying this brake pedal from over here, when you really need to put your foot on that brake it does not break and it works, it saves your life; if you buy one from over here and this one breaks, to the uneducated it is the same product. If you look on the Internet and you type in the product that you are looking for you will buy by brand or by price—

**Q775 Chairman:** I am sorry. I am fascinated by your answers but I have all these hungry Members who want to get to their turn to ask a question.

**Mr Finney:** The answer to the question is that it is not all about ticking the box. What it is about is educating the people to actually fulfil a task and to drive them onto the next task, by putting the efforts into some higher level learning at, say Level 3, and it is the school's job to open their eyes. Bring them into industry, take away the fact of having to insure them and all this, we will put them with somebody and open their eyes. That is the answer to your question.

**Q776 Jeff Ennis:** I would just like to ask a supplementary question on the issue of work experience. I accept that you are both from fairly specialised companies and because of health and safety *et cetera* it is difficult to take on work experience pupils. Having said that, in my experience and from the secondary school governing body I am on, whenever I have spoken to the kids who have done work experience which is for a two week period, if it had been a good placement they wish it would have lasted longer, for four weeks or something like that. I accept that you are probably not delivering in terms of taking students on work experience placements at the present time, but do you think that is something that we ought to be looking at, possibly extending the work experience placements for the kids at school?

**Mrs Johnson:** I would welcome it. Our company has been going 61 years and I have been in the industry nearly 20 years so I remember us taking work experience kids in. To be honest, some of them come along and it is like, "I've been in my bedroom and I've made this and it does this" and you have an enlightened child who comes along. It could be that he is so enlightened that he will come into the industry or you need to do something a bit more with him. Or

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he is just somebody who is very, very interested. Or you get someone who comes in and says, "This is not quite what I thought". So for the child who does want to go in that job should not be taken by somebody else who has got there and says, "This isn't what I wanted". To be honest, in our industry I would say we have a 60% success rate which I think is quite high in the apprenticeship fulfilment, that is with the leading training provider which is Joint Training Limited.

**Q777 Chairman:** So 60% of the ones you have taken on stay with you.

**Mrs Johnson:** Stay with the industry, yes. I think that could be more because those that do not stay it is often because it is not what they thought or it is because, in our industry, maybe they have to go back to college. I take on board what Ian said before but to me I do not just want the 57% that are left behind. I want trade and skills to be open to everyone so that whether you are an A grade student or an E grade student this could be for you. That is what we are trying to get. Instead of saying, "Sorry, but the disenfranchised are the ones that go to vocational; everybody else goes to something higher". That is what is wrong with the skills in this country.

**Mr Finney:** In our industry we are not just interested in the 50%; we believe that we have an all important contribution to make to that 57%. We see the graduates that are obviously out there but from an engineering background I think the traditional apprenticeship is one of the places to start. We have a lot of disillusioned children at 16 and maybe the place to start it is at school and to say, "Let us open your eyes to what is available. Let's use some of the technical colleges with the capabilities that they have." Of course most of the educational system and the people within it are educated people; they have taken an academic path. Have they actually seen what manufacturing is really like today or can they only relate to what they knew from 20 or 30 years ago? What I am saying is it is only the child's own choice for them to go down that route. You will never pick them up and drag them down that route. They need to see the vision; they need to see the profession in order to actually feel it, believe it and want to go down that path. I think it has to start at 14 with some sort of traditional apprenticeship. Let us not just say, "I'm sorry, you're in the 57%; we're just going to chuck you to one side and give you some sort of mediocre qualification that means nothing to nobody." We have to embrace these people as much as we embrace the top end of the scale. By embracing these people, giving them vision, giving them their apprenticeship, showing them the world it will have an effect over all market sectors (retail, engineering, manufacturing).

**Q778 Jeff Ennis:** The Leitch Review wants employers to sign up to "The Skills Pledge", whereby by 2010 all adult workers without a first Level 2 qualification or basic skills receive help towards obtaining these. Can you see your firm signing up to the Pledge? If I understand correctly, there are 150 firms like McDonald's, for example, who have already signed up to the Pledge.

**Mr Finney:** That is a corporate and social responsibility, "I'm going to do this to tick a box". We do it because we need to do it. It is the education system that should do it. We want to focus on Level 3 and above. We want you to put resource at 14–16 and above, for 3 and above. Do not palm your problems off on us. We have a corporate and social responsibility anyway.

**Q779 Jeff Ennis:** You are not telling me all your workers have Level 3 qualifications?

**Mr Finney:** No I am not. It is our job to open their eyes. Because somebody is 60 and sweeps my floor and he makes a really good job of sweeping my floor and he does not desire any more than that (he used to work in a foundry, he works really hard), but he cannot read and write. Why should I distinguish? Why is he a bad person? If you took a 16-year-old he would be leant on that brush most of the time, not sweeping up. I can craft a path for anybody at any educational level but it needs the education system to open their eyes. It is our job to craft a path once you have opened their eyes. The failure to open their eyes is not good enough.

**Q780 Jeff Ennis:** Is your firm going to sign up to the Pledge, Diane?

**Mrs Johnson:** I will find it very difficult to sign up to the Pledge. The reason is that you are then asking me to take somebody into my company who has no qualifications because the Pledge Level 2 is at GCSE. Tell me how many young people are coming out of school that do not have a GCSE, so what exactly am I trying to sign up to? That is my problem with the Pledge.

**Q781 Jeff Ennis:** So they have got the target wrong then?

**Mrs Johnson:** I think so, yes.

**Q782 Jeff Ennis:** Looking at the current system which is very complicated, are there any obstacles within the current system that stops your company from actually providing more training for your employees or potential employees?

**Mrs Johnson:** Personally no, we still take apprentices on because if we do not we do not have a workforce. We have a lot of people coming to us, knocking on the door, who have been in other disciplines where basically the manufacturing base has been decimated in certain areas and they come to us and ask us if there is any chance to do a bit of retraining to become an electrician. They have the work ethic, most of them have mortgages, responsibilities and they are desperate to work. All we would need to do would be to have some sort of qualification that we could bolt on to the discipline they've got already. There are thousands of people out there who could be retrained in all sorts of areas. That is something we could look at but there is no funding post-25 and 19–25 is very, very limited funding so employers will not look at them. We have them, but they are paying for themselves to go to college. We allow them to go and we lose the productivity the day they are not there, but

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they are our electricians of the future so we are already doing it and we would love to be able to get some funding for it.

**Mr Finney:** From my point of view I think with so many cumbersome, disjointed incentives that are currently out in the system it is a bit like a minefield finding your way through them anyway. As an employer all we want is a well-trained, well-educated workforce that meets all of our requirements. I talk about the guy who sweeps up and I talk about the innovators of tomorrow and within the manufacturing spectrum we can cope with all those but we need to open their eyes earlier. There is some social, corporate responsibility and that is why you will get McDonald's and people like that—I do not mean to disrespect McDonald's—the large organisations who have a tendency to take on these 16-year-olds. Let me try to put this into perspective by giving you a very quick analogy. When I am sat in front and I am serving you a McDonald's, how do I know I am better than the person behind me? Because I have a little gold star, or I have two gold stars or three gold stars. What is that all about? You do that with your seven-year-olds because they get a gold star on a piece of work. Let us be realistic about this; let us open their eyes and show them what opportunities there really are and make a difference to UK plc and not just some corporate responsibility. It is because we need these people. I need somebody to sweep the floor; I need somebody inspired to work a machine; I need somebody inspired to create change, innovate—the graduates of this world—and we need to get everybody working to that common goal. It might be idealistic but it happened on Labour's watch as well as the Conservatives who started it so there is no distinction but the whole system is fundamentally flawed.

**Q783 Helen Jones:** I would like to talk to you a little bit about apprentices. Listening to you, Diane, my dad was a turner and he used to train apprentices and he used to say exactly the same thing that you are saying 30-odd years ago. I wonder really, is it that the education system and young people are very different and we are not preparing them for work or is that just a characteristic of most 16-year-olds? If it is, what can we do better to prepare people for work and to encourage them to look very seriously at taking on an apprenticeship? Does the system of how we run apprenticeships have to change itself to make it beneficial?

**Mrs Johnson:** What I am going to say I suppose is a bit outside the remit of how we would do it, but one of the biggest things is that we have to teach children how to respect others. That is one of the biggest things. No matter where they go they have to respect the teacher; they have to respect that you do at times have to do as you are told. That has gone. People do not respect other people. In schools teachers have very little that they can do to a young person if they are disrupting a class. How do you bring that child into line? I know you have some very gifted teachers who can do it but not all teachers can. If they think they can get away with it in the classroom from when they are four to 16, why is it going to be any different when they come out

to work? If I am going to come to an apprenticeship there has to be discipline especially in electrotechnical because they could kill themselves basically. We want someone who is going to come in, who is going to respect people's property, company's property, respect the people they are working with, listen to what they are being told and adhere to the message. That is the biggest change that has happened to our young people up to 16.

**Q784 Helen Jones:** We hear quite frequently from employers that the education system does not understand the needs of the employers. That may well be true. Is it also true the other way round that employers do not understand what is happening in the education system? Is there a need for dialogue both ways?

**Mrs Johnson:** I could not agree more. I have a son of 18 and I have a daughter of 14 so I know what is basically going on in the education system. When I was at school we had career conventions, we had a lot of ties with business. I would love to go into schools and talk to school children about what they can get out there in my field of building services. We are asked why we want to come into schools. It is all to do with funding because the more children we send up the line is it not more funding that goes to colleges, *et cetera*, so there is a different mindset; we are all talking about different things.

**Q785 Helen Jones:** Is that right, Ian? Do you not get the opportunity in local schools to talk to them about the opportunities that are on offer in manufacturing? I have to say that that is not the case where I come from; there are employers in schools all the time.

**Mr Finney:** Yes, there are opportunities but I think it is one of institutional change. Unfortunately it is not a win-win and HR is just a part of my business. It is a big part because I am only as good as the people I employ, but it is only a part of my business. While I strive to fight off other influences, I have one chessboard and only so many pieces and I can only position them as I best see fit and we will take on that responsibility as and when the time is appropriate and we will go into schools if that is what is necessary to encourage people down the path of manufacturing and making it look better. However it is the educational system's responsibility to grab hold of these people vocationally and help them steer a path. I talk about in the first three months of a disillusioned 16-year-old coming in. It takes three months of intensive, you know, "You are going to be here at eight o'clock; you are going to do this; it might not be what you want to hear but that is the way it is". It takes that sort of attention. We do it on almost a one to one basis because it is intrinsic in getting them into the system. You are looking at it at a more global level and there will be people who receive vocational skills and you talk about sending them to college where they learn to lay a brick, but it is far more far-reaching than that really. What I am talking about is opening their eyes to what industry is really all about. You start off with a little raw material here and even though governments do not really accept it somewhere out there somebody has to make

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something. We cannot all shuffle pieces of paper around. You start off with a raw material and you come out with a finished product. You actually make something and you add value. There are all the disciplines necessary to actually make that happen which will enable things to move forward. We have to educate our children in that so we have to make it inspiring. At 14 you have already established that these people do not want to sit in a classroom and be told exactly what to do. What we have to do is to say, "How can we best express ourselves? How can we best open their eyes?" I am probably not the best person to tell you this but sitting them in a classroom trying to drum it home will not work because you have tried that for 14 years. So let us try a slightly different approach where we actually say, "Okay then, let's engage them".

**Q786 Chairman:** Is that not what the new Diploma system will try to do?

**Mr Finney:** The honest answer is that I do not know. I do not know enough about it. All I know is that you need to open their eyes and you need to say, "These are the opportunities that are available to you." I am not saying the present system is bad, but where is it taking us? You can become an electrician; these are the opportunities that are available. You can go into manufacturing, you can become an electrician and do house rewiring or whatever. You can work for the SMEs; it is not a dirty word. This is what we offer you. From that skill base—from that engineering skill base, from that vocational skill base—you can go onto sales and marketing, you can be far more expressive so we will take the grunt out of you and we will get you communicating on a proper level. That is where you have to start, at the beginning, like any other problem.

**Q787 Helen Jones:** What happens when you, as small businesses, want to access training? You are both clearly committed to training but I think what we are interested in is how the system works for you. Is it easy to access the kind of training you need? Is there too much bureaucracy involved? What changes would you want to make to the system to make it much easier for you to get the training that you want?

**Mrs Johnson:** I have to be honest, the electrotechnical apprenticeship is very good. We have a very good system where young people who say they want to go into an apprenticeship they will have to go to a training provider who will give them a small test to see if they are basically up to coming into an apprenticeship. We will then get a list down. It is up to us who we employ. We will interview them, take them on with the training provider and the FE college. It is quite an easy system. My problem is not the problem that Ian has; my problem is that there are kids out there, they are not always of the right calibre but even when they are I am struggling to get employers to take them on because of the problems I have already mentioned. For me it is not that the kids are not there, they are there; it is how do we make employers put more money in. The employers will turn round and say to you, "You are saying to me you want more money for training; how much more do you want out

of us?" This is costing us a fortune to train these young people not because of the skills that we need to teach them, the skills which they should have had; we have to teach them those as well. How would you put a cost on that? As Ian said, in his industry they have a one by one situation for over three months to teach someone how to interact with another person. That should have been done right through life, even at home. That is what employers are saying to me, "Yes, we accept we have a skills shortage; I can fill it from somewhere else far cheaper". For me as a company that is so backward thinking because in 10 to 15 years these people from other countries—I have no problem with them coming in, they are highly skilled—will go back; some might not, but a lot will go back. Then if we have not trained people what are we left with?

**Q788 Helen Jones:** Ian, can your company access the training it needs easily? From what you said earlier about your PA groaning at you it sounded as if you could not.

**Mr Finney:** It is a very cumbersome process. We access people from university who have been through design developments, graduates who have learned a part of the skill. Have they had the exposure to industry? Have they taken a formal apprenticeship and have they understood the pressures of delivering on time, the pressures of actually starting with something and finishing with something? This apprenticeship scheme can take a much wider, broader view and can encompass people who are at university and bring them into industry, to contribute to industry. It is equally important that we have somebody who can work the buttons. I left school a long time ago; I am not particularly very old but I am definitely not young and these people come with fresh ideas. Who says that we have all the right ideas? We want to nurture these fresh ideas and we can then put some reality into them. You go, "Actually you can't do that because of this" and we can discuss it and we can innovate change. Do I think it is right that people take five years out of industry in formal education, come out the other end and want to earn £40,000 a year? They are sucked up by the big industry which leaves us no choice but to go across to Europe where we have this young, enthusiastic guy, we can train him. We should be training our own people, surely. We have a pool of labour. The automotive industry is a global industry so you can go anywhere to pick up people. There is a common language to a certain extent. What I am saying is that if you take the old system where you had a craft apprentice, you had technical apprentices, HND, degree level or whatever and it has to embrace all that. It has been proved that leaving it to 16 you have disillusioned them already and it takes three to four months hard slog to get them back on a reasonable path. If you start at 14 it will not be three months. All you are doing is opening their eyes to opportunities and that may be manufacturing, it may be in electrical, it may be in any particular discipline for any sector.

**Q789 Helen Jones:** You talk about apprenticeships but one of the things I am interested in are all the sorts of training that you need to do in business. You need

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to update people as things change and so on. Is the system responsive enough to do that? Are the providers, are the FE colleges quick enough to catch up with the kind of training that business needs on the ground? If they are not, what would you do to improve that?

**Mr Finney:** Interact with business, that is the answer. Interact and find out what they need and then inspire the people to achieve the objective.

**Q790 Chairman:** When we go to FE colleges very largely they say, look we now have this new kind of system that has been piloted quite well in the country. We have a very high percentage of kids from 14–16 in FE colleges. We presumed they were getting some more realistic view of the world of work. You say in your area that that is not happening.

**Mr Finney:** If it is happening it is in its early conception stages. I have not seen the results coming through. Maybe we are unique but we are in a pretty prime area where that sort of thing should be going forward. We are in the middle of the Black Country—it was not called the Black Country for no reason—and actually there are numerous SMEs growing up in that area and they are becoming mature businesses. We have been in business 16 years, get us off the ropes; you do not need to give us a social, corporate responsibility, we will do it because that it is intrinsic in giving our business longevity.

**Q791 Helen Jones:** Let us say that you find that a product is changing, a system is changing and you need short courses to update people on those changes, can you get them easily?

**Mrs Johnson:** That is what I was just thinking, to be honest. I only use an FE college for an apprenticeship and as I said the 17<sup>th</sup> Edition is coming out so colleges will put that on. We would normally go to our trade association and say what we need and they will point us in the right direction. If you are talking about these children at college from 14–16 I would say those are the disenfranchised and I would love to know from the FE college what the employment rate is for those children who have done that. My understanding from when I do get into schools is that children who are pushed towards that are the ones who cannot sit still in the classroom.

**Mr Finney:** This new incentive of the 14–19 Diploma, will it encompass some of the better achievers as well?

**Helen Jones:** It is intended to, yes.

**Q792 Mr Marsden:** We have been talking quite rightly a lot about the attitude of young people and you have been very eloquent on that. You also mentioned the need for many more enabling opportunities to older people as well. There is the issue of a short term replacement base but leaving that aside if we could wave a magic wand tomorrow and up-skill all of the young people to the skills that we need them at 18 and 19, all the demography suggests that in five or ten years' time you still would not have enough people to do the sorts of things that you are needing to do. What I want to ask both of you is what more do you think your industries can and should be doing—as well as what you are doing

yourselves—to actually energise that transfer programme, getting older workers re-skilled and re-trained and maybe even bringing in some people who have not really had any Level 2 skills at all?

**Mrs Johnson:** At the moment on our workforce we have three people who have come in who basically would have been at a Level 2 and we have allowed them, with our help, to up-skill. One of them is now an NVQ Level 3 electrician; the other two are working towards that.

**Q793 Mr Marsden:** What age range are they?

**Mrs Johnson:** I think you are looking at 28 to about 36, off the top of my head. Basically they have been in the industry but without the qualifications or they have been in a side industry and we have brought them in.

**Q794 Chairman:** Do they pay their own way?

**Mrs Johnson:** We pay their wages; we have allowed them to have a day off to go to college but they have paid their own college fees and they are not cheap. There has been no funding for them whatsoever, but that is the only way for them to have gainful employment that will go on for the future. To me this is an opportunity that we could do with a lot more mature people out there. Also what we have to think about is when people are going to retire now. You are looking at people who are possibly going to be working until they are 68 or 70 so it could be that you are working until, say, age 40 in one industry and that goes; what do you then do for the next 30-odd years? Yes, the employers have to give something to it, I am not expecting full funding, but at least if we could help these people and the employer to pull it all together you have a resource there that at the moment is totally untapped.

**Q795 Mr Marsden:** Ian, what are the prospects in your industry for the up-taking or re-skilling older workers in the next five to ten years?

**Mr Finney:** I think if you are talking Levels zero to 2 and they are gainfully employed within our industry, nobody is going to stop them seeking opportunities to improve themselves. If they are fulfilling a function which is part of the revenue stream and it is a necessary function and people can see that they are inspired by this vocational skill that they have acquired within the industry, then nobody is going to stop them pushing into quality because they understand the process.

**Q796 Mr Marsden:** That is reactive, is it not? I am talking about pro-active.

**Mr Finney:** Pro-actively I think to *carte blanche* and tell everybody that you have to make them Level 2 you are going to get some resistance. That is my honest opinion. You can utilise their skills. I ask the Committee here, when was the last time you stopped learning? You never stop learning. Although it may be reactive, it is necessary to be reactive within the framework of what you are trying to achieve.

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**Q797 Mr Marsden:** We have had evidence from NIACE (The National Institute of Adult Continuing Education) and one of the things that they have questioned is whether the current ways of measuring progress in schools takes enough account of training on the job and whether in fact there are ways in which more bite size training could actually be incorporated into the Level 2/Level 3 qualifications. What do you think about that?

**Mr Finney:** I would just like to address the cumbersomeness of it. It becomes a numbers game. The Government employs an organisation who then spreads the word down and say, "Right, you need to get X number of students past this goal. We don't care because it's a numbers game and we get a revenue for every number we get through the system." The education system is about a numbers game but it is not about the money, it is about crafting a way forward.

**Q798 Mr Marsden:** I understand that, but in an industry where people are going to move on—whether you like it or not from you to someone else in the future—how are you, as an employer, taking on someone else, to judge someone's competence without having something (whether it is experience on the job, be it a Diploma) which is a benchmark.

**Mr Finney:** Experience.

**Q799 Mr Marsden:** You can say it is experience, but if you take that person on you have to have some idea in the first place of their qualifications in the broadest sense to do the job you are employing them to do.

**Mr Finney:** We are talking about very basic skills if we are talking zero to 2 so: "Will you turn up for work? Will you undertake a task and will not be aggressive with me?" You are talking about pretty basic stuff.

**Q800 Mr Marsden:** I am not being facetious here but you are almost saying that people need to come along with the equivalent of a time keeping certificate.

**Mr Finney:** If you want to start that basic then so be it. Am I interested in coming to work? Once you get that passed that barrier then there is something you can do with them.

**Q801 Mr Marsden:** On this issue of motivation, both of you have been passionate this morning about what you can do, what employers can do, how you can bring people on and this, that and the other. We heard some similarly passionate things said when we had a number of people talking about the role of union learning reps in terms of engaging people. The Committee heard a woman from Scarborough who was a union learning rep involved with Tesco or Asda but she did a whole range of other businesses as well. All the evidence that we have had is that union learning reps are making a very important contribution. However, when I looked at the submissions that came from the ECA and from the Society of Motor Manufacturers and Traders—I realise you did not put them yourselves—when they were asked about union learning reps both of them

said that they had no comment. That seemed a rather old fashioned way of looking at the process. What do you think about the role of union learning reps?

**Mrs Johnson:** To be honest I have had nothing to do with learning union reps. Nobody has ever been to my business; nobody has ever asked me anything about it so I cannot comment.

**Q802 Mr Marsden:** So you know nothing about them.

**Mrs Johnson:** I have to be honest, I know nothing.

**Q803 Chairman:** Do you have unions in your field?

**Mrs Johnson:** We are a JIB (Joint Industry Board) company so yes.

**Q804 Chairman:** It is interesting that it seems to be the larger companies that have these union reps.

**Mrs Johnson:** I think to be honest that is it; I think the larger companies would have it but I do not think they come down to the smaller companies.

**Q805 Chairman:** What we had already found some years ago, when we looked at individual learning accounts, was that the people who got the best information and did not get ripped off were the ones who had that guidance from their learning reps. The people who had no guidance chose the flaky companies. Ian, did you want to say anything?

**Mr Finney:** It was the traditional manufacturer who employed a lot of people and felt they needed the strength of a union. I think the mindset is changing. We have found a little bit of our emotional self. Nobody wants to get cheap labour. We want to craft the path. We may have to use the European pool to bring people in to cover some of the skills shortages but it is our job to get it right for our people. It has been 15 years plus; we have to go back to the basics and start at the beginning. It is the engineer in me if you like, that you start at the beginning and work it through. Forgive me for being blunt.

**Mr Marsden:** That is fine. You are talking about that from your perspective as an employer but trade unions have changed in this country as well. They are not just going in there with their sleeves rolled up to have a conversation with the gaffer on how much they are going to get on piece work this week. They have changed because they have had to change. The evidence that we have had is that potentially in terms of trying to change the attitudes and motivate the people we are talking about to fit your crafted path—to use your wording—they are actually playing a very important part. All I am saying is that it is slightly worrying that when the Society of Motor Manufacturers are asked the question about what they see as the role of union learning reps they do not appear to have either any knowledge of it or any view as to whether it is a good thing or a bad thing.

**Chairman:** Ian is not a representative.

**Q806 Mr Marsden:** I am aware of that, Chairman. I said that to both of you right at the beginning but I am just curious of what your perspective is as to whether trade unions in their new role as advisors and encouragers have a role in SMEs like your own.

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**Mr Finney:** The answer will probably be yes. Just like everybody else big manufacturing has changed; unions have changed; the mindset of the young has changed; the mindset of the consumer has changed. We are one global community and we are going through the upsets that are necessary in order to balance those out a little bit. Everybody will find a level which maximises their contribution into the system. It might take some time but that is where you are going to end up because in order to survive you have to modernise just like manufacturing, just like the global industry is playing on a global playing field. We will all have a place, including the educational system, which will enable everybody to funnel their effort into a direction to meet an objective. Funnelling their effort to me means funnelling in all the requirements of the educational skills and vocational skills of the children to meet a demand for the future.

**Mrs Johnson:** To me, dealing with the unions, it could be a win-win situation. The more people who are in employment, the more they will belong to a union *et cetera*. I do not know enough about it but surely it is something that we have to do.

**Q807 Mr Marsden:** The Education Select Committee a few years ago went to North Carolina to look at a whole range of things. One of the things that was really interesting was that when we went to schools the kids were white collar American kids who were not going to go down the university route and they had in their schools a number of skills academies within the school, between the ages of 12 and 15, where relationships were built up over a long time period of placement with major employers. Most of those kids then went on to get jobs with those sorts of skills. Is that, as well as the old-fashioned system of day release, something that might be an interesting model for you?

**Mrs Johnson:** Are you talking about a skill academy in a certain place or are you talking about a CoVE of excellence?

**Q808 Mr Marsden:** In the North Carolina case they did a lot of stuff on telecommunications because they had very good links with Bell Telecom.

**Mrs Johnson:** It could be an idea. I would not disregard it but I do not know enough about it.

**Mr Finney:** As long as you do not make it too specific. The biggest employer in that area is going to dominate. That is okay if it offers not just tunnel vision, it has to offer breadth so that you are opening them up. It is okay getting business to do it but they will be very specific over what they target just like a marketing campaign and just like everything else. They are indoctrinating the children to take a certain path because they need this pool of labour, but it is a much broader vision than that. You have to offer all the skills. You can sponsor it en masse and you have a central fund that allocates that money but if you make it too specific it will be too focussed in one area. **Chairman:** We are getting more interesting answers from you on this, Ian and Diane, than we got from Engineering Industry Training Board or Engineering Employers Federation.

**Q809 Mr Chaytor:** Could I ask Ian first, are you accredited with TS16949?

**Mr Finney:** Yes, we are.

**Q810 Mr Chaytor:** Does every supplier within the automotive industry have that accreditation?

**Mr Finney:** Absolutely not.

**Q811 Mr Chaytor:** What are your views about the value of that system?

**Mr Finney:** I could make a point about that. You see they are barriers for the automotive industry to say, "You're a bit expensive so, you know, you need to cross this barrier". You can tick all those boxes but it does not give you a god-given right to supply to the automotive industry. In essence they are disciplines that do not necessarily make a good product. You still have to meet costs, perform well and get that product there, on time, every single day.

**Q812 Mr Chaytor:** What percentage of SMEs in the automotive industry in the Midlands, for example, that you are familiar with, would have this accreditation?

**Mr Finney:** Very few.

**Q813 Mr Chaytor:** Could I ask Diane about Sector Skills Councils? Have you had any involvement in Sector Skills Councils?

**Mrs Johnson:** I have to be honest, I sit on the board of Summit Skills and together with the trade association we are not just looking to government to say, "Cure our ills" we are actively going out there. At the moment we have the Horizon Project which is the Sector Skills Council for building service engineering that is going out actively. It has gone round 13 regions saying to building services right across the board, "What is it you want? What are the problems? Tell us, because unless we can find out what the problems are we cannot cure the ills." I can only tell you as an employer for me that the Electrical Contractors Association are also doing the same thing. We have done a mail shot not just to ECA members—we are talking industry-wide electrotechnical—to say, "These are the questions, why aren't you training? If you are training, is it this, is it that?" We are trying our best to work together so that when we do talk to government we can say, "Look, we are talking with one voice here. We are trying to work together to find out how we help government with this problem".

**Q814 Mr Chaytor:** Do you think the majority of SMEs in your area of business are actually wanting to become more involved in the planning of the school system or do they just want to say, "You do it for us, we'll take what's on offer"?

**Mrs Johnson:** The thing is, it is down to profit. It is a question of how much it is going to cost us, what am I going to get out of it and what we have to do is to go them and say, "We have done our research; if you don't train, this is what will happen". It is like the carbon footprint, we are trying to tell people now, "If you don't do this, that is what is going to happen". I know it sounds daft but a lot of people going into industry start a business and think they know about

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everything but they might not; they might be a fantastic engineer, the head of that company who knows all about engineering, but when he comes to looking at what skills he needs for the future sometimes he can be a bit insular. With the Sector Skills Council and with the trade association we are trying to bring it all together. I think a lot of SMEs are dealing with what they have now. It is how much can I make now.

**Q815 Mr Chaytor:** Do you think your experience then supports the case for giving more responsibility for planning the future of skills training to employers as a group?

**Mrs Johnson:** I think it has to come from employers. Employers have to look and say, "What do I need for the future?" If you look now in this country there are not as many family businesses as there used to be whereas for us we are passionate because we live by what we do, what we make. If I worked for an organisation I might only be there for five or ten years or 15 years and when I have retired so what? For me this is generations, it is pride in your company. I am not saying that people who work for other people do not have pride, what I am saying is that when they are looking to the future they might not be in that company in 20 years' time so does it matter whether that company trains people or not? I think the ethos of where we came from in the beginning, lots of little family businesses growing, that is not the same any more.

**Q816 Mr Chaytor:** Is the history that you are describing one of a poor record of training within the electrical industry?

**Mrs Johnson:** Actually I would not agree with that. I think what has happened is, if you look going back 20 years ago, you had a big manufacturing base to pull from, you had places like ICI *et cetera* and they would come along and train plumbers, fitters, electricians or whatever and as they took more jobs those personnel went out all over the place, whereas now we do not have the big companies any more that are doing the mass training, it is the smaller guys. There is just not enough training going on in the smaller element to fan out to where it is required. It is not that we are not training; the companies are not there that were training.

**Q817 Mr Chaytor:** So it is the lack of larger companies.

**Mr Finney:** Yes, and that demonstrates really what I was saying. It is the role of SMEs, who have now taken on the role of what used to be the large organisations, to create the pool. We need the pool; we cannot survive without the pool. Unfortunately these people do leave and they will go into the smaller industries. We are not a massive industry, I can assure you. The cost for training for our organisation is disproportionate to the level of turnover we have. The problem is across the board. While governments encourage bad products to come in and lack of innovation, of course we cannot invest in training

which does not then leave a pool there. Why these people are feeling it so badly is because we are not training them here.

**Q818 Mr Chaytor:** What I struggle to understand is what is the block? There is a general agreement across government and industry, large companies and small companies, that more training is needed and there are skills shortages. What is the block within SMEs? Is it entirely financial?

**Mrs Johnson:** Cost.

**Mr Finney:** Cost.

**Q819 Chairman:** How much does it cost you to put an employer in practice?

**Mrs Johnson:** The thing is it is the hidden cost that you do not see. If I sat here and told you how much it would cost to employ an apprentice I would be lying. Out of our company—we employ 50 people—we have 15 apprentices on our books at different stages. The days they go to college they do not earn so you have that straight away. I accept that for all the things I have said about having difficulties, we just decide we have to do it. The first six or seven months basically you are teaching that person how to interact with people, how to accept discipline. All that adds to the cost and also your insurance as well can go up depending on what site they have to go on. There are a lot of hidden costs rather than them just going to college so I could not answer the actual question.

**Q820 Mr Chaytor:** There is a relationship between cost and profitability because it is almost a cash flow issue where the initial cost is not recouped until it is reflected years down the line in increased profitability.

**Mr Finney:** Even 20 years ago when you took on an apprentice there was a cost for 12 months; you got nothing back really. You taught them how to carry a toolbox, you taught them how to make a cup of coffee and not spill it while they were walking to everybody else to give them their cup of coffee. It is like an ingratiation and an exposure to a group of people of varying different skills and capabilities that enable them to move forward. It was nothing to do with how much it cost you to get past that 12 months; it was what they achieved over the next three or four years to actually start to contribute to your business. That long term planning can only be done in larger types of organisations and with the greatest of respect profit will always be a key issue regardless of whether you are massive or very small. You only do it to survive.

**Mrs Johnson:** I think the problem when it comes to the SMEs is that we do the training now; we invest the training and the bigger boys come along who are not doing the training. This is where the cost really counts when the return you should have got on that worker has gone because he has gone to work somewhere else for 50 pence on the hour. That is where the costs comes in for the SMEs.

**Q821 Mr Chaytor:** Do you feel that what employers need is more skills training and more financial incentives? Or do they want to have more

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involvement in the planning of the training and the design of the overall system and the content of the design of qualifications?

**Mrs Johnson:** When I talk to other employers they will turn round and say to me, "We feel that when we do this training people do not think it costs us anything and we feel we are already taking a burden for the training and if they want us to do more then we would like some more help". That is what I get from other employers, that is financial help. Even to the point that every child who goes onto sixth form college, if they turn up to college they get £30 a week—means-tested of course—for putting their bum on the seats. Why do you not say to the employer, "You take them on and instead of that £30 going to them it will go to part of their wages", something as simple as that.

**Mr Finney:** You have to keep them active and the financial constraints will always be there. It follows the money, does it not? So follow the money and you will not be far from the answers. Part of the problem is that a lot of the money as I see it—and I really do not know everything about your policies even though sometimes I criticise them—

**Q822 Chairman:** This is an all-party committee; we are not the Government.

**Mr Finney:** What I am trying to say is that if you have X amount of money and you are trying to distribute it among the zero and Level 2 which should have been captured within the educational system, then you are diluting the effort that could be targeted at a slightly higher level of 3 and if the educational system can push those people up to a certain level the 3s will drag up the zeros to 2. That is my opinion because if you get them inspired they will move forward. Education is a graph like that. You start to learn very slowly. From zero to seven you learn to read and write; at 14 it is too young to chuck somebody in the bin, I promise you. Their learning curve can equally be there and it can catch up at some time in the future. Life is about learning on the way so when they get a house and get some responsibility, you have closed all the opportunities to them whereas within manufacturing or within other sectors you have the capability of switching on the light for somebody and they realise they had it wrong. It is all our jobs to make them and help them achieve their full potential in life.

**Mrs Johnson:** This is just a personal opinion, if the Government are giving money for funding, for training, *et cetera*, I do not understand why, when they are giving out government contracts regardless of how small—whether it is a hospital, a school or whatever—they do not turn round to whoever is tendering for the contract and say, "You must have a number of apprentices who are on your books and therefore if you do not you are not allowed to tender". If you make people train we would not have the problem. The problem at the moment is that it is all down to cost; we are going in for the job at the cheapest price whereas if one of the stipulations was that you have to train . . . Depending on how many people are employed, there must be a percentage of apprentices on your books otherwise you do not get the work.

**Q823 Mr Chaytor:** Can I ask what you think about this new system of brokers? Have either of you had the experience of using brokers for training in your companies?

**Mrs Johnson:** Do you mean the Train to Gain brokers? I personally have not. I tried to access Train to Gain and, as I said earlier, I do not employ anybody who does not have any qualifications. Basically most people who come to me have a GCSE.

**Mr Finney:** It is a numbers game. We do our own targeting.

**Q824 Mr Chaytor:** Have you had anything to do with brokers?

**Mr Finney:** Not a lot.

**Q825 Paul Holmes:** Coming back to what Diane was saying about enforcing employers to train by saying they do not get a contract unless they do, another answer to that—which we used to do and which countries like Denmark still do on a massive scale—is to have compulsory training levels. When we were in Denmark and looked at their college system, every area had to pay a levy so every area took apprentices on because they were going to pay for it effectively. Would you favour going back to that system?

**Mrs Johnson:** The trouble is that the levy can be quite an expensive thing to turn. If you put a levy in, who is going to run it, who is going to collect it? ECA companies would give you a register but those who are not registered with a trade association, how do you know who is out there? All of a sudden I might be paying my levy but Joe Bloggs down the road can undercut me on everything because he does not get involved in that, you do not know about him and he does not need to. I think the industry would turn round and say, "How are you going to regulate the industry so that everybody pays the levy?" To me, if you make everybody who wants to be in electrotechnical licensed it means you have to do an apprenticeship to be an electrician, therefore you have to have that skill so you would not have a black market economy where Joe Bloggs can go out in his van or whatever. That, to me, would be far better than a levy.

**Q826 Paul Holmes:** So a wider use of licence to practise in every field, shop assistants and the lot; they should all have a licence to practise which forces the training.

**Mrs Johnson:** I cannot talk about other disciplines. In our industry we can kill people and to me I do not like people out there unregulated so it would be unfair for me to say that somebody who is a shop assistant has to be regulated; that would be for their industry to say. I can only talk about mine because I think it is something that would help us with apprenticeships and would also make our industry far better.

**Mr Finney:** I think a regulated industry is a way to go but everybody has to work to the same set of rules. While there are drivers to undercut the system, there is a lot of European legislation, safety issues, there are a lot of local government drivers to save money, but until you get everybody on a level playing field, at least within reason, to create a balance then ticking

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the boxes is not enough to give you work. It is about revenue streams; business is about a revenue stream. You can feed the people, feed the training needs by good revenue streams. It is not until people realise that these legislations are coming in to place and actually government should be creating a barrier to say, "You must achieve this certain level". As long as you are at this minimal level then you have a free economy; if you fail to meet that minimum level standard—whether you are talking about electrical standards, whether you are talking about safety issues or whatever—then the barriers are closed. Whether that is at a local government level or a national government level the barriers are shut; if you meet this level, you reach a minimum standard, we open the doors. Everybody has to compete on a level playing field. At the moment what you have is a disparity where money is not a driver. I talk about the Internet being a global thing you can do so you go on there and say, "I'm looking at a picture, they seem the same, I'll just choose the cheapest". That is not always the best answer. It drives problems in safety. You can look in the *Yellow Pages* and you can find a lot of electricians or plasterers; there are good ones and bad ones just like everything in life. You need a certain gauge—which I think we were driving towards earlier on—to say, "I have ticked a box and I have reached this level playing field" and you will stop the black economy, you will stop the people who do not pay tax revenues and all the rest. At the moment the balance is totally the other way. It is stifling the SMEs, you are stifling them with the bureaucracy of what used to be for large manufacturing. I am not saying that everybody is trying to do it right, but if you look at the mass 80% of them are trying to do it right. You, as Government, have to try to assist that, to give the revenue streams into that as a path.

**Q827 Paul Holmes:** Training providers criticise employers because employers will often say to one of their workers, "Don't bother finishing that training, that qualification, that apprenticeship because you've got the skills we need now, you don't need to bother finishing that". I was given an example yesterday by an employer saying, "I'll increase your pay if you stop doing the apprenticeship now because you've got the skills we need". Employers often criticise Government and the training providers for saying, "You have to do this complete package; Government will only fund a training course that leads to a qualification so you can tick the box or you can prove you've got something for your money". How do you resolve that difficulty?

**Mrs Johnson:** I have to be honest, in our industry I have not come across that because they need the card to work, they need the JIB card. If you have not fulfilled your apprenticeship you do not get it, you cannot get on the big sites. So for us that is not an issue.

**Q828 Paul Holmes:** To give one example, I came across it when I visited Chester College and they were saying that with some employers there was a problem.

**Mrs Johnson:** I think that is very backward thinking of an employer because to me if you have someone who has gone through an apprenticeship as they are getting older they bring in more skills. I accept that some of the people we train will go onto bigger companies because they have that level of achievement and they are going to go on to be the engineers of the future or the business leaders or whatever. You have to finish your apprenticeship so that to me, to be honest, would be alien and a very backward thinking employer. I would imagine now, especially in our industry, there are levels of pay where if you are a JIB company you have to adhere to. My worker, if I did that, would just jump ship and go. It is a bit alien to me, that one, to be honest.

**Q829 Chairman:** How long are your apprenticeships?  
**Mrs Johnson:** Four years.

**Mr Finney:** Let us go back to what was traditionally an apprenticeship and the craft apprenticeship to engineering which covers quite a lot of disciplines. You have to give get-out points, so you have achieved this level and it is your choice, do you want to get out, do want to stay in. You may be encouraged by the employer to get out but if it is not the student's choice and they want to try to find somebody else who will sponsor them through the next level then that is up to them. You have to meet a minimum standard; give them a get-out clause. For the first 12 months we talk about normal disciplines, so you have achieved Level 1 and you can walk at that level because you are a reasonable person to go and employ. You clock in on time basically; you meet the minimum requirement. Level 2 or 3 means that you have reached another standard and you make the standard the sliding scale all the way up and you have get-out clauses because not everybody wants to be totally academic. The vocational skills can equally follow that same pattern. You may want to be very academic or you may want to be more vocationally orientated, but they have to be on a level playing field because people pay for experience.

**Q830 Paul Holmes:** The Leitch Review envisages much more involvement from employers in designing qualifications and having a say in that system, but since we have lost most of the large employers who did the apprenticeships and training and there are many more Small and Medium Enterprises, is that realistic? Can all these Small and Medium Enterprises actually spare the time? Do they have the interest? They do not all have HR departments, can they really get involved in doing this?

**Mrs Johnson:** Yes, I think they can through the trade associations. The ECA that my company is a member of work very actively to make sure that what the employers need is what they get. They are actually reviewing at the moment what is called the AM2—which is the Achievement Measurement 2—which is coming to the end of the apprenticeship to make sure it is fit for purpose for the 21<sup>st</sup> century. They are going out to employers now and saying, "This is what we've got, what do you want?" so that basically when it is reformed it will be exactly as is needed because the AM2 has not changed maybe for 20 years (although

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do not quote me on this), but things have changed. In the electrical industry we are actively all the time making sure that our qualifications are fit for purpose.

**Q831 Paul Holmes:** We have heard some evidence when we were looking at diplomas that it is all very well saying the Sector Skills Councils have been involved in designing the Diplomas but most employers do not have a clue what you are talking about, that the Sector Skills Councils are not really representing the bulk of the people within their sector.

**Mrs Johnson:** I can only talk about the Sector Skills Council which I deal with and that is Summit Skills. We have actively gone out and talked to employers about what we want in a 14–19 Diploma for building services. I cannot comment on other Sector Skills Councils but Summit Skills have definitely gone out to do that actively because the members and the industry at large at our industry have said, “Hold on a minute, if you are going to give us a 14–19 Diploma, make it something that we want”.

**Mr Finney:** To answer the same question, at an individual level the norm would be not to get involved, without doubt. By talking to the trade associations whose job it is to start to implement you will get a much broader version anyway and that is what you are actually looking for, a broad perspective because if you allow certain businesses to dictate what the training needs are you are going to hone it down and not keep a broader perspective. So it has to be done on a broader perspective. If you do it too narrow-mindedly you will target one industry, the same as putting technical areas of expertise within schools it would be very focussed. It will come out of somebody’s marketing budget to do it and you do not want that, you want a broader vision.

**Q832 Stephen Williams:** I have some questions about funding. Diane, you are the Finance Director of your company—if I were to look at your statutory accounts of the company, what would I see as the figure for training? What proportion would it be of your turnover compared to other costs?

**Mrs Johnson:** That is a bit difficult. The full training? The hidden costs? The whole lot?

**Q833 Stephen Williams:** How do you account for your training?

**Mrs Johnson:** Basically we decide how many apprentices we will take on and we will just fund whatever is needed to do that. There is not actually a budget as such, it is how many workers we have lost in the year to how many workers we need for the future which will depend on how many we take on. We could be a lot more profitable if we did not take apprentices on. We will then also look at how much we want to do, like the 17<sup>th</sup> Edition is coming in, we do the ECS courses which are the health and safety courses, I have health and safety courses for management, and we will sit down and look at what we need and basically we fund what we need to fund to keep the business growing and active. We do not say, “We will only spend 5% this year”, we basically look at what is

necessary. We do what is necessary and then bolt on add-ons if the budget allows but a lot of the necessary stuff like the health and safety is necessary. To be honest a lot of training now is not what you want to do, it is because it is a necessity to keep up to date. If you said to me, “Do you budget for training?” I would say not properly because we cannot always do it. If it has to be done then something else like buying a new vehicle that would have to go because we are going to do some training. That is my honest answer. I do not sit down with a budget because something like the 17<sup>th</sup> Edition has come in and we are going to have to send operatives on that so yes, I will budget for that but it could be that we have lost two electricians this year, gone off to a bigger business, so next year we have to grow again. I might not have had that in my budget; I might only have been going to take one on. Do you know what I am trying to say? So to actually give you a set budget, no we do not have one.

**Q834 Stephen Williams:** I understand that. What I am trying to get out of you is what would be the total cost of training. You have 15 apprentices from what you said earlier out of your 50 employers. There is an opportunity cost of those 15 when they are off site not working for you. There are the employment costs you incur for them, the direct trading cost you might incur for them, then there are the other 35 employees who presumably have some sort of training as well.

**Mrs Johnson:** Yes.

**Q835 Stephen Williams:** You must have some sort of ball park idea. Is it a quarter of your turnover? A fifth?

**Mrs Johnson:** I would say something like that, yes. Do you want the truth? I have never sat down and done a complete cost analysis of it because I think it would frighten me to death.

**Q836 Stephen Williams:** The same question to you, Ian.

**Mr Finney:** To answer your question, if you looked at our statutory accounts it probably works out at about seven to 8% of our turnover. Do we allocate everything against it? No. You are talking about courses, specific things that people would allocate within the nominal ledger to say, “That is a training exercise”. A lot of hidden costs are really derived around the one to ones. We have team meetings and things that actually do not appear on the accounts. What are those hidden costs? My guess is probably somewhere near double that, so in the order of 10–14% is what I would say is our real costs of nurturing our people through our system. That is not far from the truth but within the statutory accounts it probably looks a lot less because you only pick up those costs as physical expenditures.

**Q837 Stephen Williams:** Back to Diane, is there any clarity, do you think, within your industry as to what costs you are expected to pick up as an employer and what costs the state would pick up to give you new trainees who are fit for work?

**Mrs Johnson:** I think we are actually looking at that at the moment. I know the Sector Skills Councils are trying to work out an actual cost of how much an

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apprentice costs from year one to year four. In year one basically they earn you very little but by the time you get to year four, let us be clear about this, if they are good they can earn you money. We most probably spend something similar, 10–15%, I accept, but then to negate that cost the trainee who is now in year four can be very productive in earning me money. To say how much I spend on training I should really offset that off the training costs. When you asked me how much does my business spend on training, what I am trying to say to you is that to get to an absolute figure is an impossible situation. I know that for me we spend roughly, I would say, about 10% on training.

**Q838 Stephen Williams:** I do not know how this works, if an apprentice is with you for four years are they expected to serve with your company for four years or could they move around after three years?

**Mrs Johnson:** To be honest, yes they can, but it is not very often. I mean you do get a clash of personalities maybe. We are quite lucky because most of our apprentices in all this time have stayed with us but we have had an apprentice who has moved away so he found somewhere else. The thing is, he has then got to find an employer to take him on so he found an employer to take him on, swapped training providers, so yes it can be done, that is not a problem. They normally stay with who they have got because nine times out of ten there is no-one else to take them on.

**Q839 Stephen Williams:** There is no restriction somebody in year three when you have put them onto the training course—

**Mrs Johnson:** Oh no, but you will not get anything back. That is what I mean, when you start talking about the cost of training to a firm it is how do you actually work out the cost of training: “You’ve been with me for four years, I’ve trained you right the way through, yes, in year four you’ve earned me some money but now you come along and say to me that you fancy going to London because the Olympics are on” and they are gone. How do I now recoup any profit on those four years? That is what I am saying, in the cost of training for companies there are a lot of hidden costs.

**Mr Finney:** There is no way of stopping somebody’s choice of leaving or not leaving. Actually it is a numbers game again really. You have to hope that you are providing the right guidance and the right inspiration but unfortunately if you do not have the revenue streams and somebody is prepared to pay them more then they are going to walk and there is not a lot you can do about it. The only way to try to negate that really is to give them the mindset of the common goal of the organisation. It is the job of the employer to inspire them to be a part of it and actually most people want to be in a comfort zone, funny enough, so you can get them in a reasonable comfort zone just slightly outside of it, challenged every day, feeling a part of the team, feeling as though they are making a contribution to the overall structure of the business then they are more likely to be inspired and want to be a part of that business. Sometimes you need to be the helping hand for them when their life is a bit in turmoil or whatever and show a little bit of empathy on that

side, that inspires them to keep going forward. Ultimately if somebody wants to go you cannot tie them up into some sort of contract and tell them they cannot leave because it does not work. It is like constraining somebody and they will not have it, will they?

**Q840 Stephen Williams:** Back to Diane, what do you expect the state to give you as a company for free in terms of education? What do you expect when somebody starts with your business and what do you expect the state to offer thereafter at no cost to you?

**Mrs Johnson:** I expect from the state that when I take a young person on that they have all what I would call the basic, key learning skills; that they can add up, that they can write and read, that they can interact with people, that they have got social skills that they have learned through debating at school and things like we are doing today. That is what I expect from the state sector for schools. What do I expect when they join my company? I would like to have a partnership with whoever government, this is not political, that if I put in money for training that they would match with me. In other words, if I give him the day off to go to college they would pay his college fees. That is all I am asking. I am not asking for anything mega, but I am also asking the Government—or any government—that at 16–19 please take me further, take me 19–25, 25 to whatever, if I employ them please help me with the college fees. You help me train these people, they will go back into the economy, they will make you more money, they will pay more taxes *et cetera*; it is a win-win situation. That is what I would expect off any government.

**Q841 Stephen Williams:** The Government is saying that 50% of the cost of getting a Level 3 type qualification should be met by the employer or the individual.

**Mrs Johnson:** I think more than 50% is already met by the employer on what we have talked about today.

**Mr Finney:** I think the direct answer to the question is that anything under Level 3 I believe is a government’s responsibility. You want industry to help you train these people, re-train them, give them lifetime skills; it was a job that should have been done by government, bottom line. We will take on that responsibility because we want to do it. If you want to look at Level 2 then I think it is government’s responsibilities and industry can pick up the reins and maybe the mistakes of the past. From Level 3 onwards then you have to share the costs.

**Q842 Chairman:** Diane, you are shaking your head.

**Mrs Johnson:** I would say it has to be to Level 3.

**Mr Finney:** Where we contribute is Level 3.

**Mrs Johnson:** I would say Level 3 and above acceptable but up to Level 3 we definitely need it because, as I say, most people come out of school with a GCSE which is a Level 2, so if they say they are only going to give to Level 2 once they come into industry you will not get any funding.

**Mr Finney:** What I am saying is that to an industry in general, whether you are talking about manufacturing or any industry, the minimum our

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expectations should be is that they should be in and around Level 3. Anything below that is down to the education system.

**Q843 Chairman:** You want job ready or oven ready young people when they come into apprenticeship or when they come into employment. You keep coming back to this, you want people who have those sorts of skills before they start; that would give you a much better start up phase.

**Mrs Johnson:** Without being funny, you say “oven ready”, what have they been doing at school since they were four if they cannot read and write.

**Q844 Chairman:** You were talking about understanding the work environment—certainly Ian was—and that side of things.

**Mrs Johnson:** That does not worry me so much. What I want is a young person who basically can come to my company and accept that he is going to have to work, he can add up, he can write, he can read, all what I call your key skills, whereas what we hear now is that employers are being asked, you know, we have to look to get people to Level 2 to make sure they have the key skills. What I am saying is, why are they not coming out of school at 16 with those key skills? If you have someone who comes to you with key skills you can teach them anything. If they do not have the key skills you have to go back and that costs employers money to go back to get them to what really we all started work with, with key skills.

**Mr Finney:** I think it goes a bit deeper than that. You have to answer the question, why do they not appear to have these key skills? Some of them are just hidden. It is not that they cannot add up; it is not that they do not want to try. It is just that they feel as though life has left them behind almost and they are not inspired. Once you get them inspired funny enough they will come out. You find these people and they are doing a cross-word or whatever. They have the capability, they just do not have the self-esteem, the self-confidence, the drive to want to make it work.

**Q845 Chairman:** This is my point about getting ready whether it is done in school or whether it is done in Diplomas or however.

**Mrs Johnson:** The 14–19 Diploma could be very good because there are different ways of teaching people, I mean if you take young lads to a pub and you ask them to play darts you watch them do the numbers on the dart board; you sit them in a classroom and give them a piece of paper and ask them to add up and it is like, mental block, cannot do it. It is just that maybe the 14–19 Diploma is how you teach these young people. Whatever we are doing at the moment is not quite working. Do not get me wrong, I do not have all the answers, but that was just an idea that there must be other ways to excite these people. Of course you can add up, if you give someone short change in a shop a young person will soon tell you whether you have done it or not and yet they cannot add up at school.

**Q846 Chairman:** You seem rather ambivalent about this. On the one hand you, Diane, are describing a business that runs very well, you get people who come in and you make 60% of them complete their apprenticeship. On the other hand you give a picture where the people are coming in, they cannot read, cannot write, cannot do anything.

**Mrs Johnson:** I can give you my opinion because I come from leafy Cheshire where the schools are very good schools, you are looking at the level of employment *et cetera*, but this is not the same. Even though I am here to give you my opinion it would be unfair for me to sit here and say, “This is how the garden is really rosy everywhere”; it is not. In other areas, in the cities *et cetera*, that picture is different. I do not have a problem getting apprentices; I do not have a problem with the level of apprentices that are coming through. I would like some of the others because basically their parents are saying to them they must have a degree. Some employers say to me, “You sit on the Sector Skills Council, whatever, but I am telling you now that when I get a young person come into my work I am struggling to employ them because they do not even have the basic skills”. Because I am here today it would be very remiss of me just to sit here and say that the electro technical industry is fine and dandy; we have problems the same as everybody.

**Q847 Stephen Williams:** We have talked so far in this entire session about the skills of employees; what about the skills of management? Businesses can thrive or fail through many different factors but one of them surely is the quality of management. Is there skills training to get competent finance directors, sales directors and so on?

**Mrs Johnson:** No. I think the management levels in a lot of industries are very poor and they are getting worse because your business leaders are retiring and the people who are below, there is nothing there. This is the plea that I am hearing from businesses that are saying that this is where we need the students that are going to university, the A to C students, who are not coming into the industry. A lot of managers of the future are not attracted into the building services because we are not seen as a sexy industry.

**Q848 Stephen Williams:** So you think that the 43% who are currently going into higher education are not sufficiently attracted to work in a management role in an SME?

**Mrs Johnson:** I do, yes, because they often come out of university and then they start thinking about what they want to do and a lot of them would have been better going through a vocational time and being basically sponsored. A lot of companies will sponsor people to go to university. It is in our interests to get hold of people and move them up the chain because they are our business leaders of the future, they are the new business owners of the future, whereas if they go to university they often take something which is nothing like engineering or whatever and then they come to us at 23/24 and say, “I think I’d like to come into engineering”. Where do we start? That have had loads of funding, they are carrying masses of debt and

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they have taken their degree in something which is alien to our industry and we have to start from square one.

**Mr Finney:** I think it is about management systems, understanding how the business needs to operate as a global entity, not as a global market place but just as an entity in its own right. We talked about having one chess board and we try to juggle the pieces, good management is about good core skills. Good core skills is about not only your education but your life experiences skills. It is both those life experiences skills and a decent education that enables you to become a good manager—whether that is a technical manager, a human resources manager—and to holistically look at your businesses and say what are the best routes for your business to try to craft the right path for the business. The analogies that I give about education have to run deeply through the whole of the business to ensure that there is a common goal for everybody, that there is a driver, that people are inspired to be a part of it. When they are inspired to be a part of—I know this is against tradition—people want to work by choice within an organisation for 20 years—not by no choice but by choice for 20 years—and that crafts their path through some of their working life or maybe even the whole of their working life, maybe that is all they want. Not everybody has to be this upwardly mobile person going from job to job. What does going from job to job create? It creates uncertainty, it creates challenges but some people do not want that, that is well outside their comfort zone. What they actually want is security; they want to feel a part of the team; they want to be driven forward and they want somebody to lead them properly into that future. If they believe in that person they will follow them, no problem at all.

**Q849 Chairman:** I do not think the people working for Cadbury's thought of that until a couple of weeks ago.

**Mrs Johnson:** You look at a lot of people who are in big business now, I have no problem with people going from business to business, that is what makes you a stronger person and I have no problem with that. I think we have somehow, for our industry, for the manufacturing and for building services, to say to people, "You can be a world leader, you can be a market leader, you can own a business, you can achieve great things" but you do not always have to go to university, you can do it by the vocational route all the way up. That would be my plea.

**Q850 Stephen Williams:** I have a final couple of questions on support available to you as entrepreneurs and business leaders. Do you think you get sufficient advice or do you know if there is sufficient advice out there if you want to access it from various agencies, whether it is chambers of commerce, the RDA, the DTI programmes and so on?

**Mrs Johnson:** I have to be honest, for me, as a business, the first port of call for us would be the Electrical Contractors Association which is our trade association. If I need something I can ask them and they will go out and find whatever I need. So for us it

is that. I used to deal with Business Link *et cetera*, there are places if I need to go to, there is back up there, but for me my first place of call would be my trade association.

**Q851 Stephen Williams:** Have you ever had cause to access formal support from various agencies?

**Mrs Johnson:** To be honest, I am trying to think. We actually got some management training because they came to us and said, "Is there somebody in your company—

**Q852 Stephen Williams:** Who is "they"?

**Mrs Johnson:** I am trying to think now. I might have to come back to you on that one because I cannot lie to you, I cannot think what it was called now but it was in Cheshire and there was an organisation where they came to us and we accessed money because our managing director, superb as he is, was not very good on IT skills so as long as we matched the training, in other words we sent him on a two week course and we paid 50% and we got 50% funding. I am always looking at where I can get funding from to be honest, and if we can do we will do. So I have done but I would have to come back to you on where I got it from.

**Q853 Stephen Williams:** Ian, would you just look to the Motor Manufacturers' Association?

**Mr Finney:** I tend to use Business Link but again this is very disjointed. You sat there and mentioned three or four different organisations. You need a gateway; you need to be able to say, "This is my problem, where do I go?" So I need one port of call.

**Q854 Stephen Williams:** You do not feel that there is a one-stop-shop out there for you.

**Mr Finney:** Definitely not. It is too disjointed; there is good and bad everywhere. The mentoring and the guidance that I am talking about, you see good business skills, who mentors me? Who is telling me that this is the right path for my business because this is a path I have never trodden either. I have to come out of my comfort zone in certain circumstances to drive my business forward as well. There is a requirement at all different levels and there is experience out there of a well-trodden path. You ask the cost of real training, look back 20 years and equate the figures because that system was not perfect and we can learn a lot of lessons from it. It was not perfect but fundamentally it had some good grounding, some good grass roots which perhaps traditionally we should start to re-evaluate as SMEs become manufacturing and the demise of large manufacturing has taken place. The point that I am trying to make is that the experience, the loss of skills, is 20 years-old minimum. Unless we address the problems today and foresee and give some vision to our children the skills base will not be there for any sector regardless so you will always be picking from a very low pot. We need the vision to implement the

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change because by the time the people who are now 45/50 leave the industry who is going to teach the children of the future? It is a learning experience all the way through and we need to address it.

**Q855 Stephen Williams:** My final question is on advice but not for you as business leaders, rather for employees or prospective employees whether school leavers or further on in the workforce, do you think there is sufficient advice and guidance for people to find the right employer and access the right training?

**Mrs Johnson:** No. To give you an idea my son is 18 and I went to a talk about where he should go. This was at 16 and his words to me were, "Please, Mother, don't say anything because you're going to embarrass me so whatever's said don't say anything". We stood in a college where a lady from one of the Connexions said, "There are only 56 jobs in Cheshire at this moment in time so I suggest that most of you think about going onto further education" and he said to me, "Don't move, Mother". Nobody had come to me and said, "Are you taking anybody on?" and when I look, especially at building services, you often find that the people who are talking to the youth in schools have never been into industry so how can they advise people on whether to go into the motor industry or whatever if they have no experience of it? It is like me trying to tell somebody how to become a government minister, I would not have a clue, but talk to me about the electrical industry or building services at least I can give them a route through. I think the information our children get is very poor on their choices in future life.

**Q856 Stephen Williams:** What about for adults?

**Mrs Johnson:** I would actually say they could most probably go to their employment centres *et cetera*. I do not know because if I am putting a job out it will go in anywhere in the employment sector. I took a young lady on who works for me who actually had not been in employment for 15 years. She had got married, had four children but unfortunately the marriage failed and she had to stay at home to look after the children. She decided that instead of sitting at home she would go back to college so she started off with a GCSE in mathematics and then took an A level in mathematics. She then thought everybody was using computers so came out with a degree in computing. She tried for 12 months to get a job. I put an advert out because I wanted an administrator. I put this job in the job centre and she came to me and I took her on because she has superb skills, she has responsibility *et cetera* and it has worked out very well. I would say that when they go to job centres they are still told to apply but what sort of information they get as to help I honestly do not know.

**Chairman:** Thank you. It has been an excellent session. The bells have rung so we have run out of time. May I say that I found this—as I am sure the other members of the Committee did—a fascinating session. We have really learned from people very much involved in the process at the sharp end. I think your evidence has been so good I am going to look at the web cam and listen to the recording to pick out some of the high points. I thought you were absolutely fantastic and we have had much better evidence from you than from a lot of professional associations. If we could come back to you if we have queries later on we would be grateful.

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# Written evidence

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## Memorandum submitted by the National Audit Office (NAO)

### ORGANIZATIONS INVOLVED IN DELIVERING THE GOVERNMENT'S SKILLS AGENDA IN ENGLAND

The following five function maps and table represent the functions and relationships of the key organizations in England with a role in delivering the Government's skills agenda. It is important to note that they represent the situation at March 2007 and that this will change with time.

The first map and table present alternative representations of the organizations that are involved in the various partnership arrangements that exist in England. Partnerships have been represented separately because they seek to raise collective action and collaboration and therefore inherently increase the complexity of any attempt to map the roles and relationships of the many organizations that form them.

The remaining maps represent the roles of organizations in relation to four groups of end-users: young people under the age of 19 in education; employees; adults not in work; and the teaching workforce. A single diagram representing all four groups would be very complicated and difficult to understand.

The Department for Education and Skills has reviewed the maps and is in broad agreement as to their accuracy. The Department has commented that some bodies could be said to have an interest in delivery, but are not part of the landscape that the Department has itself put in place. Examples would include the Association of Learning Providers, the Association of School and College Leaders, and the University and College Union.

#### LIMITATIONS

A number of types of organization are not represented:

- offender education institutions;
- Scottish/Welsh/Northern Irish specific institutions;
- business sector specific institutions (eg CITB-ConstructionSkills); and
- organizations involved in education research and policy development.

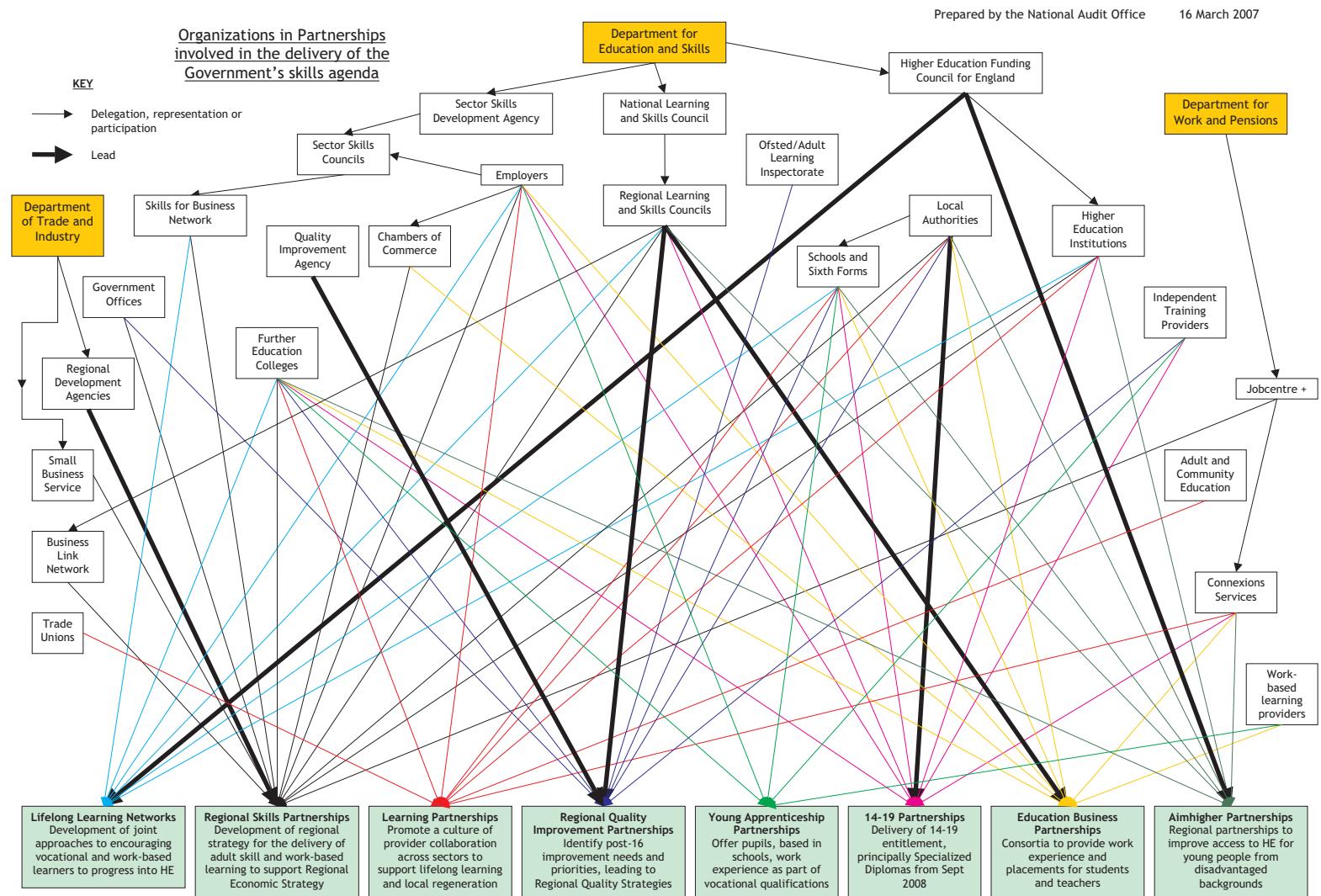
The maps are representations of functional arrangements and relationships and not an analysis of those arrangements.

The maps attempt to balance necessary detail with a summarized overview:

- The five categories of functional relationship are necessarily broad in their meaning, eg inspection/regulation is used to describe the relationship between schools and Ofsted, and also young people and awarding bodies.
- Some organizations will have ranges of functions which are summarized in the diagrams; for example, organizations which primarily represent groups of organization or individuals will generally also provide support to their members.
- In order to keep the number of maps to a reasonable number some represent what might seem odd juxtapositions of institutions and functions, for example, Higher Education Institutions on the "Adults not in work" map.

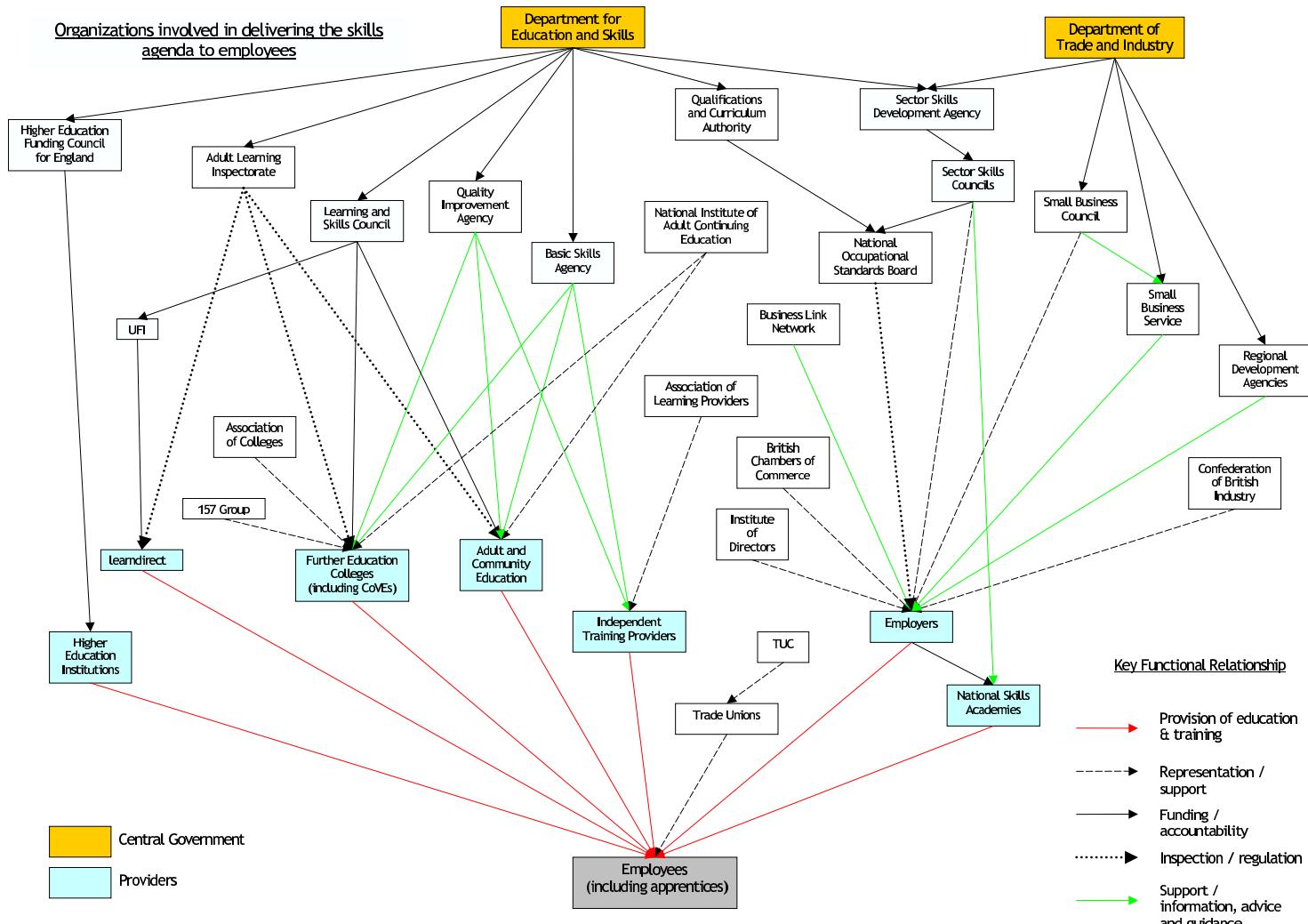
*March 2007*

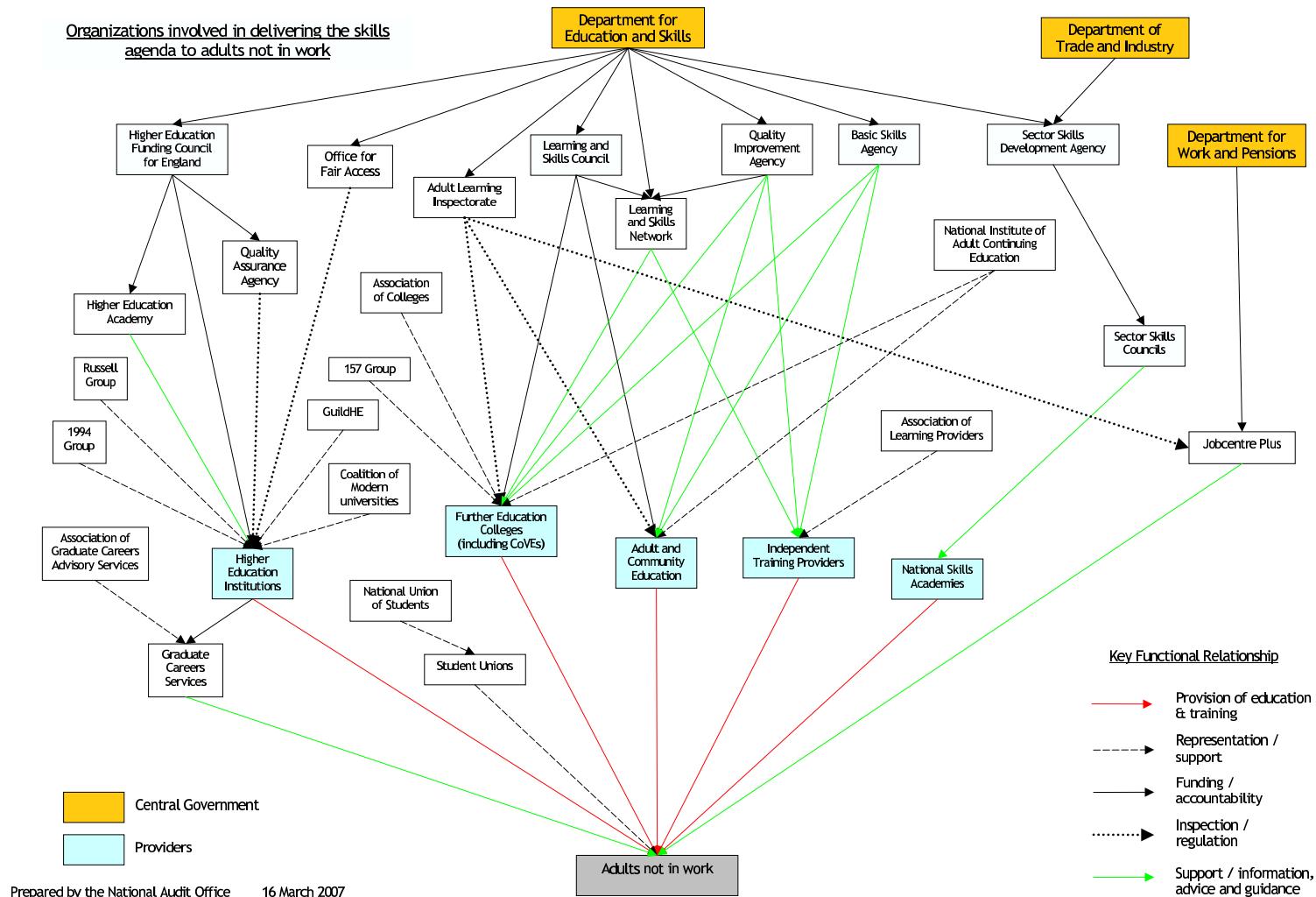
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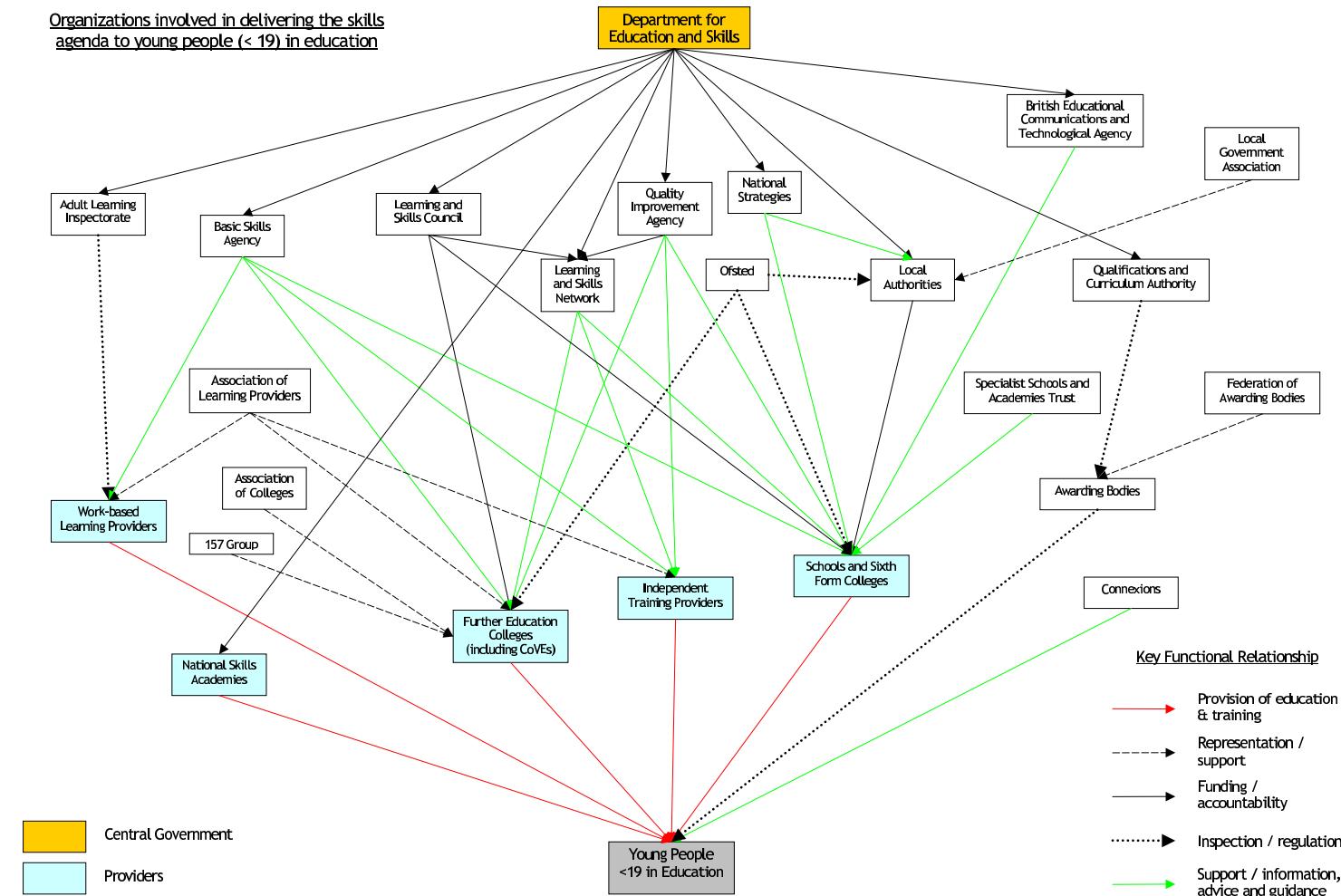


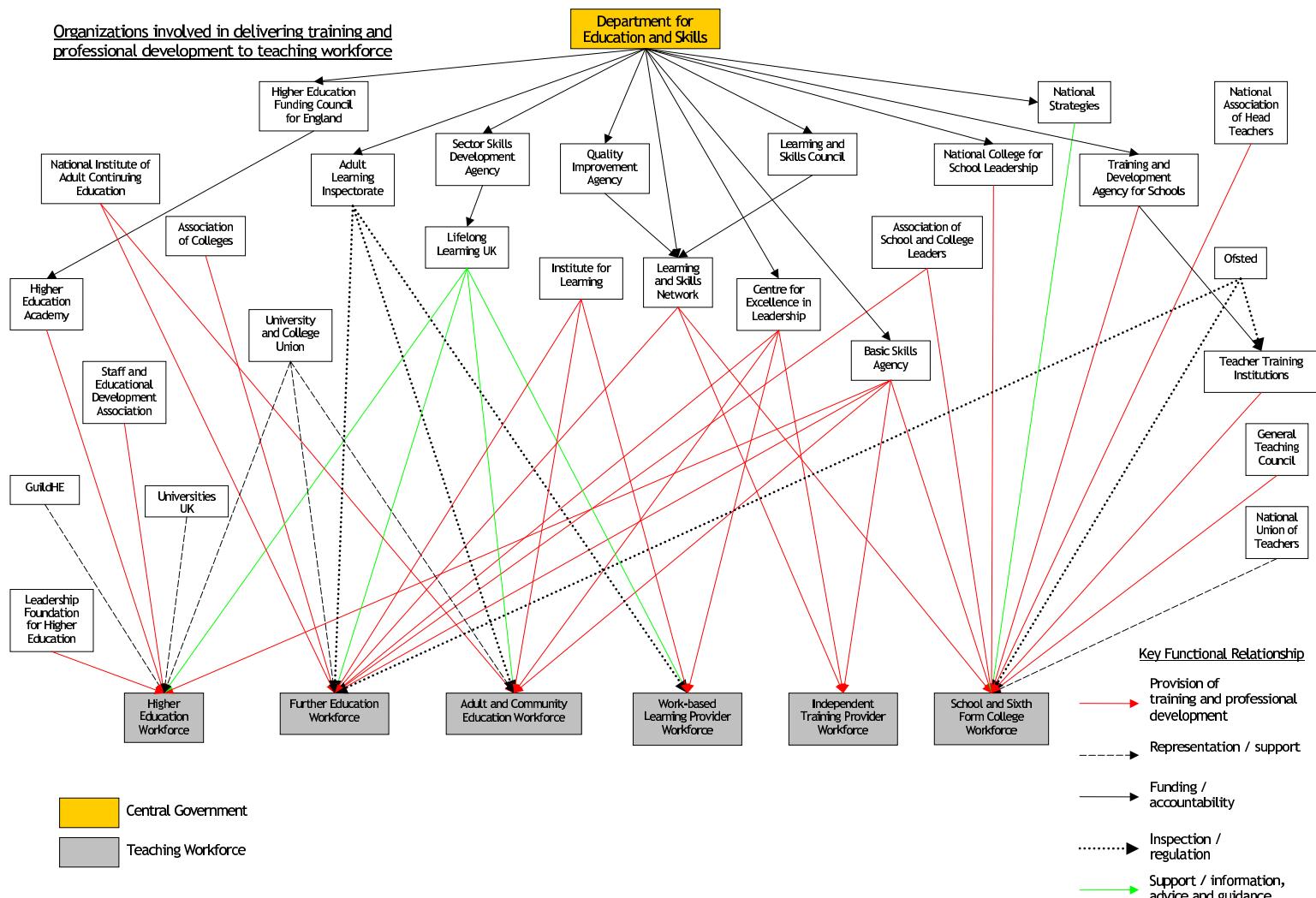
### **Organizations in Partnerships involved in the delivery of the Government's skills agenda**

Prepared by the National Audit Office









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## **Roles and remits of organizations involved in delivering the Government's skills agenda**

### **ADULT LEARNING INSPECTORATE (ALI)**

A non-departmental public body accountable to the Secretary of State for Education. It inspects provision for learners aged 19 and over in FE colleges, those in work based learning from age 16, adult and community learning, UfI learndirect provision, prison education and Job Centre Plus. Its role includes raising standards and quality improvement, promoting good practice, and providing advice to Government, partner organizations and national decision makers. From April 2007 will be merged with Ofsted.

[www.ali.gov.uk](http://www.ali.gov.uk)

### **ASSOCIATION OF COLLEGES (AOC)**

Represents the interests of further education colleges in England and Wales. Provides a broad range of services to its subscribers including consultancy and training services, dissemination of examples of good practice in policies and procedures developed by colleges, and a work shadowing scheme.

[www.aoc.co.uk](http://www.aoc.co.uk)

### **ASSOCIATION OF GRADUATE CAREERS ADVISORY SERVICES (AGCAS)**

The professional association for Higher Education careers practitioners. Its role is to lead and support the delivery of careers services within the HE and related sectors.

[www.agcas.org.uk](http://www.agcas.org.uk)

### **ASSOCIATION OF LEARNING PROVIDERS (ALP)**

Represents independent learning providers throughout the United Kingdom. Its purpose is to influence the education and training agenda to secure a national skills strategy that meets the needs of employers and learners, and a 14–19 learning curriculum where academic and vocational options are equally valued. The majority of its 400 members are private, not-for-profit and voluntary sector training organizations. Membership is open to any provider committed to provision of quality work based learning (WBL) and includes over 50 FE colleges involved in WBL.

[www.learningproviders.org.uk](http://www.learningproviders.org.uk)

### **ASSOCIATION OF SCHOOL AND COLLEGE LEADERS (ASCL)**

A professional association for leaders of secondary schools and colleges. It represents headteachers, principals, deputy and assistant headteachers, vice-principals, and bursars. It provides professional development courses, leadership and management training, consultancy support to schools and colleges, and headteacher induction training.

[www.ascl.org.uk](http://www.ascl.org.uk)

### **BASIC SKILLS AGENCY (BSA)**

A not-for-profit, independent organization, funded by the Department for Education and Skills and the Welsh Assembly Government. It focuses on finding and sharing good practice, and operates six programmes designed to disseminate ideas and innovation in basic skills teaching and learning. It plays a particularly important role in Wales where it is responsible for overseeing the implementation of the Welsh Assembly Governments National Basic Skills Strategy for Wales. It promotes quality standards for schools; family literacy and numeracy programmes; work with voluntary and community organizations; open learning; financial literacy, and workplace basic skills programmes.

[www.basic-skills.co.uk](http://www.basic-skills.co.uk)

### **BRITISH EDUCATIONAL COMMUNICATIONS AND TECHNOLOGICAL AGENCY (BECTA)**

The Government's lead agency in the strategic development and delivery of its Information and Communications Technology (ICT) strategy for education. It works with Government and key agencies to ensure continuity and communication across sectors and across different elements of the strategy, and brokers and manages partnerships to secure coherent delivery. It aims to increase the number of educational organizations making strategic and effective use of ICT in order to improve educational outcomes.

[www.becta.org.uk](http://www.becta.org.uk)

#### **BRITISH CHAMBERS OF COMMERCE (BCC)**

The national body for a network of 60 local Chambers of Commerce, serving individual businesses and the wider business community across the UK. It is a non-political, non-profit making organization, owned and directed by members, democratically accountable to individual businesses of all sizes and sectors throughout the UK. It provides services, information and guidance to members, and representation at senior levels of UK decision-making. The BCC works with Government to shape policy affecting UK businesses and focuses on key areas including international trade, skills development and business services.

[www.chamberonline.co.uk](http://www.chamberonline.co.uk)

#### **BUSINESS LINK NETWORK (BLN)**

A network of not-for-profit organizations operating at a regional level. It offers a support and advice service for small businesses, providing free, impartial and comprehensive advice to businesses to help them start up and grow.

[www.businesslink.gov.uk](http://www.businesslink.gov.uk)

#### **CENTRE FOR EXCELLENCE IN LEADERSHIP (CEL)**

A national agency, CEL's remit is to foster and support leadership improvement, reform, transformation, sustainability and quality improvement in the learning and skills sector. It serves the existing and future leaders of all providers within the further education system, including FE colleges, training and work-based learning providers, adult and community providers, offender learning, specialist colleges and voluntary organizations, through programmes, events, support services and consulting assignments.

[www.centreforexcellence.org.uk](http://www.centreforexcellence.org.uk)

#### **COALITION OF MODERN UNIVERSITIES (CMU)**

Represents post-1992 universities, many of which were formerly colleges and polytechnics, now funded through the Higher Education Funding Councils. It presents a joint approach on issues that particularly affect them due to their history and different patterns of recruitment, curriculum content and structure. Collectively the universities educate more than half a million students, 50% of whom are part-time. It supports targets to widen participation in higher education.

[www.epolitix.com/EN/Forums/Campaigning + for + Mainstream + Universities/home.htm](http://www.epolitix.com/EN/Forums/Campaigning+for+Mainstream+Universities/home.htm)

#### **CONFEDERATION OF BRITISH INDUSTRY (CBI)**

The CBI's mission is to help create and sustain the conditions in which businesses in the UK can compete and prosper for the benefit of all. It works with the UK Government, international legislators and policy-makers to help UK businesses compete effectively.

[www.cbi.org.uk](http://www.cbi.org.uk)

#### **CONNEXIONS**

Connexions is the Government's support service for all young people aged 13–19 in England. It also provides support up to the age of 25 for young people who have learning difficulties or disabilities. The Connexions Service consists of a central unit, the Connexions Service National Unit, based in the Department for Education and Skills, and 47 local partnerships. The nine Government Offices for the Regions monitor and support the Service locally. Connexions provides information, advice, guidance and access to personal development opportunities for young people. It aims to remove barriers to learning and progression, and ensure young people make a smooth transition to adulthood and working life.

[www.connexions.gov.uk](http://www.connexions.gov.uk)

#### **FEDERATION OF AWARDING BODIES (FAB)**

Represents organizations that award vocational qualifications in the UK, initially formed in 2000 by the four largest vocational awarding bodies: City & Guilds; Edexcel; Oxford, Cambridge and RSA Examinations Board; and the London Chamber of Commerce and Industry Examinations Board. In 2001 it was launched as a wider network with 85 members. Its aim is to develop qualification system that meets the differing needs of candidates, employers, education and training providers and awarding bodies as well

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as offering value to funding bodies and taxpayers. Members range from organizations offering vocational qualifications for a particular industry, to larger generic awarding bodies offering vocational qualifications across sectors.

[www.awarding.org.uk](http://www.awarding.org.uk)

#### GENERAL TEACHING COUNCIL (GTC)

The professional body for teaching in England, independent of Government and funded through an annual registration fee payable by registered teachers. Its overall purpose is to help improve standards of teaching and the quality of learning. It maintains a register of qualified teachers in England, regulates the teaching profession and provides advice to Government and other agencies on key issues affecting the quality of teaching and learning. It supports teachers' professional practice, and seeks to help set and maintain high standards of conduct and competence, including by improving the quality of teachers' training and their access to continuing professional learning and development opportunities.

[www.gtce.org.uk](http://www.gtce.org.uk)

#### GOVERNMENT OFFICES (GOs)

The Government Office network assists the Department for Education and Skills to deliver its education and skills strategies. Government Offices work with regional partners, including Learning and Skills Councils and Regional Development Agencies, to implement a range of Government policies including the National Skills Strategy, which seeks to increase the influence of employers and individuals over the supply of skills.

[www.gos.gov.uk](http://www.gos.gov.uk)

#### GUILDHE

Formerly SCOP (Standing Conference of Principals Ltd), represents organizations within the higher education sector. Members comprise higher education colleges, specialist institutions and some universities, which collectively educate around a quarter of a million HE students. It aims to highlight the interests and strengths of its members to Government, agencies, employers, potential students and the wider community, to disseminate good practice, and act as a primary source of professional support to its members.

[www.guildhe.ac.uk](http://www.guildhe.ac.uk)

#### HIGHER EDUCATION ACADEMY (HEA)

An independent organization funded by grants from the four UK higher education funding bodies, subscriptions from higher education institutions and fees from practitioners. It aims to improve the student learning experience in higher education by developing and transferring good teaching and learning. It represents and supports institutions in their strategies for learning, and supports professional development and recognition of staff in higher education.

[www.heacademy.ac.uk](http://www.heacademy.ac.uk)

#### HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND (HEFCE)

A non-departmental public body funded by direct grant from the Department for Education and Skills. Its role is to distribute public money for teaching and research to universities and colleges. It aims to promote high quality education and research, within a financially healthy sector. It plays a key role in securing accountability and promoting good practice.

[www.hefce.ac.uk](http://www.hefce.ac.uk)

#### INSTITUTE FOR LEARNING (IfL)

Professional body for teachers, trainers and student teachers in the learning and skills sector, covering adult and community education, further education and work-based learning. A partner in the reform of the learning and skills sector, IfL will award the "licence to practise" as Qualified Teacher Learning and Skills to all new teachers entering the sector from 2007.

[www.ifl.ac.uk](http://www.ifl.ac.uk)

#### **INSTITUTE OF DIRECTORS (IoD)**

The professional body for business leaders, supporting and representing individual directors from all business sectors for over 100 years. It advances the case for business to Government, the media and other influential areas. It provides information and advice, and runs an extensive range of courses, conferences, seminars, development programmes and services specifically designed by directors for directors.

[www.iod.com](http://www.iod.com)

#### **JOBCENTRE PLUS**

A government agency, part of the Department for Work and Pensions, supporting people of working age from welfare into work, and helping employers to fill their vacancies. It provides help and advice on jobs and training for people who can work and financial help for those who cannot.

[www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk)

#### **LEADERSHIP FOUNDATION FOR HIGHER EDUCATION (LFHE)**

A charity, the Leadership Foundation provides a support and advice service on leadership, governance and management for all the UK's universities and colleges providing higher education. It aims to develop and improve the management and leadership skills of existing and future leaders in higher education. It was established by the UUK and GuildHE and is funded by a combination of programme fees, membership income and funding from the four UK higher education funding bodies.

[www.lfhe.ac.uk](http://www.lfhe.ac.uk)

#### **LEARNDIRECT –see Ufi**

#### **LEARNING AND SKILLS COUNCIL (LSC)**

A non-departmental public body sponsored by the Department for Education and Skills. It operates mainly through its nine regional offices. Its role includes: funding of providers of further education, work based learning, adult education, and schools' 6th forms; strategic planning of provision to meet Government priorities; audit and review against targets and quality standards; funding of programmes such as Train to Gain and Centres of Vocational Excellence.

[www.lsc.gov.uk](http://www.lsc.gov.uk)

#### **LEARNING AND SKILLS NETWORK (LSN)**

A not-for-profit organization offering services to policy makers, practitioners and organizations funding, managing and providing education. It is funded by the Quality Improvement Agency, the Department for Education and Skills and the Learning and Skills Council among others. LSN delivers quality improvement and staff development programmes, and provides research, training and consultancy services directly to schools, colleges and training organizations. It produces a wide variety of publications and runs around 500 events a year, including conferences, training, and opportunities for sharing good practice.

[www.lsneducation.org.uk](http://www.lsneducation.org.uk)

#### **LIFELONG LEARNING UK (LLUK)**

The Sector Skills Council responsible for the professional development of practitioners working in further education; higher education; community learning and development; libraries, archives and information services; and work-based learning. Lifelong Learning UK aims to provide workforce intelligence and information; to build a framework of core standards and credit based qualifications; to promote sector-wide career pathways and progression routes; to improve recruitment and development of the workforce; and to engage employers and stakeholders in boosting the performance of the sector.

[www.lifelonglearninguk.org](http://www.lifelonglearninguk.org)

#### **LOCAL GOVERNMENT ASSOCIATION (LGA)**

A voluntary lobbying organization that promotes the interests of just under 500 English and Welsh local authorities. The LGA exists to promote better local government and a better future for authorities' localities and communities. It works with Government to ensure that the policy, legislative and financial context in which authorities operate supports these objectives. Education policy is a core component of the LGA's work.

[www.lga.gov.uk](http://www.lga.gov.uk)

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#### NATIONAL ASSOCIATION OF HEAD TEACHERS (NAHT)

Represents and supports over 28,000 school and college leaders, covering early years, primary, secondary and special school sectors. It provides information and guidance to assist and support members in carrying out their duties and responsibilities, and services for the professional development of members. NAHT aims to contribute to high standards of teaching and education; for example its Training and Development Programme provides opportunities for leadership development linked to the National Standards for Headteachers.

[www.naht.org.uk](http://www.naht.org.uk)

#### NATIONAL COLLEGE FOR SCHOOL LEADERSHIP (NCSL)

A non-departmental public body of the Department for Education and Skills, which seeks to develop world-class school leaders, system leaders and future leaders. It has four corporate goals: to transform children's achievement and well-being through excellent school leadership; to develop leadership within and beyond the school; to identify and grow tomorrow's leaders; and to create a fit for purpose, national College.

[www.ncsl.org.uk](http://www.ncsl.org.uk)

#### NATIONAL INSTITUTE OF ADULT CONTINUING EDUCATION (ENGLAND AND WALES) (NIACE)

A non-governmental organization to promote the study and general advancement of adult continuing education and support an increase in the total numbers of adults engaged in formal and informal learning in England and Wales. It is a charity funded through individual and corporate membership. It advocates positive action to improve opportunities and widen access to learning opportunities for those communities under-represented in current provision.

[www.niace.org.uk](http://www.niace.org.uk)

#### NATIONAL OCCUPATIONAL STANDARDS BOARD (NOSB)

Led by employers, the NOSB is an independent group whose remit is to set the strategy and oversee the funding of national occupational standards development, including quality assurance arrangements. The board's membership is drawn from the Qualifications and Curriculum Authority (QCA), the Scottish Qualifications Authority (SQA), the Qualifications, Curriculum and Assessment Authority for Wales (ACCAC), the Council for the Curriculum Examinations and Assessment (CCEA), the Sector Skills Development Agency (SSDA) and up to six employer representatives. (National occupational standards are statements of the skills, knowledge and understanding needed in employment and define the outcomes of competent performance covering almost every occupation in the United Kingdom. They are developed by representatives of employment sectors UK-wide and inform the development of vocational qualifications.)

[www.qca.org.uk/2677\\_3327.html](http://www.qca.org.uk/2677_3327.html)

#### NATIONAL SKILLS ACADEMIES

National Skills Academies are employer-led sector-based centres of excellence with national reach delivering vocational education and skills training to young people (16–19-year-olds) and adults. The Department for Education and Skills has not been prescriptive about the form of National Skills Academies, and options include stand-alone new institutions, delivery of training through a network of approved existing training providers (FE, HE, independent training providers), and courses delivered on-line. Employers, working with their Sector Skills Council and other employer organisations, will design the delivery of the training to be provided.

Following two rounds of bids for National Skills Academies (and a third round under way), the Government has approved National Skills Academies for the Construction, Financial Services, Manufacturing, and Food and Drink Manufacturing industries. Bids from the nuclear industry, the chemical industry, the hospitality sector and the creative and cultural industries have been invited to prepare business plans. Employer sponsorship funds about 50% of the capital costs of a National Skills Academy with about 35% from Government and the remainder from other sources such as European funding.

[www.nationalskillsacademy.co.uk](http://www.nationalskillsacademy.co.uk)

#### NATIONAL STRATEGIES

National Strategies is an organization working to Department for Education and Skills, comprising nine regional teams that are taking forward the Government's reform programme for school improvement. Within each region there are school improvement partner co-ordinators for both the primary and secondary phases. National Strategies offers support by providing strategy materials; through consultants or the School Improvement Partners programme; and by taking part in networks organised by Local Authorities.

[www.standards.dfes.gov.uk](http://www.standards.dfes.gov.uk)

#### NATIONAL UNION OF STUDENTS

A voluntary membership organisation comprising a confederation of local student representative organisations in colleges and universities throughout the United Kingdom. With nearly 750 constituent members it represents virtually every college and university in the country. NUS is one of the largest student organisations in the world and represents the interests of around five million students in further and higher education. It provides research, representation, training and expert advice for individual students and students' unions.

[www.nusonline.co.uk](http://www.nusonline.co.uk)

#### NATIONAL UNION OF TEACHERS (NUT)

The NUT is both a professional association and a trade union which campaigns for better schools, more resources, and improved conditions for pupils and teachers. It is committed to the promotion and recognition of the professionalism of teachers and provides training and development courses for members.

[www.teachers.org.uk](http://www.teachers.org.uk)

#### 1994 GROUP

The 1994 Group provides a framework for collaboration between research-intensive universities in the UK. It aims to influence national policy, raise the profile of member universities in global markets, promote the need for research and teaching excellence, and share good practice.

[www.1994group.ac.uk](http://www.1994group.ac.uk)

#### OFFICE FOR FAIR ACCESS (OFFA)

A non-departmental public body funded by and reporting to Department for Education and Skills. It aims to promote and safeguard fair access to higher education for under-represented groups, in light of the introduction of variable tuition fees in 2006–07. Its principal duty is to regulate the charging of variable tuition fees through the approval and monitoring of access agreements. It also has a role in good practice and advice on access to higher education.

[www.offa.org.uk](http://www.offa.org.uk)

#### OFFICE FOR STANDARDS IN EDUCATION (OFSTED)

A non-ministerial government department accountable to Parliament that is formally independent of government, with responsibility for the inspection in England of all schools, nursery schools, local education authorities, teacher training institutions, youth work, 16–19 education and for the regulation of early years' childcare, including child minders. From April 2007 Ofsted's remit expands to include the inspection work of the Adult Learning Inspectorate.

[www.ofsted.gov.uk](http://www.ofsted.gov.uk)

#### 157 GROUP

A representative body, launched in January 2007, comprising 22 of the largest further education colleges in the country, which lobbies for the further education sector. Membership is restricted to colleges with a minimum turnover of £35 million, with a minimum of a grade 2 for leadership and management at their last Ofsted inspection.

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#### QUALIFICATIONS AND CURRICULUM AUTHORITY (QCA)

A non-departmental public body funded by and working closely with the Department for Education and Skills. QCA's responsibilities include: developing and maintaining the national curriculum; regulating the public examination system; development, delivery and administration of high quality national tests; accrediting qualifications within the national qualifications framework; and overseeing the work of the awarding bodies.

[www.qca.org.uk](http://www.qca.org.uk)

#### QUALITY ASSURANCE AGENCY (QAA)

An independent body with a UK-wide remit, funded by subscriptions from universities and colleges of higher education and through contracts with the main higher education funding bodies. It works in partnership with providers and funders of higher education, staff and students in higher education, employers and other stakeholders to: maintain standards of academic awards and the quality of higher education; communicate information on academic standards and quality to inform student choice and employer understanding; and promote a wider understanding of the nature of standards and quality in higher education.

[www.qaa.ac.uk](http://www.qaa.ac.uk)

#### QUALITY IMPROVEMENT AGENCY (QIA)

A non-departmental public body funded by the Department for Education and Skills. Working in the post-16 learning and skills sector, it supports self-improvement and aims to create a strong strategic focus on improving quality. It is responsible for a range of programmes including Support for Success, Skills for Life Quality Initiative, learning and skills Beacon status and the STAR Awards, and the National Teaching and Learning Programme, and it commissions and funds research, programmes and services to support performance improvement and strategic change. From April 2007 it will also be responsible for the Vocational Learning Support programme, 14–19 pathfinders, Key Skills Support and Centres of Vocational Excellence.

[www.qia.org.uk](http://www.qia.org.uk)

#### REGIONAL DEVELOPMENT AGENCIES (RDAs)

Regional Development Agencies are non-departmental public bodies sponsored by the Department of Trade and Industry to be strategic drivers of regional economic development and regeneration. They aim to enable the English regions to improve their competitiveness and reduce the imbalances that exist within and between regions. RDAs work with delivery partners and businesses on regional workforce skills to meet the needs of the regional economy and develop skills action plans to help match skills training to the needs of the labour market.

[www.englandsrdas.com](http://www.englandsrdas.com)

#### RUSSELL GROUP

An association of 20 major research-intensive UK universities. The aims of the Russell Group are to promote the interests of universities in which teaching and learning are undertaken within a culture of research excellence, and to identify and disseminate new thinking and ideas about the organization and management of such institutions.

[www.russellgroup.ac.uk](http://www.russellgroup.ac.uk)

#### SECTOR SKILLS COUNCILS (SSCs)—SKILLS FOR BUSINESS NETWORK (SBN)

Sector Skills Councils are employer-led strategic bodies set up by Government to help raise business performance, meet skill needs and shape relevant learning supply within a given sector of the economy. There are 25 Sector Skills Councils, each representing a sector with a workforce of at least 500,000, and jointly covering around 85% of the UK workforce. They have a key role in National Skills Academies' bids and business plans, co-ordinating employer sponsorship, and working on curriculum content and liaison with learning providers.

[www.ssda.org.uk](http://www.ssda.org.uk) and individual SSC websites

#### **SECTOR SKILLS DEVELOPMENT AGENCY (SSDA)**

A non-departmental public body funded by the Department for Education and Skills, whose role is to underpin and develop Sector Skills Councils (SSCs). It assists employers in sectors bidding to have an SSC; funds, supports and monitors the performance of SSCs; promotes best practice sharing and benchmarking between sectors; and gathers UK labour market intelligence.

[www.ssda.org.uk](http://www.ssda.org.uk)

#### **SMALL BUSINESS COUNCIL (SBC)**

The Small Business Council is a non-departmental public body comprising 19 small business owner managers from all parts of the UK and representing different business sectors. It reports to the Secretary of State for Trade and Industry on the needs of existing and potential small businesses in order to increase their opportunities for success and growth. It advises the Small Business Service (SBS) and reports on the effects on small businesses of the activities and potential activities of Government. The Council works to establish procedures for policy makers always to consult small businesses when proposing a change that will affect them.

[www.smallbusinesscouncil.org](http://www.smallbusinesscouncil.org)

#### **SMALL BUSINESS SERVICE (SBS)**

An agency of the Department of Trade and Industry. Its vision is to make the UK an enterprise society that is the best place in the world to start and grow a business. It aims to increase the number of people, regardless of background, with the desire, skills and opportunity to start a successful business, and support people to grow their businesses. It draws on the knowledge of bodies including the Small Business Council, the Ethnic Minority Business Forum, the Small Business Investment Taskforce, and the Capital for Enterprise Board, and works with membership-based business organizations: the Confederation of British Industry; the Federation of Small Businesses; the Institute of Directors; the British Chambers of Commerce; the Forum of Private Business; and the Social Enterprise Coalition.

[www.sbs.gov.uk](http://www.sbs.gov.uk)

#### **SPECIALIST SCHOOLS AND ACADEMIES TRUST (SSAT)**

By 2008 almost all of England's mainstream secondary schools, and substantial numbers of special schools, will be specialist schools or academies with a specialism. SSAT, part funded by the Department for Education and Skills, delivers the Government's Specialist Schools and Academies programme. The Trust seeks to give more young people access to a good education by building networks, sharing practice and supporting schools. It is at the centre of a growing network of over 2900 schools including primary, secondary, special schools and academies.

[www.specialistschools.org.uk](http://www.specialistschools.org.uk)

#### **STAFF AND EDUCATIONAL DEVELOPMENT ASSOCIATION (SEDA)**

The professional association for staff and educational developers in the UK, promoting innovation and good practice in higher education. SEDA's activities cover four main areas: professional development of staff working in higher education; conferences and events; membership services, such as dissemination of best practice; and publications.

[www.seda.ac.uk](http://www.seda.ac.uk)

#### **TRADES UNION CONGRESS (TUC)**

Consists of 66 affiliated unions representing over six and a half million employees. Through its education wing, Unionlearn, it helps unions become learning organizations, with programmes and strategic support for union representatives and officers. Unionlearn helps unions broker learning opportunities for their members, provides advice services, researches union priorities on learning and skills, identifies and shares good practice, promotes learning agreements, supports union members on learning and skills bodies, and helps shape sector skills agreements.

[www.tuc.org.uk](http://www.tuc.org.uk)

[www.unionlearn.org.uk](http://www.unionlearn.org.uk)

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#### TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS (TDA)

The TDA was formed in September 2005 from the merger of the Teacher Training Agency and the Department's National Remodelling Team. Its remit includes: maintaining demand for initial teacher training from potential recruits through marketing and a teaching information line; inspection of training, accreditation of providers and allocation of training places; funding training for teachers, teaching assistants, school business managers and bursars; and the framework for professional and occupational standards for the school workforce.

[www.tda.gov.uk](http://www.tda.gov.uk)

#### UFI

Created in 1998 and funded by the Learning and Skills Council, Ufi established learndirect, the largest e-learning network of its kind in the world, which has delivered learning to a mass audience (2 million learners since 2000) through a combination of flexibility, accessibility and support. There are three strands of the learndirect service—learndirect courses, learndirect business and learndirect advice. Around 200,000 businesses have used learndirect to improve workforce skills, and over 30 million advice sessions have been provided.

[www.ufi.com](http://www.ufi.com)

#### UNIVERSITIES UK

A charity, Universities UK is the representative body for the executive heads of UK universities. It works to advance the interests of universities and to spread good practice throughout the higher education sector.

[www.universitiesuk.ac.uk](http://www.universitiesuk.ac.uk)

#### UNIVERSITY AND COLLEGE UNION UCU

Formed by the amalgamation of the Association of University Teachers and NATFHE, UCU is the largest trade union and professional association for academics, lecturers, trainers, researchers and academic-related staff working in further and higher education throughout the UK.

[www.ucu.org.uk](http://www.ucu.org.uk)

#### WORK-BASED LEARNING PROVIDERS (WBL)

WBL providers organise placements for school pupils in businesses and bring representatives from business into schools. They seek to improve young people's employability and enterprise skills. They concentrate on showing young people the value of contributing to society and aim to show society the importance of their contribution and continued participation. WBL providers include private sector bodies (Trident-Edexcel) and charitable bodies (Young Enterprise, Businessdynamics).

#### PARTNERSHIPS

##### AIMHIGHER PARTNERSHIPS

The Aimhigher programme aims to improve participation in higher education by raising the awareness, aspirations and attainment of young people from under-represented groups. The programme particularly focuses on young people from disadvantaged social and economic backgrounds, minority ethnic groups and people with disabilities. The programme is managed by the Higher Education and Funding Council for England on behalf of the Learning and Skills Council and Department for Education and Skills. It requires the development of partnerships between schools, colleges and higher education institutions in order to raise aspirations and attainment of young people.

[www.aimhigher.ac.uk](http://www.aimhigher.ac.uk)

#### EDUCATION BUSINESS PARTNERSHIPS (SYNONYMOUS WITH EDUCATION BUSINESS LINK CONSORTIA)

The Learning and Skills Council is responsible for ensuring the provision of education business link activity to young people. Education Business Partnerships work at a local level to: develop and deliver a range of activities which prepare young people for work; raise teacher awareness of the world of work and the work-related curriculum; raise standards of achievement via work-related contexts; support the business community in creating a world class competitive workforce for the future; and promote the benefits of

lifelong learning. Partnerships of employers, local authorities, Connexions Service, work-based learning providers and Chambers of Commerce provide co-ordinated education business links across regions, including Key Stage 4 work experience and professional development placements for teachers.

[www.dfes.gov.uk/ebnet](http://www.dfes.gov.uk/ebnet)

[www.nebnpn.org](http://www.nebnpn.org)

#### 14–19 PARTNERSHIPS

Local 14–19 partnerships are central to the delivery of the 14–19 Education and Skills Reform Programme. Partnerships are necessary because institutions acting on their own will not be able to provide all aspects of the reforms and the full national entitlement, particularly the 14 specialized diplomas. Schools, colleges and training providers will need to work together with local authorities, local Learning and Skills Councils and employers to be able to offer the new entitlement.

[www.dfes.gov.uk/14-19](http://www.dfes.gov.uk/14-19)

#### LEARNING PARTNERSHIPS AND NATIONAL LEARNING PARTNERSHIPS NETWORK (NLPN)

104 Learning Partnerships have been set up since 1999 to promote a culture of collaboration across schools, further education, work-based learning and adult and community learning and to rationalise existing arrangements covering post-16 learning. They are non-statutory, voluntary groupings of learning providers and others such as local government, Connexions, trade unions, employers and faith groups. Many Learning Partnerships exist as the “learning arm” within Local Strategic Partnerships where these operate. Learning Partnerships promote provider collaboration in support of lifelong learning; and maximise the contribution of learning to local regeneration. Learning Partnerships are involved in 14–19 proposals and initiatives around Basic Skills, workforce development, ICT and progression into higher education.

The National Learning Partnerships Network represents the 104 local Learning Partnerships and 9 regional networks.

[www.lifelonglearning.co.uk/lhp](http://www.lifelonglearning.co.uk/lhp)

#### LIFELONG LEARNING NETWORKS

Lifelong Learning Networks are partnerships of higher education institutions, further education colleges, sixth-form colleges, regional Learning and Skills Councils, Regional Development Agencies, the Sector Skills Development Agency and employers. They focus on progression into and through vocational education and higher education. They aim to create new learning opportunities; forge agreement across institutions on how qualifications are valued; and produce publicity to help people understand how they can progress through the system. Networks aim to clarify existing progression opportunities and engage in collaborative curriculum development in order to meet the needs of the vocational learner.

[www.lifelonglearningnetworks.org.uk](http://www.lifelonglearningnetworks.org.uk)

#### REGIONAL QUALITY IMPROVEMENT PARTNERSHIPS

Regional Quality Improvement Partnerships identify the improvement needs and priorities of each region, and produce Regional Quality Strategies for the post-16 learning and skills sector. They are led by the Learning and Skills Council and core members are colleges, education and training organizations, the Quality Improvement Agency, the Inspectorates and regional Government Offices. The partnerships build on existing regional arrangements and link up with other regional groups focusing on skills, 14–19 learning, post-16 teacher training and workforce development. Quality Improvement Agency strategic partnership managers work with the partnerships to make sure that regional priorities are reflected in the agency’s strategy and work programme.

[www.qia.org.uk/aboutus/regionalqualityimprovement.html](http://www.qia.org.uk/aboutus/regionalqualityimprovement.html)

#### REGIONAL SKILLS PARTNERSHIPS

The National Skills Strategy “Realizing Our Potential” (July 2003) invited each Regional Development Agency (RDA) to lead on the establishment of Regional Skills Partnerships (RSPs). These partnerships bring together the RDAs, Learning and Skills Council, Jobcentre Plus, with other regional partners. Their remit is to agree on how the delivery of adult skills, workforce development, business support and labour market services can be made mutually reinforcing in providing the best support for Regional Economic Strategies. They seek to put employers at the centre in determining the skills needed to achieve a productive economy, while helping individuals gain the skills they need to be employed in the region.

[www.dfes.gov.uk/skillsstrategy/](http://www.dfes.gov.uk/skillsstrategy/)

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#### **21ST CENTURY LEARNING ALLIANCE [NOT ON PARTNERSHIPS DIAGRAM]**

The 21st Century Learning Alliance was founded in January 2007 by key national organizations involved in education including Becta, the National College for School Leadership, Ofsted, Partnerships for Schools, the Qualifications and Curriculum Authority, the Specialist Schools and Academies Trust, and the Training and Development Agency for Schools. It brings together industry, government and teachers and aims to: find and publish best and innovative practice, especially in the strategic use of technology; create a support network of teachers and senior managers; develop and respond to a sophisticated understanding of schools' and learners' needs for technology in support of learning; and challenge industry to bring to market innovations that support 21st century learning.

[www.21stcenturylearningalliance.com](http://www.21stcenturylearningalliance.com)

#### **YOUNG APPRENTICESHIP PARTNERSHIPS**

The Young Apprenticeship (YA) programme allows motivated and able pupils to study for vocational qualifications. They offer pupils the chance to gain a taste of real work and lay the foundations for a post-16 Apprenticeship, while retaining the full range of progression options for future training or study. Pupils are based in school, and follow the core National Curriculum subjects, but for two days a week they work towards nationally recognised vocational qualifications delivered by their local YA Partnership. The Partnerships which deliver YAs are tailored to local circumstances, and include schools, colleges, training providers and employers. Each Partnership aims to provide pupils with an enriching range of learning experiences (including 50 days' work experience over the two years of the programme) and forms a support network for learners, teachers and employers.

[www.vocationallearning.org.uk/YoungApprenticeships](http://www.vocationallearning.org.uk/YoungApprenticeships)

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#### **Memorandum submitted by the Department for Education and Skills (DfES)**

##### **PURPOSE**

1. The first part of this memorandum is an initial response to the Education and Skills Committee's decision to undertake an inquiry into Post-16 Skills Training. Given the timing of the inquiry, coming so soon after the publication of Lord Leitch's final report, this document does not attempt to cover in detail the ramifications of the Leitch Review. Instead, it gives an overview of current strategy, our progress to date and an initial assessment of the significance of Leitch.
2. The Government warmly welcomes the Leitch Final Report and the unprecedented opportunity it represents to bring about a cultural change in the nation's attitudes to skills and a step-change in the level of investment in skills by various parties.
3. We will now work closely with stakeholders to consider how to take forward the package Leitch has recommended, before finalising the Government's response and publishing an implementation plan, linked to the Comprehensive Spending Review.
4. We stand ready to discuss any of these issues further with the Committee and supply further detailed evidence as necessary in the course of the enquiry. In particular, we will share further thinking with the Committee on how Lord Leitch's recommendations can best be integrated with existing policy delivery on Skills to maximise the whole-system change which is needed to be world-class in skills by 2020.

##### **INTRODUCTION**

5. Skills serve the twin goals of social justice and economic success—they help businesses to create wealth and people to realise their potential. Our world is changing. Where there used to be the notion of a “job for life”, there is now the certainty that for most people, careers will range widely and the ability to change and be flexible will make for success. We need to equip people to be “employable for life”. Skills are at the heart of this, enabling people to take on new roles, and adapt to new circumstances.
6. The world is changing for businesses as well. As a nation, we will not achieve the standards of living and the quality of public services that we all want if we compete on the basis of low value added goods and services. To improve our productivity, we must close the skills gap. If businesses are to move up the value chain, become more profitable, and pay higher wages, they must be able to recruit people with the skills and qualifications to succeed in a knowledge-intensive, technology-rich, globally competitive environment.

7. We need to close the skills gap at all levels to keep pace with the challenge of globalisation. We already lag behind our competitors on basic and intermediate skills levels, on the proportion of our workforce with low or no skills, and the numbers of young people leaving education with few or no qualifications. We are determined to see a step change in skill levels in the workforce so that we keep pace and more with our international competitors.

As Lord Leitch has shown in his review of skills, simply achieving our current targets will not be enough.

#### *Our aims*

8. We have published two Skills Strategy White Papers: *21st Century Skills*, published in July 2003; and *Skills: Getting on in business, getting on at work*, published in March 2005. The White Papers set out the same twin aims:

- To ensure individuals have the skills they need to be both employable and personally fulfilled.
- To ensure employers have the right skills to support the success of their businesses.

9. The White Papers set out our plans for the wholesale reform of the adult skills system to deliver a reshaped training system, where design and delivery of adult training is driven by the needs and aspirations of employers and individuals, and where England is a world leader in Skills. For employers this will mean that their needs drive the way adult learning is delivered, and that their skills priorities will shape decisions on training supply. Individuals will find it easier to climb up the skills ladder, with a clear progression structure which develops the right skills at the right levels, and with improved information and guidance to make it easier for individuals to make informed choices.

10. The Skills Strategy White Papers focus on the demand side of the skills system, but reform of the supply side is vital too. The White Paper *Further Education: Raising Skills, Improving Life Chances*, published in March 2006, has introduced a major programme of reform across the learning and skills sector. The reforms are designed to raise standards, to give FE a clear economic mission and to give employers and learners a stronger influence. They will ensure that learners are equipped with high quality skills for productive, sustainable employment and personal fulfilment; and they will ensure that employers have the right skills for their business to succeed in a competitive global economy.

11. To underpin all of these reforms, we are also reforming the qualifications system. We are working with employers and key partners to rationalise vocational qualifications and to develop new qualifications that meet the needs of employers and are valued and understood by learners.

12. We have made considerable progress towards our targets, but Lord Leitch's final report shows us that considerable challenges remain, and that we need to go further and faster with our reforms if we are to realise the ambition of being a world leader in skills by 2020.

#### *Meeting the Skills needs of Individuals*

13. We have given top priority to providing more help to those with low or no skills and qualifications to improve their employability and access to further learning. We are on course for meeting the 2007 target of improving the basic skills of 1.5 million adults. The interim Level 2 milestone of having one million more adults in the workforce with Level 2 by 2006, has been met six months early. The proportion of adults in the workforce with at least this level of qualification has risen by 12% to around 73%.

14. On top of the existing entitlement to free tuition for people learning basic skills, from September 2006 we have implemented a national entitlement to free tuition for all adults seeking their first Level 2 qualification. The Level 2 entitlement plays a key role in tackling low skills and ensuring all adults have the basic skills for employability and a platform for progression to higher levels of training.

15. We recognise that we need to do more to help those young adults who have not achieved a Level 3 qualification by the time they reach 19. From September 2007 we are introducing a new entitlement to free tuition to help young adults (19–25-year-olds) gain a first full Level 3 qualification. This will help us to tackle an area of particular weakness in skills development in this country. At present there is a sharp divide at the age of 19—up until that age, every young person who wants to participate in education and training, full time or part time, is guaranteed free access. And beyond 19, there is a clear, well-understood pathway for young people who have achieved a Level 3 qualification and want to progress into HE. But for those who do not get to Level 3 and go on to HE, the options for continuing in their late teens and early twenties can be less clear.

16. This new entitlement will give many more young adults an opportunity to prepare themselves for success in life through the education and training system. It will improve our skills base and help us to close the gap between qualification levels in this country and abroad, which opens up in this age group. To support the introduction of this new entitlement, we will expect all Sector Qualifications Strategies to identify the full Level 3 programmes that employers in that sector judge most valuable, so that we can inform and advise learners accordingly.

17. The LSC is currently carrying out regional trials of a means tested Adult Learning Grant. This typically provides up to £30 per week for disadvantaged adult learners studying full-time for a first full level 2 or first full Level 3 qualification. Evidence so far shows that the grant is particularly valuable for young people in their early twenties studying for their first Level 3 qualifications, in many cases working part time and living with their parents. The grant will be rolled out nationally in September 2007.

18. From autumn 2007 we will trial in a small number of areas a new type of Learner Account which will help to provide better information and choice for all adult learners at Level 3. In the trials of Adult Learner Accounts, all our support for 19–25-year-old learners will be brought together through the account mechanism. In the pilot areas, both fee remission and the Adult Learning Grant will be paid through the account.

19. A trial of an extended Ufi/learndirect call centre service began on 2 January 2006 and will run until June 2007. The service is a one-stop telephone and on-line advice service in January 2006, helping adults make decisions about their careers and training needs. It is primarily aimed at those seeking their first Level 3 qualification or looking to return to work after a career break. Some 64,000 people have used the telephone guidance service in the first nine months of operation, putting the service comfortably on track to meet its annual target of 70,000 users. A review of Adult Information, Advice and Guidance services will report to Ministers at the end of 2006.

20. The New Deal for Skills has been developed to help people from welfare to work, working with people for whom low skills or an inability to apply their skills is a barrier to entering employment. A Skills Coaching service is being piloted in 19 JCP districts. The Adult Learning Option (ALO) pilot commenced in five JCP districts in September. The ALO offers full-time training for benefit recipients with qualifications below Level 2, and includes a training allowance which does not affect their benefits.

#### *Meeting the Skills Needs of Employers:*

21. We are developing a new “demand-led” approach to delivering skills for business success, where employers’ needs drive the way adult learning is delivered, and their skills priorities will shape decisions on training supply.

22. We have put employers in the driving seat of training and skills development. The Train to Gain service is now operational across England, after being rolled-out nationally in August 2006. Train to Gain offers employers fully subsidised training for low skilled employees up to a first full Level 2 qualification and support for progression to Level 3, allowing employers to shape the design and delivery of training. When fully operational Train to Gain will be delivering 175,000 first full Level 2 Qualifications per year; from 350,000 employees per year; in 50,000 employers per year. By the end of 2010 we expect that over 500,000 learners will have achieved a first full Level 2 Qualification through Train to Gain. Early feedback shows that between April and September, 89% of employers stated they were satisfied with the service provided.

23. From August 2006 two Level 3 Train to Gain trials have been operating, in the North West and West Midlands regions. They offer businesses with less than 250 employees a subsidy for employees to achieve a first full Level 3 qualification through Train to Gain. A third Level 3 Trial within Train to Gain is taking place in London from September 2006, targeting women and ethnic minority women in occupational areas where they are under-represented at Level 3 to encourage them to progress.

24. Three Higher Education (HE) Train to Gain pathfinders are being introduced by HEFCE (Higher Education Funding Council for England) in the North East, North West and South West.

25. All twenty five Sector Skills Councils (SSCs), making up the Skills for Business Network, are now in place. SSCs provide a voice for employers to have their say in identifying skills priorities and the training and qualifications needed for their sector. Ten Sector Skills Agreements (SSAs) have been developed and a further 15 are in development. SSAs provide the framework for Sector Skills Councils to work with employers in their sectors, with key delivery agencies and with Government to address priority skills issues in their sectors. The agreements are a key mechanism for articulating skills demand and underpin the move to a more demand-led system of education and training as set out in the Skills Strategy.

26. There are now over 14,000 Union Learning Representatives to raise the demand for learning in the workplace, especially amongst workers with low skills. The new union academy commenced operations on 1 April and was successfully launched by the TUC as unionlearn on 2 May.

27. We are developing world class expertise in vocational learning, driven by the needs of employers. We now have a network of 403 Centres of Vocational Excellence (CoVEs) in place. A new standard for excellence in employer responsiveness is being tested and will be rolled out on a sector by sector basis from Feb 2007.

28. We are developing a network of National Skills Academies (NSAs). NSAs are employer-led, sector based national centres of excellence and build on the excellence developed through the network of CoVEs. The first three NSAs were launched on 31 October, in the Financial Services, Construction, and

Manufacturing sectors. A fourth NSA in the Food and Drink sector is in the advanced stages of business planning. Four other sectors have successfully applied to be part of the National Skills Academy programme in a second round. Our aim is to have twelve NSAs operational by 2008.

#### *The Supply Side*

29. We are also reforming the supply side. The White Paper *Further Education: Raising Skills, Improving Life Chances*, published in March 2006, set out a comprehensive and ambitious programme of reform for the learning and skills sector. The White Paper includes provision to drive up the quality of teaching and make the sector more responsive to the skills needs of employers.

30. The FE White Paper confirms the new economic mission for FE, with a central purpose to equip young people and adults with the skills for productive and rewarding employment in a modern economy.

31. The FE Bill was introduced on 20 November to implement relevant aspects of the White Paper. The Bill provides for a step change in further education by establishing arrangements to ensure that all further education provision is good or improving. It will make sure the FE system is fit and ready to respond to the challenge articulated by Lord Leitch so that we improve our position in the international skills rankings.

32. Providers will be encouraged to specialise in order to supply world class services with world class facilities, and will be challenged to demonstrate responsiveness to employer and learner needs; employers and learners will be given a greater say in the provision of education and training. High performing colleges will be given new freedoms and there will be tougher and speedier intervention to combat poor performance. There will be less bureaucracy and regulation, and increased contestability providing opportunities for new high quality providers to enter the system to bring innovation and drive up quality and for existing providers with a strong track record to expand.

#### *Funding for Further Education*

33. Public funding alone cannot and should not pay for all the training necessary in a competitive economy. Government must focus public funding on those who need it most. Employers and individuals also benefit and need to contribute more to meeting the costs. There has to be a new balance of responsibilities between Government, employers and learners. The FE White Paper announced that from 2007–08 the national learner fee contribution will rise to 37.5% from 27.5% in 2005–06. The assumed national fee contribution for learners will be 50% by 2010. The FE White Paper announced a commitment to make the majority of funding for adult skills demand led. The LSC will shortly be issuing a consultation document on a possible demand led system which incorporates light touch planning.

#### *Qualification Reform*

34. We are working with key partners to rationalise and reform vocational qualifications. The nature of the qualifications structure within the UK will be revolutionised by introducing a simple framework that is underpinned by a credit system that allows credit accumulation and transfer to support learner and employer needs. Tests of the new qualification and credit framework started in September 2006 and, if the trials are successful, the framework will be implemented on a phased basis from 2008 onwards.

35. Seven SSCs are piloting Sector Qualification Strategies (SQS). SQS will rationalise the current array of qualifications and provide a clear ladder of progression within a simple unitised qualification structure for, and developed by, the industry. The pilots start in 2006 and it is expected that all SSCs will have developed SQS by the end of 2007.

36. Foundation Degrees are being developed and delivered by Universities and Further Education Colleges in partnership with employers. We are well on the way to having over 50,000 Foundation Degree places available for students by the end of the year.

37. We are developing the Foundation Learning Tier (FLT) as a coherent framework of units and qualifications to replace and rationalise the current complex range of provision and qualifications below Level 2. As resources allow, we will extend the entitlement for 19–25-year-olds to FLT programmes which most effectively support progression to Level 2 and beyond.

38. The number of young people participating in Apprenticeships is at a record level with more than a quarter of a million now (up from 75,000 in 1997); completion rates are continuing to improve (currently in excess of 50%) and there are around 130,000 employers involved nationally. We are developing an entitlement to funding for an apprenticeship place for all school leavers who meet the entry criteria. The entitlement will apply from 2013 (expansion of places from 2008) in line with the entitlement to study any one of the 14 Diplomas.

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### *Skills Competitions and WorldSkills 2011*

39. Skills competitions are a means of benchmarking and raising skills standards. They challenge young people, teachers, trainers and employers to achieve world-class standards of competence in commerce, services and industry, and help improve motivation for employees to achieve higher skill levels and enhance their career prospects. The FE White Paper expressed our commitment to find ways to draw together the array of skills competitions into a single framework building up from local to international level, giving skills achievements a higher public profile. The successful UK bid to host WorldSkills 2011 presents a unique opportunity for Government, business and the education sector working closely together to raise the status of skills and vocational education dramatically and to inspire a new generation of youngsters to take up good careers in all sectors of the economy. It will re-energise skills competitions in every sector of the economy. With London also hosting the 2012 Olympics, we have the opportunity to link world class achievement in skills with world class performance in sport—to get young people interested and excited about vocational skills through a medium they understand. It also provides an opportunity to showcase the many skills needed to prepare a city and its games venues.

### *The 2012 Olympics*

40. Through the Games, we hope to raise aspirations to achieve and to inspire young people and adults to go further in skills training. The Games will create a demand across sectors for different skills which will drive up investment in developing workforce skills. The recently announced Skills Academy proposals from ConstructionSkills have already identified two programmes which will be developed in East London to boost the supply of skilled people in this area. Working with partners, we will ensure that the significant skills opportunities—in construction, hospitality, leisure and tourism—are fully exploited in a way that leaves a nationwide legacy that is felt outside of London.

41. These objectives will be achieved through a range of activities, lead by a range of existing delivery partners, and include activities such as a volunteer strategy to help equip people with relevant skills and qualifications to work and progress in the open economy; involving employers with the design, build and delivery of the Games to ensure that the required workforce will be available to deliver the Games on time and on budget; and the Regions, through the drive and active involvement of the Regional Skills Partnerships and Regional Development Agencies, are developing their own strategies to maximise the impact of the Games.

### *The challenge of Leitch*

42. Lord Leitch's final report *Prosperity for all in the global economy—world class skills* sets out the scale of the challenge ahead if the UK is to be a world leader on skills by 2020. The report tells us that:

- The UK has a strong economy and employment levels but productivity lags behind our competitors, and poor skills are a key contributor to this problem.
- The UK skills profile has improved over the last decade and that trend will continue.
- Despite these improvements, the UK does not have a world class skills base:
  - Over one third of adults in the UK do not possess a basic school-leaving qualification—double the proportion in Canada and Germany;
  - Five million people have no qualifications at all; and,
  - One in six does not have basic literacy skills, and half do not have basic numeracy skills.
- Analysis in the Interim Report of the Review said that:
  - By 2015, China is likely to have become the third largest economy in the world—after the USA and Japan—contributing 19% of global output.
  - 70% of the working age population in 2020 have already completed their compulsory school education.
  - Half of the working age population in 2020 is already over the age of 25.
  - By 2020, there will be 3.5 million more people in the working age population, and the population will have aged significantly. By 2020, 30% of the working age population will be over 50, compared with 25% today.
- If all current targets are met:
  - By 2020, the proportion of working age adults without any qualifications will fall to 4%.
  - The proportion without Level 2 qualifications will fall from 31% today to 16% in 2020.
  - The proportion holding a degree or better would increase from 27% to 37% of the working age population

- Significant problems would remain:
    - At least 4 million adults would not possess basic literacy skills.
    - At least 12 million would not possess basic numeracy skills.
    - 6.5 million would not possess Level 2 qualifications.
43. In his final report, Leitch recommends that the UK should aim to be a world leader on skills by 2020, in the upper quartile of OECD countries. Leitch offers us a vision for a UK with world class skills, where higher skill levels are driving higher productivity, economic success and social mobility. Most of the 2020 workforce has already left school, so we need an adult skills revolution to drive us towards this vision. The report makes a number of recommendations for how that vision should be delivered:
- The UK should commit to becoming a world leader in skills by 2020, benchmarked against the upper quartile of OECD. This means, by 2020: 95% of adults achieving functional literacy and numeracy; exceeding 90% of the adult population qualified to at least Level 2, with a commitment to reaching 95% as soon as possible; shifting the balance of intermediate skills from Level 2 to Level 3, with 1.9 million additional Level 3 attainments over the period to 2020; and boosting the number of Apprenticeships to 500,000 a year; and, exceeding 40% of the adult population qualified to Level 4 or above, with a commitment to continue progression.
  - Once Diplomas are successfully delivered, with rising participation at age 17 and significant improvement in the OECD rankings, Government should implement a change in the law, so that all young people must remain in full or part-time education or workplace training up to the age of 18.
  - Consider creating a new entitlement so that every young person with the right qualifications should be able to take up an Apprenticeship place.
  - The route all public funding for adult vocational skills in England, apart from community learning, through Train to Gain and Learner Accounts by 2010.
  - Rationalise existing bodies, strengthen the collective voice and better articulate employer views on skills by creating a new Commission for Employment and Skills, accountable to national Governments.
  - Reform, re-license, and empower Sector Skills Councils to: lead qualifications reform; collate and communicate sector labour market data; raise employer engagement, demand and investment; and, consider the introduction of collective measures such as levies or licences to practise
  - Deliver more economically valuable skills by allowing public funding for vocational qualifications where the content has been approved by SSCs.
  - Launch a new “Pledge” for employers to voluntarily commit to train all eligible employees up to Level 2 in the workplace, with Government support through Train to Gain.
  - In 2010, review progress of employer delivery. If the improvement rate is insufficient, introduce a statutory entitlement to workplace training at Level 2 in consultation with employers and unions.
  - Increase employer investment in Level 3 and 4 qualifications in the workplace. Extend Train to Gain to higher levels.
  - Increase people’s aspirations and awareness of the value of skills to them and their families. Create high profile, sustained awareness programmes.
  - Rationalise existing fragmented “information silos” and develop a new universal adult careers service.
  - Create a new integrated employment and skills service.
  - Launch a new programme to improve basic skills for those out of work, embedding this support for disadvantaged people and repeat claimants.
  - Develop a network of Employment and Skills Boards, building on current models, to influence delivery.
44. We welcome the report and the unprecedented opportunity it represents to bring about a cultural change in the nation’s attitudes to skills. We will now work closely with a range of stakeholders to consider how to take forward the package Leitch has recommended, before finalising the Government’s response and publishing an implementation plan, linked to the Comprehensive Spending Review.

*January 2007*

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#### **Memorandum submitted by the Accountancy Occupational Standards Group (AOSG)**

1. The Accountancy Occupational Standards Group (AOSG) is the recognised standards-setting body for accountancy and related occupations. The Group’s Board comprises representatives of relevant chartered bodies, employers and independent specialists.

2. AOSG has sought merger with the Financial Services Skills Council (FSSC). FSSC has not to date agreed to such an arrangement. AOSG, therefore, will continue to maintain national occupational standards, collaborating with FSSC and other partners to support high-quality education, training and qualifications for the sector.

3. AOSG is pleased to submit observations on particular matters raised by the Select Committee in relation to its new inquiries.

#### POST-16 SKILLS TRAINING

*Do employers feel closely involved with the design of qualifications?*

4. Qualifications design is a technical and time-consuming business. Few employers have the time or expertise to contribute systematically. National occupational standards provide one mechanism for engagement, since employers can identify relevant competences and others can express these in terms of standards that provide the template for qualifications. We would wish to see more tangible recognition by government and employer organisations of the value of standards and a greater commitment to contribute to their development.

5. Better mechanisms are needed to keep the standards manageable and up-to-date. Responsible sector bodies, professional institutes and awarding bodies should also work in partnership to monitor employer response and inform a continuing process of improvement. Case studies of successful practice should be disseminated energetically by the Sector Skills Development Agency (SSDA).

*What should apprenticeships look like? How close are they currently?*

6. The success of apprenticeships varies enormously across employment sectors. In some fields (accounting, for example) apprenticeship programmes have proved attractive to learners and employers, linking well with induction and development at work and fostering the skills -specialist and generic—that businesses and employees need to progress.

7. Notwithstanding several government-initiated reports, there has been no systematic review of the key features that characterise successful and less-successful apprenticeship programmes. Such analysis would not generate a universally-applicable model, but it could provide a better idea of design aspects that work well and might be adapted to wider use. We commend such an initiative.

*Do qualifications that are currently available make sense to employers?*

8. Some do and some do not. Without a major shift from the current market in qualifications—unlikely in today's political climate—there is little prospect of significant rationalisation. Given a regulatory approach that promotes quality, innovation and responsiveness to user needs, the system nevertheless has the potential to serve employers well.

*Is the Qualifications and Credit Framework rationalising the system?*

9. The Qualifications and Credit Framework does not yet exist. It is unlikely to produce a more rationale system, though it may have other advantages. There is rhetoric but no firm evidence that the assignment of credit values to units and whole qualifications will add significant flexibility to that already offered by units. It will, however, consume resources and energy that might be better spent monitoring and responding to the engagement of employers, learners and other users.

#### 14–19 SPECIALISED DIPLOMAS

*What progress has been made on the development of diplomas to date?*

*What role have employers and sector skills councils played?*

*Is there a case for a stronger coordinating role for one of the agencies?*

10. The fundamental problem with a qualification that seeks to blend depth and breadth is the large number of interest groups that must be engaged and satisfied. Our perception to date is that this difficult partnership is not being achieved. Sector Skills Councils are not always engaging successfully the right interest groups, nor building customer commitment to the eventual product.

11. A central reason for the uncertainty that pervades the development is the welter of national bodies involved. Since the product is to be an accredited qualification, the regulatory authorities should set national parameters and SSDA should manage development partnerships of SSCs, SSBs, employers, professional institutes and awarding bodies.

*Is there a clear system of accrediting and awarding?*

12. No clear system of awarding appears yet to exist. The Diploma concept is problematic in awarding terms, since without a concerted attempt to win the hearts and minds of users, there will be differential regard for the constituent elements and this will undermine the overall product.

*January 2007*

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**Memorandum submitted by The Age and Employment Network (TAEN) and Help the Aged**

*TAEN—The Age and Employment Network* whose mission is to help create an effective job market which works for people in mid and later life, for employers and for the economy and

*Help the Aged* which is committed to a future where older people are free from the disadvantages of poverty, neglect and isolation.

TAEN is a network of 250 member organisations who represent the leading experience on age and employment, guidance and learning. TAEN participates in a wide range of Government advisory groups and in regional and local projects.

Help the Aged plays a major role in all public policy issues affecting the lives of older people. Help the Aged sponsors TAEN because what happens to people in mid life has a major impact on well-being in old age.

**INTRODUCTION**

1. Since the publication on 30 November of the Select Committee's terms of reference for the Inquiry the Leitch Report has been published. It sets out the goals for national skills strategy, defined by more ambitious targets for qualifications and a more highly skilled workforce. They are goals that have been stated many times before but which have so far eluded us all. Fundamentally they require:

- 1.1 Dedication, resources and time from employers, large and small, to the skills of all their workforce, whatever the occupation or sector. This has not existed in the past.
  - 1.2 Recognition and action by all the population, not just those with positive experiences of education, on the opportunities of learning and qualifications. This does not exist today.
  - 1.3 Resources for those who cannot afford to take the opportunities.
  - 1.4 Learning methods, processes and "qualifications" (in the widest sense of the term) which are meaningful and stimulate 1. and 2. above to happen.
2. The Leitch Report essentially addresses No 4, concluding that it is the "system" that has failed us and can now be changed to deliver the goals described in the Report. It did not set out an implementation plan. At Annex 1 is a list of what has to happen to implement the proposals.
3. Our evidence to the Select Committee responds to a number of the questions posed in the Terms of Reference, but is also focused strongly on what is needed in the implementation of the Leitch proposals.
4. Like many others TAEN and Help the Aged support the main direction of these proposals. In particular we support the creation of a universal adult advice service, the closer links between the employment and skills agendas, the re-introduction of Individual Learner Accounts and the expansion of apprenticeships.
5. Our main concern is that Implementation of the Leitch Report is planned and delivered to work for all ages, not just the 16–25 age group. The targets will not be met if this does not happen. Implementation is about more than first time employability and career-start vocational skills.

**OUR RECOMMENDATIONS**

*Definitions*

1. There should be agreed definitions and usage of the terms "post 16", "post 19" and "adults".
2. A good understanding of the definition of "market failures" is needed, if they are to be used as the criteria for public spending. They must distinguish market failures for individuals and employers. Employment and skills market failures for people in their 40s, 50s and 60s so this should be an important focus in the allocation of Government resources.
3. We recommend that adults who are neither in work nor on benefits (about 4 million) should form part of the skills strategy and implementation.
4. Learning amongst the 10 million people over State Pension Age underpins the growing contribution to the workforce, community activity, caring, parenting and grand parenting roles, in addition to general wellbeing.

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### *Age tracking and reporting*

5. The Government should be clear in setting and reporting on all programmes and targets how they relate to various age groups up to 65 and beyond. There must be clarity about:

- numbers of participants by age;
- money spent by age group; and
- qualifications attained by each age group.

because the three measures can lead to different interpretations of progress.

6. Reporting on progress towards targets should separate out the impact of the passage of time (the effect of a 5 year cohort of 65-year-olds replaced by a 5 year cohort of young entrants to the work force with higher skills) as compared to the improvement achieved by training by employers, individuals and governments in adult learning and skills.

7. The implementation plans should demonstrate in a strongly articulated and publicly profiled way how they respond to the fundamental changes in the age patterns of working life.

### *Qualifications*

8. A very high level of faith is pinned on qualifications as the currency of skills and employability. Experience in 2002–06 makes it questionable whether the Level 2 funding criteria works for all or even the majority of adults and employers. Qualifications are not currently fit for purpose for all age cohorts. Part of the adult skills strategy should be based on greater flexibility than the Qualifications system allows.

9. A modular and transferable approach: if employers and individual learners want to do parts of courses that do not add up to a full qualification then that should count for funding, because the Government accept that the system should be driven by what employer and employees want and by maximum flexibility, not centrally dictated planning.

10. Making qualifications fit for purpose for all ages should be part of the remit of the Sector Skills Councils leadership role (so far SSC Plans and Sector Skills Agreements have been almost entirely devoted to attracting young people into their sectors),

11. The proposed system could lead to increasing numbers of qualifications; keep a tight check on whether reform leads a simpler qualifications framework with fewer qualifications.

### *Train to Gain*

12. Rigorous and transparent assessment of progress is needed to ensure that the encouraging indicators from the first year are maintained as it grows. A credibility gap between what is claimed for it and perceptions on the ground must not open up, as has been the case in some leading skills and employability programmes.

### *Apprenticeships*

13. It must be clear that this is a programme of expansion of apprenticeships for all ages, not under 25s only. The remit of the SSCs (p 100) must include creating apprenticeship programmes suitable for adults with 10 or more years work experience, people retraining in mid-career, as well as first time work-entry programmes.

### *Career and learning advice services*

14. We endorse the proposal for a universal advice service. It is hugely important, if the changing pattern of longer and later working lives is going to lead to productive and rewarding careers for individuals and their employers. There should be early action on this. It must take account of the experience of all ages of adults, as set out in our evidence. We support co-location of learning and employment advice services, but they will only work if built on shared employment/learning objectives and PSAs (which is not the case now).

### *Learner Accounts:*

15. We endorse the re-introduction of Learner Accounts. If they are to be “virtual” the design must create a powerful and tangible financial incentive to the individual to participate. A precondition for any new funding support system is that it can be understood by the public and has clear standard messages about what they can get, when and for how much.

### *Welfare to Work and Job Retention*

16. We endorse the proposals for closer links between job support and skills programmes. Experience shows that support for retention in jobs will need to be based on a different model from the current Jobcentre system.

### *Lifelong Learning*

17. The Government should make clear that the reform agenda does not compromise Personal and Community Development Learning (PCDL) and that the funding commitment should be held constant in real terms. We agree that public funding must be prioritised on communities with the least learning experience.

### RESPONSE TO COMMITTEE QUESTIONS

(questions are listed below (in italics). We have only responded to some of them, or to some of them in groups. Page references are to the Leitch Final report unless indicated as referring to the Interim Report).

### CONTEXT

*Q. What should we take from the Leitch Report on the UK skills gaps? What are the demographic issues which need to be taken into account in skills policy.*

1. The Leitch Report does not communicate the extent to which the skills gap is related to age and the changing age profile of the workforce. Although it acknowledges that the “UK cannot reach world class without skills improvement amongst adults” (p 69) this message is not apparent in much of the report. The impact of changing demographics and the ageing of the workforce and population were addressed in the Interim Report (p 41, 60–61) but merit a 7 line paragraph in the Final Report (p 34). It is also largely silent on skills and gender. The varied patterns of men’s and women’s working lives are a function of both age and gender.

2. This is in contrast to the extensive discussion and recognition of skills gaps amongst some ethnic minorities, those with disabilities, between various areas of the country and English Regions and between different socio-economic groups (pps 35–36, 104–105).

3. It is not apparent from the Report that implementation will fail unless it achieves a step change in skills performance amongst the over 40s compared to current skills policies. In summary the present position is that over 40s make up:

- 50% of working age population
- 65% of those without Level 2
- 7% of full Level 2 attainment
- 10% of Adult Basic Skills attainment
- 6% of user of learndirect advice line

(More detail is in the TAEN Evidence to the Leitch team.)

4. These figures demonstrate how little impact the current skills strategy has had on the qualifications of the over 40s. Many of them grew up with different school leaving ages and learning participation patterns from today. Although the numbers of older learners (part time and community learning courses) in the UK is high by OECD standards, attitudinal barriers to raising aspirations increase with time lapsed since last formal learning experience. This is reinforced by employers’ attitudes (see Annex 2) and the rarity with which ideas about formal learning and qualifications will have formed any part of the working life experiment of the majority of people over 40. The four key factors identified by Leitch (aspiration, full information, choice and funding, p 105) become harder to fulfil later in working life.

5. The Leitch Report refers throughout to people as an apparently homogeneous group, whether aged 16 or 60. In reality training is of course taking place in response to many different employer or individual circumstances. The main categories are:

- Initial employability and career/working life start training;
- Training to update skills, for returners and professional development;
- Re-training and career change (in or outside the workplace);
- Personal development training; and
- Job induction and health and safety.

6. The proposed Train to Gain and Learner Account strategy could indeed deliver all of these, but only if the implementation process is more aware that this is what it is aiming to do than the Report appears to be. The concept of retraining gets a one line mention (page 61) and on page 128 there is a recognition that “people will need to update their skills more often as they change jobs, adapt to new technology and working lives lengthen.” The first and only reference to adult community learning comes on page 111.

7. The record of both employer and Government funded training does not inspire confidence in responsiveness to these challenges. All forms of funded training decline sharply from about 40 onwards (though unionlearn sponsored learning and the first results from Train to Gain are more encouraging). The stereotype thinking that older workers are not worth training because they may retire soon or they find learning more difficult are well entrenched amongst employers, individuals themselves and training providers. The current work of Sector Skills Councils is overwhelmingly pre-occupied with entry level training. Most current performance reports still regard everyone over 19 as one category and “mature students” as over 21.

8. We recommend that the implementation is about more than first time employability and career-start vocational skills. Implementation must be tested for responsiveness to demographic change. It should be demonstrated in a strongly articulated and publicly profiled way how skills programmes respond to the fundamental changes in the age patterns of working life. As programme such as Train to Gain and Learner Accounts expand, their performance with all age cohorts throughout working life (which does not end at 65) must be tracked and reported.

9. Public policy and skills strategy tends to focus on those who are in work (approx 29 million) or on welfare (approx 5 million of working age). We easily overlook those who are neither (approx 4 million) plus 10 million over State Pension Age. People who are not on Benefits and not in work are an important pool of skills and experience, about half of them aged 50-SPA. They are sometimes described as the hidden unemployed. While it may be presumed that they are not a priority for public funds, they should not be overlooked. Learners Accounts could be an important development for them. We recommend that those neither in work nor on benefits should form part of the Leitch implementation plan.

*Q. Are the measures that we have available to assess the success of skills strategy robust?*

1. No—as will be clear from the answer to the previous question they are currently far from robust in respect of the demographic dimension of skills performance.

2. The Select Committee’s Inquiry is entitled Post-16. The terms are not clear in either the DfES PSA targets or the Leitch Report. Side by side (p 45) are a target for adults to Level 2 which means post-19 and a target for adult basic skills which means post-16. Government report that we are on target to meet the adult basic skills PSA. But half the attainment so far is made up of people under 19, illustrating that use of the word adult is misleading and reporting misrepresents what is happening in adult learning. Increasingly educational programmes refer to 14–19, blurring the original remit of adult learning agencies. The Leitch Report statements about expenditure on adult learning (p 50) are not clear on what definition is being used.

3. Recently there has been an increased focus on skills attainment in the 19–25 age group, seen to be lagging other countries. Government has extended the free Level 3 training entitlement to age 25 to more closely mirror the situation in Higher Education post-19. The funding distinction between adults under and over 25 is likely to be challenged soon as incompatible with the recent Age Discrimination Regulations.

4. It is important to recognise that measures of success can tell very different stories depending on whether they are about numbers of learners, numbers of qualifications gained and amounts of money spent. In terms of numbers of older learners the available evidence is in many respects encouraging, at least until the recent decline started. In terms of funding and qualifications gained it is far from satisfactory, as described above.

5. The Office of National Statistics/Labour Market Trends data (Education and Training Statistics for the UK for DfES), Individual Learner Records Data (Learning and Skills Councils Reports, data from Awarding Bodies and surveys such as the National Adult learning Survey, the National Employers Skills Survey, CBI, NIACE and CIPD surveys concentrate on different parts of the picture. None give an adequate picture of the trends by age cohort over 19, although LSC are working on this.

*Age tracking and reporting*

6. The first step to understanding whether the skills strategy is working for all the workforce at all ages is to be able to track what is happening. We do this by locality and for ethnic minorities and for gender, though it is harder to do for disability and belief groups. We should do it for age, for example in 10 year grouping.

We recommend that the Government sets out for all programmes and targets how they relate to various age groups. Expectation and performance against target must be reported. There must be clarity about:

- numbers of participants by age group;
- money spent by age group; and
- qualifications attained by each age group.

7. Government reporting tends not to distinguish the impact of the passage of time on progress towards targets (the effect of a five year cohort of 65-year-olds replaced by a five year cohort of young entrants with higher skills to the work force) and the improvement achieved by training by employers, individuals and governments in adult learning and skills. The Interim Report demonstrated (p 67, 70) that between 1/3 and 1/2 of some targets could be achieved by this age cohort effect, rather than by underlying improvements in provision and performance. We recommend that reporting on progress towards targets should separate out the passage of time effect and the results of policy action.

#### NATIONAL POLICY/ISSUES

*Q. Are Government priorities for skills broadly correct—for example the focus on first full level 2 qualifications?*

In response to this question we cover four major topics:

1. Market failures.
2. The role of qualifications and recognition of learning that does not lead to qualifications.
3. The planned expansion of Train to Gain.
4. The role of Personal and Community Development Learning (PCDL).

#### *Market failures*

1. We agree that it is correct to focus Government effort and taxpayers' funds on market failure and those who are least likely to advance by means of their own resources or employer sponsored training. We agree with the Leitch Report that Government investment should be targeted at market failures (p 59). However, we need a shared understanding of the definition of "market failures". It must distinguish market failures for individuals and employers. The analysis in the Leitch Report of a market failure is limited (p 59). It is under four headings: time preference/risk, credit market failure, information failure and externalities.

2. Market failures increase with age. The stereotype that there is no benefit from training anyone "approaching retirement" ie over 40 and that they cannot learn new skills inform employers' attitudes. Older age groups have fewer formal qualifications and gained them long ago. They may therefore have considerable reservations about undertaking formal learning. The payback on new learning and qualifications falls with age because pay falls from mid 40s onwards. New over 50s entrants to jobs are typically offered 20–25% less pay than existing post holders. That and potential age discrimination against job applicants make taking on new training more of a gamble later in a career. We recommend that the logic of the market failure approach to Government resource allocation indicates a strong focus on market failures in learning and work for those in their 40s, 50s and 60s.

#### *Qualifications*

3. We recognise the challenge of devising a system to distinguish those who need help from public funds from those who can help themselves, without widespread means testing systems. The focus on those without Level 2 qualifications is a way of doing this.

4. However a very high level of faith is pinned on qualifications as the currency of skills and employability. Experience of the period 2002–06 makes it questionable whether the Level 2 funding criteria works for all or even the majority of adults and employers. Qualifications are a central part of the skills system, but they are only a partial proxy for skills. They are not currently fit for purpose for all age cohorts. Part of the adult skills strategy should be based on greater flexibility than the Qualifications system allows.

5. The Leitch Report ascribes much of the failure of skills strategies to the fact that qualifications do not fit the need of employers and individuals. The presumption is that if this is corrected all will come right.

6. The evidence about the correlation of qualification attainment with employment and good life prospects is compelling. The unqualified are the only group of under-employed people who have seen their employment rate fall over the last 10 years while everybody else's has been rising (p 31 etc).

7. That leads the Leitch team to an even stronger focus on qualifications, despite acknowledgement that they are not the same thing as skills. Basically there will be no Government funding for anything that is not part of a full qualification course, even though at least half of employer funded training is not related to gaining qualifications. The Leitch Report asserts several times (p 51, 56, 79–80) that:

- Individuals prefer studying towards qualifications.
- The majority of employers prefer training to lead to a qualification.
- Qualifications are the most frequently used recruitment criteria.

8. The report cites a number of studies which support these conclusions. It does not focus on the evidence, both academic and from individual and employer behaviour, which throws in doubt on the three propositions as they apply to most adults and employers. Some of this evidence is summarised at Annex 2. We believe that the evidence supports moving to a skills strategy and funding regime which is based on a mixture of qualifications attained and non qualification based training.

9. The Report acknowledges that qualifications are not the best measure of basic skills. Only 11% of people identified as having basic skills needs complete a skills qualification (p 127) It recommends that progress is measured by survey results rather than by numbers of Basic Skills qualification gained (p 62).

10. The Leitch team say (p 64) that they received many proposals to drop the central Level 2 target. The focus on full Level 2 or other qualifications is reinforced, but the Report does not make the case for this (p 96)? The assumption must be that the changed system of employer-driven definition of qualifications will make Level 2 what they and employees want.

11. Flexibility and choice are two of the most common words in the Report. Full is not about flexibility. In another place the Report criticises the focus on full qualifications in relation to enhancing employability (p 124). We recognise that training providers and Awarding Bodies have done much to respond to the desire for flexibility. Much training is delivered in bite sized modules which suit both employers and employees. So should it be penalised if it does not lead to a full qualification? If employers are really driving the system, what if they want training that does not correspond to a qualification? Why should FE Colleges only be paid if they deliver a full qualification rather than the package that the learner or employer wants (p 133)?

12. We recommend that if employers and individual learners want to do parts of courses that do not add up to a full qualification then that should be accredited, be transferable and should count for funding. This is the logic of Government accepting that the system should be driven by what employer and employees want and by maximum flexibility, not centrally dictated planning.

13. The reform of the qualifications system must address the changing demographics of the workforce. Qualifications have mainly been developed for first time learners and career entrants. Personal attitudes to qualification are not the same in mid and later working life. There is often antipathy to class room learning as opposed to on-the-job learning. Clearly there are major differences between occupations that require a formal qualification and those that do not and the Report rightly says that these issues must be tackled sector by sector.

14. It is not clear that the majority of courses leading to qualifications are fit for purpose for those with 20+ years of adult working and family life experience under their belt. Qualifications can be a barrier to opportunity rather than a stepping stone to opportunity.

15. We recommend that making qualifications fit for purpose for all ages is built into the remit of the Sector Skills Councils leadership role. So far SSC Plans and Sector Skills Agreements have been almost entirely devoted to attracting young people into their sectors- with the result that 4 existing SSAs out of the total of 24 propose to monopolise the entire flow of young people into the workforce!.

#### *Personal and Community Development Learning (PCDL) and lifelong learning*

16. "Post 16" describes all adults including nearly 11 million over the State Pension Age who currently have the fastest growing employment rate of any age cohort (up 0.4 million in the last 4 years, with potential to increase by at least another 1 million.) There is a great danger that learning for personal development will decline. All learning contributes to employability because it contributes wellbeing, confidence, health and an active life. Employability skills flow directly from that. Nor should the contribution of adults as carers, volunteers and family members be overlooked. A major reason for lifelong learning for all ages is the inter-generational impact on children. Learning failure tends to be passed through grandparents and parents to children.

17. It is essential that PCDL is maintained, that the reform agenda does not compromise it and that the funding commitment should be held constant in real terms.

18. We recognise the case for funding to be concentrated on those communities where lifelong learning is most needed, and that this means some reduction of funding for those communities who could afford to pay more.

#### *Train to Gain and brokers*

19. Since the Committee set its terms of reference the Leitch Report has recommended that all adult funding should be channelled into responding to needs established by Train to Gain and Individual Learner Accounts. Great faith is placed in the Train to Gain as a vehicle which will transform participation in qualification-based learning throughout the workforce, despite the fact that it has less than six months track record and evaluations of the trial Employer Training Pilots threw up a number of questions. It is described as a "clear success" (p 93 and repeated on pps 49, 74 and 99). We support building on Train to Gain, but recommend that the issues about its delivery are addressed realistically, openly and honestly.

20. These questions are pertinent to people in mid and later life who made up over 50% of participants in the early months of Train to Gain compared to <10% of those gaining Level 2–3 qualifications in recent years. The issues include:

21. Evidence that in many cases Train to Gain qualifications are recognising skills acquired in the work place with little or no additional training delivered. This is excellent if it is a way of recognising that many in the workforce have skills equivalent to a qualification. If carried to its logical conclusion it would mean that the sum of qualifications was a more accurate descriptor of the skills of the workforce than at present. However, if it results in public funding being paid out for notional training there is clearly a difficulty.

22. The risk that a proportion of the training will be for activity which the employer would have undertaken in any event (p 75). To that extent there is a dead weight effect. It is probably an inevitable price of making headway with the larger number of businesses where incremental training is stimulated by Train to Gain. The evidence on reaching businesses without a training record is encouraging.

23. Train to Gain brokers are described as raising awareness of training, diagnosing skills needs and signposting to the relevant provision (p 91). There is encouraging evidence of their role in the early stages of Train to Gain. However, the track record of Government business support services and their reputation amongst employers is less encouraging. It should be recognised that brokers are no different from previous Government support services—people employed on behalf of the Government, not currently working in business, but telling employers what is good for their business. In the Final Report from the Adult learning Inspectorate (ALI) there was a warning of the challenge of maintaining standards of brokers. We recommend that a condition of implementation of Leitch must be rigorous and honest appraisal of the effectiveness of the brokerage system.

*Q. How do other targets, such as the “50% into HE” fit with the wider skills agenda?*

1. We welcome the proposals for growth in higher education to be driven in part by courses and Foundation Degrees developed with business partners. Much of the current work of Universities with employer partners has potential to reduce the gulf between academic degrees and vocational apprenticeships and combine the best of both.

*Q. What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

2. We agree with the Leitch Report that a precondition for success is the alignment of learning and employment objectives, as highlighted by the Report (pps 131–132). The degree of antipathy and mistrust between the learning and employment services is serious (although worse at policy level than at local service delivery level). Employment services see their colleagues as only concerned with qualifications regardless of employability; training services see their colleagues as only concerned with meeting targets of people into work, regardless of quality and durability.

3. There is a tension between the education and employment targets. The Education target is to maximise the proportion of the age cohort in learning up to at least 19 and into the early 20s. The employment target is to achieve an 80% employment rate for everyone over 16. We have highlighted this in our evidence to the Select Committee on Work and Pensions in their Inquiry on the 80% target, suggesting that one option is to run the employment target from age 21 or 25. If the Leitch proposal to extend compulsory education to age 18 is taken forward then the definition of “working age” (if it is retained as a concept) will clearly have to rise from 16.

*Q. Do current funding structures support a more responsive skills training system? How could they be improved?*

1. See response to questions on priorities and qualifications.

*Q. What is the role of Union Learning Reps?*

1. 60% of Union Learning Reps are over 45. Many are people whose interest stems from their own experience of adult learning. They communicate with colleagues as fellow members of a work force rather than a representatives of a learning or training organisation. They have therefore had higher success rates with older workers with long past and limited/mainly unsuccessful memories of learning. There is a lesson in this for communication of Learning Accounts, although it clearly needs to reach beyond the minority of workplaces that are unionised.

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## LEARNERS

**Q. What is the typical experience of someone looking for skills training?**

1. It is doubtful that there is anything which could be called a “typical experience”. Indeed the frequent requirement for public agencies to put people into programme categories and label them has a deeply negative impact. Understanding the diversity of individual situations and needs is probably more important. There is huge difference between those with existing skills and experience enabling them to seek out new opportunities and those without. All the efforts over recent decades to reduce this polarisation have been to no avail so far. It appears to be an extremely entrenched feature of social exclusion in the UK.

2. TAEN has carried out major studies of the career and learning advice needs of older people. (Challenging Age DfES 2002, Am I still Needed? 2005 with the Centre for Adult Guidance Studies and a recent study with NIACE for the DfES IAG Review.) We have also worked with Learndirect on the low take up of services by over 40s.

3. Common experiences of older people, especially those with no or few formal skills, in relation to advice on learning and work may include:

- Very limited resonance with the idea of qualifications or formal learning (normally excused by “no time”, “family responsibilities”).
- Little recognition of their acquired skills and how they might relate to a qualification.
- Strong influence of 20–30 years adult life and work whose influence must be understood by advisers.
- Limited experience of any public agencies operating with conviction that there are opportunities for those in their 50s and 60s and that they are equally important as young people.
- Sensitivity over risk of looking stupid and cold calling unknown organisations. Strong reservations about public agencies and their motives
- Experience of age discrimination and barriers which undermine the idea of that learning can lead to opportunities
- Experience of redundancy, industries or regions in decline with low perception of the prospect of working again.
- An interest in flexible working and working part time.
- A desire to do work which recognises existing skills and experience and reward levels, rather than undervalues them.
- A desire for social contacts and engagement as an incentive to learn and work.
- Health and life style considerations.

4. Low response rates amongst older learners are sometimes cited by DfES as evidence that there is little demand that should be met. This is a circular argument which will guarantee that the ambitions of the Leitch review are not achieved.

**Q. What information, advice and guidance is available to potential learners?**

1. We strongly support the Leitch Report proposal to set up a universal adult advice service, built around Learndirect, and including co-location with Jobcentres and the development of Skills Health Checks.

2. The nextstep and learn direct advice services are the only part of the employment and training public services which currently have specific target related to reaching the over 50s segment of working age people, reflecting the difficulty of increasing participation levels amongst older people. We have always argued that better career development and change advice for all ages are a precondition of a productive response to longer working lives for both employers and employees.

**Q. What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?**

1. See response on Question about typical experiences. In principle more is available to those with no resources than to everyone else. In practice participation rates fall sharply amongst the socially excluded.

**Q. What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?**

2. We have pressed for some time for a fresh start for learner accounts, whose trial was abandoned for reasons which had nothing to do with the intrinsic merits of the approach. We welcome the Leitch report recommendation. We recognise that the challenge is to extend their use to those who are not learners by habit and personal circumstance. One question is whether the qualifications system as designed by SSCs and others will constitute an incentive to individuals to take on an Account (see above on qualifications).

3. The visibility and clarity of direct incentive will impact on the success at reaching new learners. We recognise the financial control reasons which make it problematic to give money into the hand of the learner (p 112). Nevertheless all experience of employment credits, working tax credits, lump sum incentives etc, shows that nothing compares to seeing the colour of the money, as opposed to getting something for free through a complex series of forms. We recommend that design of the Learner Accounts seek a powerful direct financial incentive to the individual to participate and that this is age proofed so that the same incentives apply to all ages.

4. We agree that the current financial support systems are not understood. The fact that there is no simple way to explain in what circumstance any individual might or might not get free or subsidies training is a major barrier. We agree that there needs to be a transparent and simple set of eligibility criteria. We recommend that a precondition for any new funding support system is that it can be understood by the public and has clear standard messages about what they can get, when and for how much.

#### APPRENTICESHIPS

Q. *What should apprenticeships look like? How close are they currently to this vision?*

Q. *What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework?*

Q. *Are the number of places available appropriate, and in the right areas, and at the right level?*

Q. *What is the current success rate for apprenticeships?*

Q. *What can we learn from practice in other countries with apprenticeship systems—ie., Scotland and Wales?*

1. We support the major expansion of apprenticeships. We recommend that the Select Committee and the DfES make clear that this is a programme of expansion of apprenticeships for all ages, not under 25s only.

2. This is not made clear in the Leitch Review. The main section on apprenticeships (p 97–98) has no mention of adults. On page 65 the Report does however speak of “boosting the numbers of Apprentices to 500,000, with most of the growth coming from adults to drive progression in the workplace”. Para 5.68 (p100) then describes a process of expansion which relates entirely to 16–19-year-olds. This must be resolved because experience so far has been of an announcement of adult apprenticeships by Gordon Brown in 2002 followed by almost no funding or action since. Average age of apprentices has been falling since then.

3. We recommend that the remit of the SSCs (as described on p 100) must include creating apprenticeship programmes suitable for adults with 10 or more years work experience, entering a retraining, as distinct from programmes for school leavers. The limited pilots of adult apprenticeships that have taken place provide little guide to their potential. This is because apprenticeships designed for school leavers were applied to mid-career adults. They did however demonstrate that older apprentices had higher completion rates than under 25s, a faster completion speed and lower unit costs.

#### QUALIFICATIONS

Q. *Do the qualifications which are currently available make sense to employers and learners?*

1. It is clearly hard to generalise across all sectors and occupations. Those occupations that have well known qualifications criteria to practice have far higher awareness levels. This was demonstrated by the pilots for adult apprenticeships where the pilot on social services and care roles attracted a much higher level of interest for that reason.

2. See above for comments on typical experience of older adults. We are not aware of any detailed surveys of attitudes to qualifications, but all our experience suggests that the great majority of individuals over 40 feel no relationship with today’s qualifications. They do not make sense to them.

3. Annex 2 sets out evidence which suggests that for many employers and individuals, but of course not all, the system does not make sense to them

Q. *Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalization?*

1. We recognise the QCA work and the Framework are moving in the direction proposed by the Leitch Report. We support the proposal for the qualification system to be driven by SSCs and to be simplified (p 83–84). In reality the Leitch Report invites a “free for all” in putting forward bespoke qualifications. Individual colleges, learning providers and employers can all design a qualification to fit their need (p 83). Unless the SSCs spend a lot of time rejecting proposed qualifications it sounds like a recipe for proliferation.

2. We recommend that the implementation process keep a tight check on whether reform leads to a simpler qualifications framework with fewer qualifications. There seems to us a danger that it will not.

**Annex 1****ACTIONS REQUIRED TO IMPLEMENT LEITCH**

Government, employers, unions and others have broadly endorsed the Leitch Report. It is now all in the implementation. The 120 page Report is complex in structure and detail. Translating the Recommendations into implementation means:

1. Develop Train to Gain from modest beginnings as the national driver of training for the in-work population. Put in place a service of job brokers and advisers which has nation wide credibility with employees and employers, large and small, in a way that has not been achieved before by public agencies.
2. Develop a system of Learner Accounts on a massive scale which generates individual learning desire.
3. Put in place an employer pledge to achieve Level 2 skills for all the workforce or face a degree from compulsion from 2010
4. Set up the new Commission for Employment and Skills to be the lead public agency, run by employers and establishing a degree of authority on training with employers which has not been seen before, Deliver the employer pledge to train all to Level 2 or face compulsion.
5. Reform the Sector Skills Councils, including a lead role in the future pattern of vocational qualifications. Work out a new form of Sector Skills Agreements, clarifying the objectives and targets of all parties in the Agreements.
6. Make apprenticeships an all-age programme as well as a career-start programme.
7. Create one adult career and learning advice service within Learndirect.
8. Bring together and largely co-locate Learndirect and Jobcentre Plus.
9. Create a shared outlook in DWP and DfES with mutually consistent skills and employment objectives.
10. Join up local delivery, led by regional and city-based Employment and Skills Boards. Bring together the National Employer Service of LSC and the National Account Management Service of Jobcentre Plus
11. Work out a revised role of the Learning and Skills Council.
12. Change FE Colleges and other providers to work on after-the-event payment for training delivered to meet individual and employer demands, instead of advance block grant payments from LSC.
13. Set milestones towards the Leitch Report targets for basic skills and Levels 2, 3, and 4.
14. Find the public resources if the level of individual and employer demand for free training implied by the targets is realised. (The resource implications of the free Level 2 offer in the 2002 Skills Strategy was never tested because the demand was never stimulated/never materialised from adults.)
15. Extend compulsory education to 18.
16. Increase the momentum of the Higher Education 50% target, including more adults gaining degree level qualifications. Create new degree courses based on employer demand.
17. Radically simplify the qualifications system, while allowing that any employer, training provider etc can put forward for accreditation their own specific qualification to meet their own needs. Work out the role of qualification Award Bodies and QCA.
18. A major drive on management skills to ensure skills in the workforce are well used.
19. Expanded funding for adults who cannot afford to pay, with a new Skills Development Fund.
20. Reforms to the benefit system and Welfare to Work to increase the focus on employability skills and Skills Health Checks in order to reduce repeat claimants.

**Annex 2****QUALIFICATIONS AND SKILLS LEVELS**

1. Two-thirds of the growth in the workforce in the last 10 years has been over 50s. If recruitment of a 50 year old is determined by qualifications they gained 30 years ago there is something seriously wrong with recruitment processes. In most recruitment best practice is to base job descriptions on competences required which are not the same as qualifications. The extensive surveys of Recruitment by the CBI, the CIPD and the annual LSC National Employers Skills Survey discuss and measure the scale of skills shortages and vacancies, but make no mention of qualifications or qualifications shortages. There is nothing to endorse the view that “over half of employers feel that it is important that training leads to a qualification” (p 56).
2. More than half of all employer funded training is not related to qualifications and only 10% of it in FE colleges. The majority is in work training which is not accredited and does not build towards a qualification. Level 2 qualifications show little economic return (p 64) (The Leitch response is that this is because they are the wrong qualifications, see p 80.) The statement that employers are really frustrated by “lack of influence over qualifications” is not the picture that emerges from the literature on the National

Framework of Qualifications and National Standards (p 48). There is no consideration in all the main surveys of employer sponsored training of whether and how it leads to the attainment of qualifications. There is nothing in these reviews to indicate a strong appetite for qualifications as distinct from job related training.

3. Employers consistently rate soft skills which are not determined by qualifications as the most important and the most frequently missing (the Report's proposal is that employability skills should be embedded in other qualifications (p 63)). It needs to be demonstrated that this is the best way to gain soft skills and that it would be equally appropriate for someone with 30 years working experience as someone with none.

4. The Report gives short shrift to the view that the labour market is polarising at either end like an hour glass (p 33). Even allowing that low skilled jobs have a much higher turnover rate than well qualified jobs, the evidence of the labour market is of continuing major demand for low skilled workers. This includes an apparently willingness of employers to overlook the fact that 40% of migrants are Level 4 qualified and use most of them in low skilled, low paid work.

5. UK firms are poorly managed compared to major competitors (p 52). The CBI Survey 2006 says that the highest priority is training for leadership and management skills (p 41). Yet Chart 2 (p 41) shows that managers and professions are the only occupational category whose share of the skills gap is well below their share of employment, indicating that relatively speaking they are the most well endowed with training.

6. 41% of UK business owners do not have qualifications; is it demonstrable that 59% who have them are better or worse managers as a result (see pps 57, 89–90)? Achieving the productivity gains from increased skills (calculated as only 0.1% pa compared to the trend rate of 2.0% pa (p 60) is clearly dependent on this. The Report's recommendation is that “the Leadership and Management Advisory Panel advise the Commission for Employment and Skills on developing Occupational Standards for Management with the Management Standards Centre and building on work already done by the Chartered Management Institute.” (!)

7. Two-thirds of people with Level 3 or above do not have numeracy skills at Level 1 (Leitch Interim Report p 39). This is some indication of the extent to which qualifications are not a proxy for the most important employability skills.

*January 2007*

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#### **Memorandum submitted by the All Party Parliamentary Group (APPG) for Business Services**

The All Party Parliamentary Group for Business Services was founded in 1998 and exists to provide a Parliamentary forum where the concerns of the growing business services sector can be voiced and where issues of relevance and importance to the industry can be addressed. As Parliamentarians, we recognise that it is our responsibility to help to shape Government policy in such a way that companies and individuals are enabled to put into practice the ideals which we all share.

The business services sector is arguably the most labour-intensive in the UK economy, with a total turnover (excluding IT) of around £85 billion and nearly two million employees. Many of these are at operative level, possessing or requiring Level 2 qualifications—they include many part-time and temporary workers and a high proportion of women.

The issues raised by Sir Sandy Leitch in his report are, then, of crucial interest to us as Parliamentarians working closely with this sector of the economy. We are encouraged by the challenging vision he sets out for the future of skills in the UK and recognise the importance of driving forward our skills base if we are to be in a position to compete in the new global economy.

It is clear from Leitch's researches that major skills gaps still exist across the economy as a whole and especially within this sector. Despite a number of Government initiatives over recent years, the overall UK skills base remains unacceptably low, and there are still too many individuals in the workforce and outside it who are not equipped with the skills they need to progress as individuals and on which the future success of UK Plc will depend.

The targets which Leitch sets in terms of upskilling the whole workforce are challenging and a number of social and cultural issues will need to be addressed before we can hope to achieve them. Not least, it must be recognised that, despite the aspirations expressed in this report on their behalf, not every individual will wish to progress on the skills ladder. A small number will have no apparent desire to acquire even the most basic level of work skills while a significant group will always be satisfied to work in relatively undemanding low-skill occupations, of which there are and will continue to be many in this labour-intensive sector. If these small but significant parts of the sectoral workforce are to be motivated to achieve even Level 2 qualifications, much less the Level 3 to which Leitch aspires, there will need to be a major culture shift in attitude and motivation.

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Nor is every employer keen to invest resources in staff training. Concerns that, once time and money have been spent on training, the individual will be in a stronger position to move on to other employment, so that the benefit to the original employer is lost, are still worryingly widespread. This is particularly true of industries such as hospitality, where the practice of employing much of the workforce on a temporary or seasonal basis is the norm for many companies, both large and small.

Clearly, employer engagement with the development of the skills agenda will be crucial, but this is not easy to achieve across the board, especially where smaller companies are involved. Although many companies are committed, in principle and in practice, to lifelong learning, resources are finite and the ongoing engagement needed to achieve the Leitch targets will in many cases place heavy new demands. It may be, as Leitch recognises, that an element of compulsion will need to be introduced if voluntarism fails, whether through a training levy or other financial sanctions, but we would always prefer to see incentivisation as the first route to success.

This need not be financial, although tax breaks for companies which deliver accredited training need not be unduly costly for the Exchequer and would certainly be a strong motivating factor for employers who may struggle to afford the cost of upskilling staff in an environment of reducing profit margins on many contracts, even while they recognise the long-term benefits. In our experience, many companies would also respond positively if Government were to take a lead by building clear standards for staff training and development into every public sector contract and taking steps to ensure that these were adhered to by all bidders.

The role of the Union Learning Reps is also key to creating a 'learning culture' in the workplace. ULRs are able to work with employees on the shop floor, encouraging individuals to expand their horizons and helping to ensure that reluctant employers take their responsibilities in this area seriously. There are numerous examples of their valuable contribution to the upskilling of the workforce.

The Leitch review sets out clearly and cogently its arguments for setting Level 3 qualifications as the benchmark for the workforce as a whole. We recognise the reasoning behind this and welcome its intention, but we feel that, in this sector at least, it is unrealistic to expect to achieve such a major shift in standards within such a short timescale. The business services sector is perhaps unusual, in that it is highly labour-intensive, with many blue-collar operative roles (Levels 1 and 2) and a complex pattern of part-time, temporary and seasonal workers. It is likely that the demand for relatively unskilled labour will remain high for the foreseeable future, although many of these jobs may be seen as a first step on the employment ladder and there are opportunities for advancement for those who are willing to take them.

We welcome the impetus which the upskilling advocated by Leitch will offer to individuals and their employers to raise standards in general but would raise a small note of concern about the impact this may have on those who, having undertaken such training, still find themselves working at the same level of job as before. For similar reasons, we are also of the view that the HE targets set by Leitch are unrealistically high. In this sector, the need is for individuals with high-level vocational qualifications rather than academic degrees, and we would prefer to see a far greater emphasis placed on the proper recognition and evaluation of work-based learning in a variety of forms, including that provided by companies themselves.

In general, we would urge that future provision should be built on the foundation of those existing programmes which have already proved their ability to deliver appropriate vocational training in a timely and cost-effective manner. Chief amongst these are Train to Gain and Modern Apprenticeships. We fully support the proposal that these successful initiatives should be rolled out more widely. We would wish to emphasise, however, the crucial importance of ensuring that the training delivered through these and other processes is firmly focused on the needs of both the individual and the employer.

The reforms proposed by Leitch will go a long way towards simplifying the present complex structure of organisations which makes up the training sector. We hope that the opportunities for improved connectivity between government departments, agencies, training providers and business which these reforms offer will be grasped firmly and not lost in the web of protectionism and vested interests which has bedevilled previous attempts to streamline the system.

Finally, we are encouraged by the level of interest which the Leitch Report has generated amongst business leaders, politicians and the media as well as those directly involved in the provision of post-16 training. We trust that it will be possible to build on this increased awareness in order to enhance the status and quality of both vocational and academic training in the UK, to the benefit of all sectors of the community.

**Memorandum submitted by the Association of School and College Leaders (ASCL)**

**A. INTRODUCTION**

1. The Association of School and College Leaders represents 13,000 members of the leadership teams of colleges, maintained and independent schools throughout the UK.
2. ASCL college members in particular welcome the opportunity afforded by the Education and Skills Committee's inquiries into skills issues to provide evidence on how they can contribute to meeting significant gaps identified by the Leitch *Review of Skills, Prosperity for all in the global economy*.

**B. MAKING THE UK A WORLD LEADER IN SKILLS**

3. ASCL supports Leitch's recommendations to increase attainments in order to achieve world class skills by 2020.
4. However, such ambitious targets as more than trebling projected rates of improvement to achieve a total of 7.4 million adult attainments in functional literacy and numeracy; ensuring that 90% of the adult population are qualified to at least Level 2, shifting the balance of intermediate skills from Level 2 to Level 3 and committing to exceeding 40% of adults to be qualified to Level 4 or more, will require enormous financial investment and radical changes to the learning and skills infrastructure.
5. The report's estimate of an increase of £1.5 billion to £2 billion per year in funding to ensure the development of intermediate skills (at Level 3) and the indication that UK spending on higher education should double as a share of Gross Domestic Product indicates a general awareness of funding requirements. ASCL members, who will be in the front line of delivering these targets, seek reassurance that a clearly formulated, transparent and equitable funding methodology will be devised to ensure that resources are available to achieve them.
6. Funding to support adult learners should be available to providers as adults progress through their training, not simply devolved on successful completion. Retrospective funding may affect training delivery adversely, pushing some providers to make inappropriate decisions on time required for qualification completion for individuals (now recognised as important through the government's personalisation agenda) and creating unnecessary strategic stress in a sector that already faces multiple challenges.
7. In recommending that employers and individuals should pay for skills at Level 4, the Leitch Review does not explore the implications for the government's higher education budget.
8. ASCL's unique representation of leaders in schools and colleges means that it already supports Leitch's recommendation that all young people should leave school with a realistic platform of skills needed for the modern labour market. The development of the new diplomas in school/college partnerships is a strong focus for members at present.
9. ASCL commends Leitch's recommendation that adults should update their skills in the workplace and college members are already working flexibly through Train to Gain to develop further partnerships with employers.
10. Whilst acknowledging the important role to be played by the Government and employers in meeting targets, ASCL is reluctant to see the education system directed into a narrow, short term view of "employability" that may not provide full acknowledgement of the wider benefits of a full education at all levels. In order for the UK to remain globally competitive individuals need to acquire a broad education as well as specific skills.
11. High order abilities of analysis, synthesis, independent thinking and creativity will contribute extensively to future national success. Whilst welcoming the attention Leitch gives to level 4 skills and above, ASCL members are concerned that academic considerations at all levels should not be forgotten.
12. The emphasis given by Leitch to raising individuals' aspirations and awareness, including the encouragement to demand more support from their employers is commendable. In order to develop these so that they can improve their skills, individuals will need the confidence that a broad educational base gives them.

**C. A DEMAND-LED SYSTEM**

13. The recommendation that employers and individuals should have a strong coherent voice in a simplified demand-led funding system has implications for ASCL members. If all public funding for adult vocational skills in England is to be through Train to Gain and learner accounts by 2010, college funding methodology will require yet another radical overhaul.
14. A consequence of a demand-led system is for the LSC to become a funding rather than strategic body and it will take time for LSC personnel to alter their working practices, which have in recent times bordered on micro management of providers.

15. Funding mechanisms that put effective purchasing power in the hands of customers are supported by ASCL, but it is concerned that further attention should be given to funding for adults with learning difficulties and fears that this may fall between the three stools of social services, healthcare and education.

16. Any streamlining of systems to rationalise the plethora of government led bodies dealing with the FE system (as noted in Sir Andrew Foster's report) is welcomed by ASCL members. The proposal to merge the UK-wide SSDA and NEP into a new organisation is sensible.

17. The Commission for Employment and Skills may find it difficult to depoliticise the skills agenda.

18. When selecting membership of the Commission, acknowledgement should be given to the part played by SMEs in contributing to the development of the economy and there will not be sole reliance on the views of national employers' organisations distant from the many small employers with whom colleges often deal.

19. ASCL has long sought simplification of the qualification system, though members believe that limiting public funding to qualifications delivering economically valuable skills may have unintended consequences. These will occur particularly at the lower end of the qualifications spectrum, where many prospective adult learners need a gentle, unpressured return to learning after sometimes negative earlier experiences.

20. ASCL welcomes the opportunity for providers to develop their own qualifications whilst working closely with employers, in order to meet local needs. However, we are concerned that this should not have a negative effect on the SSCs' work to reduce qualifications. Close liaison and simple information flow between colleges, employers and SSCs will be necessary; otherwise the system will not be simplified.

21. The recommendation for the new responsibilities to be allocated to the SSCs will require an evaluation of their relationship with the QCA.

#### D. EMPLOYER ENGAGEMENT IN SKILLS

22. ASCL is pleased to note that the Leitch Review recognises that small organisations should benefit from the SSC Leadership and Management programme in future.

23. Whilst supporting the concept of employer pledges to bring all employees to Level 2 skills, ASCL notes that this is initially to be voluntary. The Leitch Review puts much faith in employers to be proactive in supporting employees to develop skills. By stating that the government will introduce a statutory requirement on employers to provide workplace training for individuals up to Level 2 if pledges do not lead to activity, we detect a less rigorous approach to enforcing policy with employers than has hitherto been applied to colleges.

24. We believe that limiting the employer commitment to Level 2 is too low and should like to see the government put further pressure on employers to take responsibility for training their workforce up to higher levels, including apprenticeships. At present, it is often only as a result of pressure from individuals or trade unions that many employers act to raise the qualification standards of their workforce.

25. Small employers will have most problems in providing workplace training and the government should recognise this through incentives.

26. Whilst recognising the value of the suggestion that HE targets should be widened to encompass both young people and adults via workplace delivery, ASCL considers that a dramatic improvement of engagement between HE and employers will require equally dramatically improved commitment and effort from both sides if it is to occur.

#### E. EMBEDDING A CULTURE OF LEARNING

27. ASCL supports the intention to raise awareness and aspirations among adults in society and considers that a new universal careers service for England, combining separate existing sources under a single brand name is a good idea.

28. The success of the Swedish Skills Health Check encourages an optimistic view of the service. However, ASCL is concerned that the focus on skills in the review should also encompass the wider educational aspirations of individuals, and allow for the development of confidence and other qualities that will provide the right learning culture.

29. The recognition that careers advice should be delivered flexibly and incentives for local centres to engage the hard-to-reach are realistic recommendations.

30. The organisation of learner accounts will need especial attention if they are to maintain their credibility as the sole source of government funding for adult further education. Historically, these were subject to maladministration and were not easily accessible in a timely or convenient manner for those who should have benefited most from them. Particular care should be taken in establishing this service on a firm and sustainable basis.

31. Both Train to Gain and learner accounts will need to prove themselves as sufficiently robust mechanisms before becoming exclusive systems for providing adult skills funding.

32. ASCL welcomes the establishment of a Skills Development Fund to meet immediate financial needs of learners in a flexible manner.

#### **F. INTEGRATING EMPLOYMENT AND SKILLS**

33. A new universal adult careers service should support a focus on gaining higher qualifications. ASCL is pleased to note the recognition that different approaches are required to contact and support different individuals.

34. The introduction of an integrated objective for measuring employment and pay prospects clearly delineates the purpose of the new services to be introduced. Soft data should be utilised alongside statistics when designing this measure, to allow recognition for the qualities other than skills that constitute successful employment.

35. Whilst colleges are accustomed to receiving funding based partly on success rates, ASCL is concerned that this trend may be increased to the detriment of planned provision. Colleges are “skills providers”, but they also have a far wider remit, built on individual missions designed to meet the needs of their local communities as well as national agendas.

36. The requirement for colleges to track job prospects and pay progression of a proportion of former learners may be unrealistic. Some universities may do this successfully, but colleges will be dealing mainly with a different constituency of learners at lower levels of attainment and will face greater difficulties in maintaining contact. There is also a danger that this will generate a whole new suite of bureaucratic measures.

37. Flexible approaches to the licensing of Employer Skills Boards, acknowledging the need to maintain local focus, seem realistic.

#### **G. GENERAL CONCLUDING POINTS**

38. ASCL’s members come from England, Northern Ireland, Scotland and Wales. There are some concerns that many of the skills recommendations are based on English systems and may therefore not fit well with the devolved administrations. It is not clear that there has been an examination of the impact on other parts of the UK of establishing new systems in England.

39. The Leitch Review’s focus on demand led learning means that Regional Development Agencies and local government organisations are not allocated a significant role in the recommendations. There will need to be an adjustment and realignment of relationships and responsibilities for these and other agencies in developing the strategies outlined here.

40. The Education and Skills Committee may wish to consider the impact of the skills recommendations on the personalisation agenda being advocated by the government. The DfES is currently consulting on this and it would be a backward step if the improvements noted in Personalising Further Education: Developing a Vision were to be succeeded by impersonally delivered Skills Health Check processes or lost in bureaucratic communications.

41. ASCL approves and supports the agenda to provide education and training for young people up to the age of 18 without the necessity to alter the school leaving age. This acknowledges the variety of routes that can be followed to improve qualification levels.

42. Leitch does not fully consider the implications of his recommendations on an aging workforce. Further consideration of how older workers are to be engaged in training is required.

43. ASCL welcomes that the Education and Skills Committee is providing an opportunity for consideration of the skills agenda and this opportunity to express the views of its members. ASCL is happy to offer its further assistance this inquiry into the extremely important topic of skills development for future national economic prosperity.

*January 2007*

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#### **Memorandum submitted by BAE Systems**

We have studied the Leitch report and believe that it should be broadly endorsed. In particular we were pleased that it:

- Recommended putting employers and employability skills first.
- Identified and recommended tough targets for 2020.

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- Although it placed a continuing emphasis on basic Level 2 skills, it also recommended a greater focus on Level 3. Most engineering firms operate at Level 3 as a base level and our global competitors in China, India, etc are very much educating their young people to Level 3 (or indeed graduate skills level 1). We need to aspire to a higher basic level to remain globally competitive.
  - Recommended that more HE funding (and targets) should be directed to support workforce development—and management and leadership development in particular—as well as undergraduate education and research. The demographic trends demonstrate very clearly that we will have to place an increasing focus on those already in work as fewer young people will be leaving university.
  - Was supportive of the role of the Sector Skills Councils. We would agree that they are starting to make a real impact and where like with our sector body, SEMTA, there is good employer engagement, they can provide an expert view on skills needs.
  - Recommended strengthening the employer voice on skills policy and funding at both national regional level. From an outsider's perspective there does seem to be a confusing number of bodies determining skills policy nationally—be it the Skills Alliance, National Employment Panel, LSC etc—and the new Commission sounds a good proposal. Its chances of being truly successful would be greater if it had real authority.
  - Recommended a significant expansion of apprenticeships. Apprenticeships as a model work very well providing skilled young people for BAE Systems and our latest figures (2006) for completion rates showing over 90% of our apprentices completing their schemes. It will, however, be a challenge to expand apprenticeships in career areas where there has not been a history of apprenticeship provision.

#### 14–19 SPECIALISED DIPLOMAS

We have had some visibility of the proposed Engineering Diploma and have been invited to comment on a very early draft from SEMTA. We support the Diplomas. They will provide both a vocational career path for young people and help build understanding of engineering as a career (and hopefully encourage more young people to pursue careers in engineering). I have not heard of problems with potential training for teachers, but would agree that with any new course proper time needs to be given to ensure the teachers are fully ready to deliver the new Diplomas properly.

*Richard Hamer, Education and Graduate Recruitment Director*

*January 2007*

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#### Memorandum submitted by the Business Services Association (BSA)

The Business Services Association (BSA) is the representative organisation for the majority of the major companies in the business-related services sector—a list of members is attached as Annex A. The sector, excluding IT, has a total turnover of around £85 billion and employs nearly two million people. BSA member companies have a combined turnover of nearly £23 billion and employ around 650,000 staff of which at least 500,000 are at operative level and, thus, with or in need of Level 2 qualifications.

BSA has been active in this field for many years. Its Director-General is a Board member of Asset Skills and a member of a number of departmental groups focusing on skills issues, including the Workplace Advisory Group of DfES, the DH Widening Participation in Learning and Development Steering Group and the NHS Employers Diversity Core Group. Additionally, BSA and PCS Union are currently engaged in a joint pilot project on Customer Care in public services which is co-funded by DTI, has the backing of four Ministers of State and looks likely to be adopted as the model to roll out across the public sector in conjunction with UnionLearn. These involvements on behalf of member companies, who themselves are frequently active in other government-sponsored initiatives, take place because of the major emphasis which these companies place on lifelong learning and development for all their employees.

#### 1. CONTEXT

We have warmly welcomed the recommendations of the Leitch Report which place the primary focus on enabling those seeking qualifications to acquire those which are in demand by employers and, thus, to put employers in the driving seat instead of the system. This is a welcome breath of fresh air.

### *1.1 Skills gaps and demographics*

The skills gap identified is far larger than is acceptable. This was identified by the National Employers Skills Survey undertaken in 2005 by the Learning and Skills Council (LSC), which highlighted the major skills gaps within this sector, an issue with which companies are all too familiar. Despite the advances made by the current Government there are still too many people in employment who do not have adequate basic skills or the relevant skills at the appropriate level; and too many others are excluded from the employment market place for the same reasons.

The recent Skills Needs Analysis by Asset Skills has highlighted clearly and accurately the skills deficit within the sector. We are of the view that this is sufficient to give an general picture of the overall sector skills gaps and needs.

However, individual employers or groups of employers will in many cases still need to undertake dedicated work to identify specific problem areas. For example, work has been undertaken in conjunction with the LSC's National Employers Service (NES) to assess the current skills level of all employees in a specific group of cleaning companies so that they can be matched to appropriate levels of training for their job category. This assessment process, mainly conducted through on-line survey and training, has produced measurable improvements in cleaning standards and better working practices.

1.2 Leitch sets out a challenging agenda for the improvement of skills across the UK economy which will be welcomed by many individuals as well as their employers. However, our practical experience does not wholly coincide with the presumption that every individual has an interest in upskilling. We recognise that there is a still a major cultural issue to be addressed with a hard core of individuals who seem to take pride in not having these skills and who demonstrate a lack of desire either to obtain gainful employment or to progress within it. While these are a small percentage of the population, they encompass a large percentage of those who are unemployed or unemployable.

There are also too many employees within the sector who do not seem to have the will or the confidence to advance within their employment and who remain content to work at low-level jobs. While such employees are essential to carry out the basic tasks of business-related services companies, there are more opportunities for advancement for existing employees than can be filled. We do not see much difference between younger and older employees in this regard. On the other hand it is true that immigrant employees may tend to have more desire to learn, to become better qualified and to progress within a company workforce.

## **2. NATIONAL POLICY/ISSUES**

### *2.1 Government priorities*

While we accept the broad thrust of the Leitch Report on raising skills levels to NVQ Level 3, we are firmly of the view that Government's focus on Level 2 qualifications is correct. The jobs currently being undertaken within the services sector are not going to go away; indeed it is often the case in this sector that Level 1 qualifications are the most appropriate, either as a first step into training or where the jobs concerned cannot be assessed against Level 2 criteria—the role of kitchen porter is a typical example.

Within this sector it is unlikely that skills levels will progress to Level 3 within the timescale proposed in the Leitch Report. We are concerned that, if the qualification levels increase without a concomitant upgrade in the level of job undertaken—with appropriate increases in remuneration—employees will become disillusioned. This, in turn, would be counter-productive to the laudable aims of the Report. We are aware that this sector is probably different from many others, though not from all, but equally it is a sector of high employment ratios and, thus, central to the thrust for implementation of the recommendations within the Report.

### *2.2 HE targets*

We can only speak for this sector, but we are of the view that the HE targets set by Leitch are too high unless account is taken of the proposals to advance vocational qualifications. The vast majority of employees in this sector would not benefit from academic HE learning and qualifications but all would benefit from better vocational qualifications and most of those for whom HE would be appropriate would also benefit more from taking vocational qualifications at this level than academic ones. A policy that allows for a degree to be achieved by following a work-based route would be seen as a helpful alternative to current college-based courses, and could usefully be modelled on the new accountancy qualification, which is already demonstrating its value.

Again, we recognise that this may not be typical of all sectors. Equally, we are not convinced that there are or will be sufficient vacancies which merit degree qualifications without debasing the standing of some of the degrees obtained. This lack of standing of degrees is already the case in respect of certain institutions.

### *2.3 Joined-up working between Government departments*

Although DfES works well with other departments such as DWP and DTI at Ministerial level, the very different policy priorities of the three departments have led in practice to a lack of real co-ordination. DWP's main focus, rightly, is on the unemployed, so that the priority is not to train individuals but to place them in work as soon as possible. This relatively short-term focus does not correlate easily with DfES's drive to develop programmes such as Train to Gain which are chiefly targeted at addressing the need to upskill and develop those already in work. Equally, the DTI focus on skills as a means to economic growth and competitiveness means that the main drivers for them are likely to centre around the needs of employers rather than individuals.

All three elements are vital, but it is frustrating to see how often they appear to drive departmental policy in divergent directions, with an inevitable lack of consistency in approach. We are of the view that it would be better to have one department with overall responsibility and accountability for skills, learning and development and all issues pertaining thereto.

### *2.4 Funding structures*

Larger employers such as BSA's members are appreciative of the contribution of the NES, which has developed a funding model that is straightforward and effective, offering direct contributions based on quality outcomes and learner experience. There is still a need, however, to simplify the paperwork even further and to focus even more clearly on quality rather than quantity analysis.

BSA itself can offer one direct, small but important and effective example involving funding which is working well, in the joint BSA / PCS skills project mentioned previously. The Department (DTI) is hands-off while taking a keen interest in developments, thus allowing the training provided to meet employers' needs. This model is one which could profitably be used on a wider scale.

### *2.5 Funding balance*

We agree with Leitch that different funding balances need to be struck for different levels of qualification. Certainly, at Level 2 it is essential that most, if not all, of the funding should come from Government and that qualifications should be undertaken mainly within working hours rather than in the employee's own time as these are skills required for employment. Similarly, Basic Skills qualifications should continue to be fully funded and undertaken during work time since these are essential fundamental skills required for life and work. It is scandalous that such a large proportion of the population should still be lacking in these life skills.

It is worth noting that many employers already make a significant financial investment in training their staff through, for example, paid time, mentoring, on job training and accrediting in-house training programmes. Training agreements which allow for personal claw back at vocational higher levels such as accountancy and MBA courses would be a welcome incentive for individuals to continue their personal development to the highest level. At lower skill levels, where funded training is currently offered at school or college (ie up to age 19) the employee should never be asked to contribute.

BSA welcomes the clear intention of Leitch that effective and relevant training should become the norm in all companies. As major companies who already take seriously their commitment to train and develop their staff, BSA members recognise that there may be a need for some element of compulsion, through a levy or other financial sanctions, in the future to ensure that all employers meet the same high standards.

## **3. SUPPLY SIDE**

**3.1** We wholly approve the recommendations of the Leitch report in respect of reducing the complexity of the awarding process and developing the role of Sector Skills Councils in approving courses leading to relevant qualifications. Too often in the past, where employees have changed employers they have been required to start their training again because the earlier awarding body was not "recognised" by the later employer. Asset Skills (the SSC with which BSA works most closely) has done excellent work in introducing an individual Skills Passport to combat this, as have other SSCs including Go Skills. On the basis that this information is provided accurately by the person providing the training or verified by the external provider and that the training received is mapped against National Occupational Standards, this is an excellent way of avoiding the past quagmire for employees and employers.

Many larger companies have developed their internal training courses to the highest level. They will welcome the Report's recognition of the important role played by employer-led and devised training courses in moving forward the skills agenda and the opportunity it proposes for such courses to be formally approved by the relevant SSC where this is appropriate. Until now it has not been possible for this work to be recognised externally, because no independent mechanism for evaluating such training existed.

**3.2** As large employers, BSA members have benefited greatly from the introduction of the NES, which has simplified relations with the LSC centrally. However, the relationship between local and national LSCs is still confusing for a national employer negotiating at a local level.

There is a clear case for a less regulated supply-side system with fewer intermediary agencies. The risk that a large agency would offer less choice or a poorer service for the learner is outweighed by the potential for better accessibility, and greater cost-effectiveness, as well as the opportunity to create and monitor a clear strategy for development.

#### 4. DEMAND SIDE

##### 4.1 *Employers*

We totally support the proposals in the Leitch Report which will put employers in the “driving seat”. This is a welcome development which will also put employers under pressure to deliver results rather than rhetoric. Such a move will be essential if employers are to be asked to contribute more financially to the training of their staff—something which is crucial to enabling greater investment in skills. The proposed introduction of the Commission for Employment and Skills builds on the current trend to demand led provision and takes it to a higher level by giving employers the opportunity and right to set the agenda in consultation with Government. BSA member companies welcome this and are already thinking about how they might interact with the proposed Commission should Government accept this recommendation of the Report.

###### 4.1.1 Relations with Sector Skills Councils

BSA is of the opinion that the jury is still out on the effectiveness of Sector Skills Councils. As the Leitch report indicates currently they comprise a “curate’s egg” across a wide spectrum of delivery and employer satisfaction. They are bogged down in bureaucracy (both internal and imposed by Government, to whom they are required to report too often on too many issues) If they are to succeed in the Leitch climate, they need to be freer to respond to employer and learner needs and to have a clearer remit. Much of what the Leitch report proposes will address these concerns in whole or in part. The Report does not, however, (nor can it) address the arbitrary manner in which the footprint for some SSCs was determined. Currently, in many instances SSCs such as Asset Skills are responsible for what appear to be a vaguely related melange of industries and are required to manage a number of interdependencies; both blunt their effectiveness. In the longer term we would recommend that the sectoral areas for which some SSCs are responsible are reviewed to assist employers and to make SSCs more effective and efficient.

Within this sector there is little evidence as yet of the SSC currently shaping skills training. We hope that this will be achieved during this year, particularly if we are successful in bidding for a National Skills Academy for the sector.

###### 4.1.2 Incentivisation and engagement

Employer engagement is clearly desirable and steps need to be taken to encourage this, but it is in reality difficult to achieve on any large scale. At best only a small percentage of employers in any sector can be engaged. Many are too small to have the time for ongoing engagement, others are too busy and others are disinterested. For those already providing training and with a commitment to lifelong learning, involvement has to be based on altruism—that is, helping to set standards and resources for others. As the squeeze on overheads continues there are less available people to undertake this work. SSCs too have finite resources and need to rely on willing volunteers to assist them to achieve good employer engagement.

Incentivisation is vital if the aspirations of the Leitch Report are to be achieved. While reputation is fundamental to industrial standing and to developing and retaining business, there must be a recognition that with increased competition and decreasing margins companies need incentives to assist them to rise to the challenges in the Report which, in many instances, go further than their current level of achievement. One way to address this would be through tax incentives for companies which train staff to recognised National Occupational Standard levels using SSC accredited training mediums. The cost to the Exchequer would be minute compared with the potential expansion of learning and development across the economy. In many areas of Government, bidders already need to show their commitment to training and development and how they will implement this within the contract for those staff employed on it. If that were to become a standard for all contracts let in the public sector and if Government clients were to oblige all bidders to adhere to that standard, that, too, would be an added incentive and also a fulfilment of the Government’s manifesto commitment.

###### 4.1.3 Union Learning Reps

Union Learning Reps are of great importance in unionised contracts. Their worth has been proved many times as they are able to engage with staff at their (rather than management) level. One particular contract within this sector where that has been demonstrated is at Southampton Docks where VT Group, one of BSA’s member companies, has worked with its Union Learning Reps for a number of years with

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outstanding results. The training in the shipyard provided a return of 140% on the investment made, much against everyone's expectations, and as a result, this approach has become an industry norm within the shipbuilding industry.

#### *4.2 Learners*

##### **4.2.1 National Skills Academy**

BSA members are much involved in preparations for the 2012 Olympics. They have a strong track record in providing services for other Olympic, World and Commonwealth Games and well as major international sporting events across the world. Their concern at present is how to assist those currently not in employment to find skills training which will help them to be employable and employed by 2012. We see the establishment of a National Skills Academy for the sector as one way of addressing this.

##### **4.2.2 Learner Accounts**

Learner Accounts, which we support, should be designed round the needs of individual learners (in respect of life and personal skills) and employers (in respect of employment and job skills). It will of course be important to learn the lessons of the previous ILAs, which despite their failings were valued by learners.

##### **4.2.3 Train to Gain**

Train to Gain has generally been well received by employers and the further expansion of the scheme would give a welcome level of continuity. The question must be whether it is sufficiently robust to cope with hundreds of thousands of individuals wishing to use it for their personal and employment-related advancement.

It may be too that for the scheme to be as effective as its architects intend it to be, a vital missing element in the programme will need to be added.

The Ministerial agenda is clearly pointed towards employers taking more responsibility for the funding of training. Train to Gain is designed to produce transformational forward momentum with regard to training, particularly in smaller businesses. Yet, for the employers to commit totally to training their workforce, they will need to see very clearly the improvements that such training will make to the financial returns of their business. At present, although the brokerage system has been designed to help employers to step over the threshold of training by forming relationships with them and providing impartial guidance with regard to training provision, the brokers themselves are not charged with demonstrating overtly the commercial benefit to the employers' business that the training will deliver.

We suggest that the brokerage delivery model requires modification so that the broker is equipped to examine the business of each employer with a view to proving how training will make it more successful. Brokers will require access to a simple "tool kit" if they are to do this. VT's "Return on Investment" analysis of training, developed in the shipyard, has already undertaken considerable work in thinking through basic elements required for such a tool kit. We would argue that it is well worth the Department investing further to develop this in much greater detail.

Necessarily the additional expectations would place more of a burden on the broker but the potential outcome, along with greater commitment from the employers is so powerful as to make such a burden a creative one.

##### **4.2.4 Apprenticeships**

BSA members support strongly the current Modern Apprenticeships programmes and the potential to widen its ambit under the Leitch report.

The basic apprenticeship framework is sound, although some review is needed to eliminate the requirement for duplication of evidence provision in certain areas. It is important that Lifeskills should be seen as an integral part of any framework and not treated as isolated key skills.

The current level of provision is generally seen as adequate for present needs, but past experience of this and other programmes indicates that the situation can change in mid-stream at the dictate of changes in Government policy. We would urge the importance of a consistent long-term commitment to support and fund this programme if it is to achieve its full potential.

##### **4.2.5 Qualifications**

Here it is necessary to differentiate between qualifications gained by individuals outside the sphere of employment and those gained during or for employment. In the latter case these are almost always relevant because they are determined by the employer or employers within a potential field of employment. In other instances they can be irrelevant or, at best, tangential. Job Centres working under Government training and

back-to-work initiatives have had a tendency to promote skills training which is not relevant to the jobs which are on offer for those candidates. This has resulted in disaffected individuals who see the job market not responding to their newly acquired skills while employers remain with unfilled vacancies. This is a clear example of the lack of “joined-up thinking” between government departments to which we have referred previously.

We accept that, within this sector, many of these blue-collar vacancies (particularly in the cleaning and waste disposal industries) are not high on the list of desirable occupations for those looking for work but they are first steps on the employment ladder and can and do lead on to worthwhile careers for individuals who are willing to work and train.

#### 5. CONCLUSION

We are excited by the recommendations of the Leitch report and hope that Government will accept these in appropriate areas. We welcome the challenge to employers to work with Government to shape the future skills agenda. We are of the view also that this represents a major step forward for individual learners, enabling them to acquire qualifications relevant to their personal development and to worthwhile employment with good career prospects. Finally, we hope that acceptance of the recommendations in respect of SSCs will enable them to fulfil their original aim and purpose of supporting business and developing the skills base within each of the relevant sectors.

BSA would welcome the opportunity for further involvement with the Committee’s inquiry and is happy to provide further evidence, whether written or oral, to supplement this initial statement if required.

*January 2007*

#### **Annex A**

##### **BSA MEMBERS**

BSA’s members are:

Amey  
ARAMARK  
Babcock International Group  
Compass Group  
Dalkia  
Ecovert FM  
Erinaceous Group  
Haden Building Management  
Interserve  
ISS UK  
KBR Government & Infrastructure  
Kier  
Lend Lease  
MITIE Group  
OCS Group  
Rentokil Initial  
Sodexho  
VT Group

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##### **Memorandum submitted by the CBI**

1. The CBI is pleased to submit evidence to the Education and Skills Select Committee. Employers believe that education and skills must remain at the top of the Government’s agenda. As Lord Leitch makes clear in his recent review of future skills needs, the UK has a long way to go in improving its skills profile if it is to remain competitive over the next 20 years. Employers recognise that we have no other choice but to improve our skills base.
2. The issues covered in this inquiry are wide-ranging, so this response will focus on the following key areas:
  - basic skills remains the UK’s key weakness—but there is no room for complacency at other levels

- 
- Government skills policy is going in the right direction but needs to better deliver to employer needs
  - many employers find the current publicly-funded system confusing—the “alphabet soup” needs streamlining
  - involving employers on skills requires a differentiated approach
  - recognising the importance of Apprenticeships
  - qualifications must be simplified and focus on economically valuable skills.

**BASIC SKILLS REMAINS THE UK’S KEY WEAKNESS—BUT THERE IS NO ROOM FOR COMPLACENCY AT OTHER LEVELS**

3. As Lord Leitch outlines in his review, the UK’s skills profile is very much a patchwork quilt:

*Basic skills remain the biggest problem*

4. Too many school leavers enter the labour market without basic employability skills—45% of employers believe school leavers lack basic literacy skills and 44% are dissatisfied with their numeracy skills.<sup>1</sup> Around one fifth of the workforce lack the numeracy and literacy skills expected of an 11-year-old. The impact on businesses and the economy is huge—low basic skills cost the economy £10 billion a year.

*Intermediate skills are poor compared to key competitors but may reflect low numbers with qualifications rather than actual skill levels*

5. CBI members report that many employees are competent at Level 3, but lack formal qualifications. In Germany for example, 74% of the workforce is qualified to Level 3, compared to just 37% in the UK. The UK ranks 20th across the 30 countries of the OECD for its intermediate skills levels. However, this may be because other countries are more successful in turning competency into qualifications.

*Higher level skills are good—but we cannot be complacent*

6. Graduates lack the generic employability skills employers need and Science Technology Engineering and Maths (STEM) skills are becoming weak, where they have previously been a source of strength. The numbers with degree level qualifications has been growing and we now compare well with Germany and France—if less well with Japan and USA.

*Leadership, management and supervisory skills are weaker than employers would like*

7. While there are many world class UK firms—of all sizes and in all sectors—a succession of reports including Porter have drawn attention to this as an area of weakness. CBI surveys show that employers believe that effective people management is key to influencing present—and future—competitiveness. Employers recognise they need to make better use of multi-skilled teams and expect this to be a more important factor in the future, but they see increased management skills as a key HR priority.

**GOVERNMENT SKILLS POLICY IS GOING IN THE RIGHT DIRECTION BUT NEEDS TO BETTER DELIVER TO EMPLOYER NEEDS**

*Government targets should be more flexible*

8. Employers have generally been very supportive of the Train to Gain approach. More would get involved if employee eligibility could be made more flexible. Currently, employees already holding a Level 2 qualification are not eligible even though it may be out of date or irrelevant—a woodworking CSE for example—and may not mean that the employee has adequate numeracy and literacy skills. Some individuals, who would have benefited from vocational qualifications are not eligible.

*Funding structures need to focus on provision that is responsive to employer need*

9. The scale of Government investment in workforce training is substantial: in 2005, the Government spent £3 billion on adult skills, with a further £161 million spent on basic skills through the Train to Gain programme targeted at adult workers who do not have a Level 2 qualification. The FE sector as a whole receives £5bn a year from Government.

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<sup>1</sup> CBI, Employment Trends Survey, September 2006.

10. Most publicly-funded training is delivered by FE colleges but CBI surveys show that private providers are better able to meet employers' needs in most aspects of provision. Only half of employers (51%) rated the overall responsiveness of colleges as at least satisfactory, according to the 2006 CBI Employment Trends Survey—while 72% of firms were satisfied with private providers' responsiveness to their needs.

11. While there are examples of excellence in terms of colleges providing employers with high quality tailored training, many more are needed if the fully responsive system required to underpin a globally competitive economy is to be created. The Foster report recognised this, calling on FE colleges to improve their services to employers. The CBI will be preparing a report in 2007 to bring out best practice on employer/college collaboration and to provide advice and guidance for colleges and employers on how to work together to extend best practice.

12. The CBI believes that Government should go further and end ring-fenced funding for colleges. This would improve quality in the sector and ensure employers have access to the best providers, regardless of whether they are publicly or privately run.

#### *Improving the UK skills profile is a shared responsibility*

13. Of course raising the UK's skills base is not just a matter for Government or for employers. The CBI believes that responsibility for learning and skills is a shared responsibility between employers, employees and the Government:

- employers are responsible for the training and development of their employees to meet business needs and where possible they should assist in their employees' long term development
- employees are responsible for their own development and employability beyond the needs of their current employment but they may need support and encouragement to develop this level of responsibility
- Government is responsible for the education and training of young people and should ensure they are employable and are equipped with good numeracy and literacy skills. It should deal with market failure and support organisations with little capacity to train, and those individuals without basic numeracy and literacy skills. It must ensure that delivery of state funded training is efficient and effective.

#### MANY EMPLOYERS FIND THE SYSTEM CONFUSING—THE “ALPHABET SOUP” NEEDS STREAMLINING

14. There is concern that too much of the publicly funded skills infrastructure is not meeting employers' needs. The skills system is seen by many as an “alphabet soup”—difficult to navigate, even for highly sophisticated employers. Some large firms want to deal at a national level, others find a regional or sectoral approach most helpful and SMEs often work best through sectoral or local clusters. Too many firms have had some contact with government bodies designed to support them but too few have received helpful advice or information.

**Exhibit: 1—Employer views of skills organisations (%)**

	<i>Had contact</i>	<i>Received helpful information / advice of a general nature</i>	<i>Training organised through...</i>	<i>Don't see as useful/ relevant to my organization's training needs</i>	<i>Learning and Skills</i>
Council	62	36	17		7
Regional Development Agency	50	20	7		9
Business Links or equivalent	64	36	19		8
Sector Skills Council	54	22	12		7

Source: CBI Employment Trends Survey 2006.

15. Extensive consultation with CBI members has shown high levels of dissatisfaction with the skills infrastructure as a whole. Employers see the various public bodies charged with facilitating training as:

- bureaucratic—the process for accessing funding, or receiving information, is seen as overly complicated and out of tune with the way business works
- difficult to navigate—the Leitch Interim Report lists 26 “key skills bodies”, demonstrating the complexity of the current system
- overlapping—the roles of bodies such as the Learning and Skills Council and Sector Skills Councils are perceived as duplicating each other.

16. Although there are some indications that matters are improving, the pace of change is slow. Many employers are expressing strong dissatisfaction that the Learning Skills Council structure, introduced eight years ago, still fails to match the service provided by Training and Enterprise Councils (TECs), which were felt to be more employer led. The CBI's *Employment Trends Survey 2006* shows that 62% of employers had contact with their local LSC—but that only 36% had received useful information as a result. SMEs were least likely to receive useful information.

17. The creation of the Commission for Employment and Skills, recommended by the Leitch Review,<sup>2</sup> will be welcomed by employers, provided it is effectively employer-led and is not another stakeholder group. The role of the LSC will need to be clarified. Employers are concerned with outputs, not processes. CBI members are not wedded to a particular system and do not want to see another revolution in skills infrastructure, with all the upheaval that would cause. The priority for business is a comprehensive and coherent system that ensures limited public money is allocated effectively, and that the needs of employers can be accommodated, whether through an individual, sectoral, local, regional or national approach.

#### INVOLVING EMPLOYERS ON SKILLS REQUIRES A DIFFERENTIATED APPROACH

18. Some firms want to deal at a national level, others find a regional or sectoral approach most helpful; SMEs often work best through sectoral or local clusters. Larger employers operating on a national or international level, with sites across the UK, do not want or need contacts in every region—rather they want a single port of call nationally. The LSC has sought to address this issue with the creation of the National Employer Service. However, few large companies appear satisfied with this service and more could be done to improve it. The Leitch Review's recommendation that the National Employer Service be “reformed, expanded and re-energised”<sup>3</sup> to provide a better service for large employers could help in this regard. However, employers will judge the NES, and other public skills bodies, on the service they provide for businesses and their employees.

19. The sectoral approach is working in some sectors. Many sector skills councils have been effective in their early work—notably in engineering, in construction and in e-skills, which is responsible for the IT and telecoms industry. One area in which the sectoral approach could add real value is in the design of qualifications, which must be relevant to the world of work if they are to be of use to employers and students. The CBI is strongly supportive of the Leitch Review's recommendation that Sector Skills Councils, rather than the QCA, be responsible for approving qualifications.<sup>4</sup> This should ensure that students who qualify from SSC-approved courses have the skills employers need—as long as SSCs remain employer driven. A good example of how this approach can deliver results is given by the work of e-skills.

20. The CBI has supported the new Sector Skills Academies developed by the SSCs. The Fashion Retail Academy was established in 2005 as a trailblazer and the first three National Skills Academies were launched in October 2006 in manufacturing, construction and financial Services. Four more are preparing to launch: chemical, creative & cultural, food & drink manufacturing and hospitality.

21. CBI members in the manufacturing sector have supported the development of a “virtual academy”, as it could potentially rationalise training provision and realign funding across the whole manufacturing sector. In order to be successful, a National Manufacturing Skills Academy (NMSA) must have sufficient scope to simplify training provision, and also offer appropriate specialisation to provide real value to UK manufacturers.

22. Some members are concerned that having an academy for every major sector in the economy will lead to a duplication of resources, as there is often considerable overlap between sectors in terms of skill needs. CBI members have also expressed concern about the over-complication inherent in the current skills marketplace, and it is important that the second round of bidding for NSAs does not result in uncontrolled proliferation of academies and therefore exacerbate this problem.

23. Not all SSCs are well developed and in any event more use should be made of regional bodies such as RDAs working with the local centres or JobcentrePlus offices, which already have good knowledge of the employment and training needs of the local labour market, particularly for the lower-skilled. There is also a role for a national level approach for generic skills where it makes little sense for each sector to develop courses in areas such as leadership or innovation.

24. Sourcing and signposting of good quality training for employers is particularly relevant for those who want to train but cannot find suitable training provision—12% of employers who do not train could not find appropriate courses, despite wanting to invest in their staff.<sup>5</sup>

25. The CBI is convinced that more firms need to be persuaded of the business case for training. This group of employers know that there are skills gaps and weaknesses among their employees but they do not recognise them—or do not believe that addressing them would bring business benefits. They are often smaller firms—but not exclusively so.

<sup>2</sup> Leitch Review, Final Report, *ibid*, Recommendation 8.11

<sup>3</sup> The Leitch Review, *Final Report*, *ibid* p.92.

<sup>4</sup> The Leitch Review, *Final Report*, cf Recommendation 8.14.

<sup>5</sup> LSC (2006), National Employer Skills Survey (NESS), 2005.

26. A skills needs analysis that is tailored to the individual employer, firmly linking investment in training with the bottom line, is an important tool in engaging this type of employer. This kind of bespoke analysis, carried out by an adviser with real business knowledge, can help map out the employer's training needs (both present and future). Good initiatives include:

- Investors in People is valued by employers and employees. The Investors in People (IiP) is a well-established business development tool, which has proven business benefits, linking investment in training and good employment practices with results on the bottom line. The CBI believes that firms should be given support to gain IiP accreditation.
- the Small Firms Initiative led to productivity improvements in SMEs—The *Small Firms Initiative* (SFI) was an extremely successful scheme, which encouraged smaller firms to engage in training through a tailored skills training analysis and support to develop a training plan that was firmly linked with a business plan. The CBI recommends that this scheme, developed by TUC and CBI in partnership, should not be moth balled. It should be re-established; the £50 million invested will provide real value for money.
- SME entrepreneurs become committed to training through the Leadership and Management Programme—The Leadership and Management Programme for SMEs designed to develop leadership and management skills was piloted allowing owner-managers of SMEs to agree with a skills broker a personal development plan up to a value of £1,000. This programme is now being “integrated” into Train to Gain, but CBI fears that the quality of the offer will lose focus and become diluted.

#### RECOGNISING THE IMPORTANCE OF APPRENTICESHIPS

27. The Leitch report suggests strong growth in apprenticeships in order to increase the number of Apprentices to 500,000 a year. Key to any successful Apprenticeship programme is a dedicated and highly-qualified training staff who mentor and support young people through the apprenticeship and associated self-development and team-building activities. Employers also recognise the need to involve parents in the recruitment and support of young apprentices. Many CBI members have very successful apprenticeship programmes. Anecdotal evidence indicates that more employers are looking to re-engage with apprenticeship programmes after not being involved for some years. Others are coming together under sectoral initiatives to build new programmes—and they are finding excellent FE Colleges and private providers to help them.

28. If such new initiatives are to succeed there are a number of issues that will need to be addressed:
- at present completion rates suffer because young people lack the appropriate basic skills and many are unable to adapt to the requirements and expectations of working life;
  - too few understand what an apprenticeship will involve—or are ill-informed about a particular career;
  - the quality, take-up and completion rate of apprenticeship programmes will improve if bureaucracy is reduced: this will also help smaller firms who need additional support as they lack the dedicated training experts that larger firms employ;
  - the age threshold for apprenticeship programmes should be reviewed. Many employers would welcome taking on older apprentices but current funding rules prohibit this; and
  - measures to facilitate SME participation should encourage them to collaborate with other employers in their sector or locality. Some Sector Skills Councils such as Cogent are looking to co-ordinate employers' activities on apprenticeships to make them more accessible to employers, particularly the smaller ones.

#### QUALIFICATIONS MUST BE SIMPLIFIED AND FOCUS ON ECONOMICALLY VALUABLE SKILL

29. While qualifications remain an acceptable measure of skills levels and are used by employers as a criteria for recruitment, they may not adequately reflect competence. It is essential that qualifications develop economically valuable skills. Research by IRS for *The Competency Benchmarking Report* found that competency frameworks are now used by the majority of organisations in the UK, with two thirds of larger employers with operations in the UK using competencies. The research found that employers were using competency frameworks for training and development, performance management and recruitment and selection. A competency-based approach is regarded as essential where technical competencies are used to inform the analysis of training needs.

30. A large proportion of the workforce with intermediate skills may not have gained further qualifications after leaving formal education—but this does not mean that they have not received any training or that their skills have not developed. For example, many companies particularly in the manufacturing sector are training their technicians to new business improvement techniques. In the case of well known respected firms, employees training with the company may not require further accreditation for the individual—as the “brand effect” will be sufficient to make these new skills portable, indeed other

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employers may value their skills more highly than qualifications awarded through other routes. However, the individual often values a qualification and the CBI believes that urgent action must be taken to free up the qualifications log jam.

31. CBI members say that what matters most to them when developing the skills of their workforces is raising levels of competence—providing employees with qualifications is not regarded as essential. If Government is convinced that individuals need to have their skills accredited through qualifications, public funds should be used to deliver qualifications, which are at present overly bureaucratic and costly to employers—but which have value for employees.

32. Many employers are recognised—under Investors in People—as providing excellent training tailored to business and employer need. The CBI believes that, as a matter of urgency, the accreditation of employer provided training must be addressed. For too long, the system for turning workplace training into workforce qualifications has been mired in bureaucracy. Immediate pilot programmes should be introduced to study the feasibility of fast track accreditation in sectors recognised as providing high quality training; retailing, engineering and the chemical sectors would seem excellent candidates for such pilot exercises.

*January 2007*

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### **Memorandum submitted by the Chartered Management Institute**

#### **1. EXECUTIVE SUMMARY**

1.1 The Chartered Management Institute welcomes the opportunity to submit written evidence to the Committee as part of its inquiry into Post-16 Skills. Following the publication of the Leitch Report in December 2006, the Institute believes that this inquiry will make an important and timely contribution to Government policy.

1.2 The challenges of global competition, demographic imperatives and moves towards a demand-led system as described in the Leitch Report, provide a new context for the UK's skills policy where a greater focus is now on adult skills with targets for higher level skills that will drive our national competitiveness.

1.3 Despite a move in the right direction, unless Government prioritises management skills for current and future leaders, there is a real danger that we will not be making the right management decisions to improve UK's international competitiveness. It is, after all, the skills and capabilities of those individuals who are leading organisations that determine how people are employed and whether resources are invested effectively.

1.4 This memorandum presents some of the key evidence to demonstrate how management skills have a significant impact on productivity and competitiveness; innovation; public sector performance; and the quality of working environments.

1.5 Given this strategic importance of management skills, the UK's management population is significantly under qualified: under 40% of managers are qualified to Level 4 or above compared to 80% of those in other professional occupations. This is also reflected in employers reporting deficiencies in management skills and the high failure rate of SMEs.

1.6 In reforming the supply side, the professional bodies must be acknowledged and accessed as a source of high quality learning and development, best practice and applied skills as part of the National Employer Training Programme.

1.7 In moving towards a demand-led skills system, a key incentive is to ensure that funding streams are re-routed direct through employers and employees. The proposed New Learner Accounts will help drive individual's learning aspirations. To further create a demand-led environment, the Committee should consider the benefits of recommending new targets for the qualifications of managers.

1.8 In order for the Government to better stimulate demand for improved management and leadership skills, the Institute submits the following six policy recommendations for the Education and Skills Select Committee:

#### **POLICY RECOMMENDATIONS FOR POST-16 SKILLS TRAINING**

- By 2020, at least 50% of managers should be qualified in management to Level 4 or higher (para 9.1.3)
- Chartered professional bodies should be acknowledged as a source of high quality learning and development in their specific fields and targets for professional qualifications should be included as part of the National Employer Training Programme ("Train to Gain") and other Government skills initiatives (para 6.1)
- Chartered Manager should be established by 2015 as a benchmark against which employers and Government can recognise and measure professional management capability (para 5.2.1)

- Funding for individual learners beyond the age of 25 should be used to stimulate greater involvement in adult education. The new Learner Accounts should be implemented to encourage adults to continue to participate in learning (para 7.3)
- The Qualifications and Credit Framework should provide a clear credit framework to give both employers and learners better understanding and greater confidence in the value of qualifications and learning. The new Framework should facilitate progression routes across vocational, academic and professional education and across all sectors and occupations (para 9.2.7)
- A lead partnership should be formally recognised to develop standards on Human Capital Management reporting for inclusion in the Business Review of Annual Reports (para 5.3.1).

## 2. INTRODUCTION

2.1 The Chartered Management Institute is keen to support the new policy focus promised by the Leitch Review of Skills to target the development of higher level and intermediate skills. These will be essential if the UK is to prosper in the face of the combined pressures of international competition, a changing demographic profile and the demands of the knowledge economy.

2.2 The productivity gap between the UK and other leading nations has proved an intractable issue for successive governments. Up to 20% of that gap is now attributed to skills provision and up to 15% to management practices. The national skills strategy has led to several significant initiatives: modern apprenticeships, new vocational 14–19 years diplomas together with the support infrastructure of LSCs, RDAs and SSCs. It has however neglected to recognise and harness the considerable resource provided by the professional bodies.

2.3 Some of the Chartered Institutes are already working closely with Government Departments and Agencies in the development of the National Occupational Standards for their disciplines. Their access and close working relationship with many thousands of practising executives is invaluable in ensuring that skills development is based on the real challenges of the industry sector and on the needs of employers. It is a model of partnership that should be extended more widely. Instead we see duplication of effort within the new structures and a failure to draw on the knowledge, best practice and expertise that already exists within professional bodies.

2.4 We believe that the Government must focus on those higher level professional skills that in their practical application will have the greatest impact on both performance and also on leveraging the rest of the skills agenda. Professional managers play an essential role in developing strategies for workforce development. A great number of highly qualified managers are more likely to ensure that their teams are adequately trained and can help to embed a culture of learning and development that helps drive performance. The evidence provided in this memorandum also reflects on the critical importance of management and leadership in terms of productivity, competitiveness, innovation levels, the success of business start-ups, the quality of the working environment and delivery of the public sector reforms.

## 3. BACKGROUND: THE CHARTERED MANAGEMENT INSTITUTE

3.1 The Institute strongly supports the Leitch Report's recognition of the high levels of demand for management skills and the growing evidence base demonstrating the strong links between the impact of management skills and increased national competitiveness. We look forward to seeing this fully reflected in the Government's response to the final recommendations.

3.2 However, we are concerned that the Leitch analysis does not fully accept the pivotal role of management in driving improved performance. As the Cabinet Office Performance and Innovation Unit's 2001 Report on workforce development concluded, demand for skills is derived from wider management strategies, and these therefore need to change if we are to successfully make the transition to a high skills, high added-value economy.

3.3 In developing this Memorandum, the Institute has used the findings of its detailed research programme into management and leadership skills. Our research has been carried out among the Institute's 71,000 members throughout the past two decades and more.

3.4 The Institute contributed to the work of the Council for Excellence in Management and Leadership (CEML) between 2000 and 2002, helping to provide a thorough analysis of the multiple factors shaping management capability in the UK. It also presented a comprehensive and useful set of recommendations, many of which have already been implemented. The Institute continues to work with both the DfES and DTI to advise their joint Leadership and Management Programme Board.

3.5 Through the Management Standards Centre (MSC), the Institute is appointed by Government (QCA, DfES, SSDA) as the Standards Setting Body for Management and Leadership. The MSC sets and maintains the National Occupational Standards on Management and Leadership, which is a national source of guidance for all those working in management.

3.6 A further significant factor that distinguishes the Institute's submission is our strong engagement with employers across all sectors. Our members are employed at all levels within business and public sector organisations and through the practical application of their management skills have a major impact not only on performance and productivity but also on the development of the skills of others to develop the capabilities for the future.

3.7 Our qualifications span all levels of learning from Level 2 through to postgraduate and our membership criteria demands evidence of practical experience, impact in the workplace and a commitment to professional management. Our continuing professional development programme makes lifelong learning a reality for our members.

3.8 We believe that it is essential that the next phase of the Government skills strategy addresses the need to improve management capability and upskill managers in the workplace. In this Memorandum, we set out both the evidence base and policy recommendations for management skills to help deliver this ambition.

#### 4. CONTEXT

##### 4.1 *Overview of Leitch Recommendations*

4.1.1 The Chartered Management Institute welcomed the Leitch recommendations for a much greater focus on higher-level "economically valuable skills", but was concerned that the Review failed to recognise the critical value of management and leadership skills. To achieve an economy based on world class skills, UK employers will need to address critical leadership skills across all sectors. A gradual increase in demand-led investment and a further reorganisation of the skills agencies is unlikely to stimulate change at the pace required to respond to global changes.

4.1.2 Despite a move in the right direction, unless Government prioritises management skills for current and future leaders, there is a real danger that we will not be making the right management decisions to improve UK's international competitiveness. It is the skills and capabilities of those individuals who are leading organisations that determine how people are employed and whether resources are invested effectively.

4.1.3 The Leitch Report does recognise the changing demographic drivers. Its focus on adult skills reflects that 70% of the workforce in 2020 has already left compulsory education.

4.1.4 The report recommended new targets for higher level skills, shifting the balance of intermediate skills from Level 2 to Level 3 and improving the esteem, quantity and quality of intermediate skills. This would mean 1.9 million additional Level 3 attainments over the period and boosting the number of Apprentices to 500,000 a year, which would significantly improve future workforce capability.

4.1.5 In order to make the impact required, Leitch called for 40% of adults to be qualified to Level 4 and above, up from 29% in 2005, with a commitment to continue progression. We recognise that this goes some way towards the Institute's proposed target that by 2020, at least 50% of managers should be qualified in management to level 4 or higher. It is important that investment in Level 4 focuses on those skills most needed by employers, and prioritises management skills.

4.1.6 The skills system must meet the needs of individuals and employers which will be better achieved through moves towards a demand-led system. The Institute had called for funding for individual adult learners to help stimulate a demand-led skills system, and strongly endorses the focus on Learner Accounts and looks forward to further detail on the practical delivery of these Accounts.

4.1.7 Despite a move in the right direction, unless Government prioritises management skills for current and future leaders, there is a real danger that we will not be making the right management decisions to improve UK's international competitiveness. It is, after all, the skills and capabilities of those individuals who are leading organisations that determine how people are employed and whether resources are invested effectively.

##### 4.2 *The importance of management and leadership skills*

###### 4.2.1 *Impact on productivity and UK competitiveness*

Leadership and management is proven as the key to raising financial performance and growing of employment opportunities in all organisations. Good leaders and managers invest in the development of their workforce thus pulling through the skills agenda and embedding a learning culture for future generations and sustaining the UK's competitiveness in the longer term.

4.2.2 Research based on longitudinal data and published by the Chartered Management Institute (*Management Development Works: The Evidence*, Dr Chris Mabey, 2005; *Achieving Management Excellence*, Christopher Mabey and Andrew Thomson, 2000) indicates that those employers who take responsibility for management and leadership development experience better overall organisational performance over a four year period. The research shows that companies that provide training which is aligned to the organisation's strategic business needs benefit most strongly.

4.2.3 The Final Leitch Report assessed the productivity gap between the UK and its international competitors and highlighted the UK's shortcomings (Leitch Report: Executive Summary—para 8, p7). Productivity in the UK stills lags behind that of comparator nations: the average French worker produces 20% more per hour than the average UK worker, the average German worker 13% more and the average US worker 18% more. Differences in management practices between the USA and the UK, for example, explain 10–15% of the productivity gap in manufacturing between the two countries (LSE-McKinsey, June 2005).

#### 4.2.4 *Links to driving innovation*

Innovation is identified by the Treasury as “a key catalyst for productivity growth”—and the importance of management and leadership to innovation has long been established. Professor Michael Porter’s review in 2002 of the government’s work on productivity concluded that UK companies will have to compete on “more unique and more innovative products and services”, which will “require changes in management behaviour”. He found that while the returns from deregulation are diminishing, a focus on improvements in management and leadership would produce far greater returns. He concluded:

“To achieve higher prosperity, UK companies will need to upgrade their productivity by competing on more unique and more innovative products and services. This will require changes in management behaviour; targeted investments in the business environment and the development and strengthening of new types of institutions.”

4.2.5 The Department for Education and Skills’ research paper, “Managerial Qualifications and Organisational Performance” (Bosworth, Davies and Wilson, 2002), identified the following key findings:

- Highly qualified managers are more innovative. They appear more likely to adopt strategies introducing new, higher quality products and improving the quality of existing products, while less qualified managers are more likely to be engaged in increasing the efficiency of the production of existing products and services;
- Better qualified managers are associated with a better qualified workforce;
- Management proficiency and performance appear to be positively linked (although this is a two-way relationship).

4.2.6 It is disappointing that despite evidence of the links between better qualified managers and higher levels of innovation, research into process innovation in manufacturing, conducted at the ESRC Centre for Organisation and Innovation (COI) and the Institute of Work Psychology (IWP) at the University of Sheffield, and summarised for the TUC-CBI Productivity Challenge (2001), raised concerns about UK managers’ skills in that:

- UK companies had a comparatively low rate of adoption of new practices;
- UK companies preferred new practices relating to technology and techniques over “people practices”;
- UK companies had adopted fewer new practices than their counterparts abroad.

#### 4.2.7 *Public Sector Efficiency*

Professional management and leadership is also essential for improving public sector and efficiency. The Cabinet Office’s Professional Skills for Government programme has recognised this. Better skilled managers will be better able to deliver the performance needed from the public sector, in achieving greater outputs and more efficient services.

4.2.8 Reflecting that more needs to be done, Chartered Management Institute research published in 2003 (*Leading Change in the Public Sector*, Charlesworth, Cook and Crozier, May 2003) showed that only about 30% of public sector managers saw key attributes demonstrated by leaders in their organisations. Only 33% viewed their most senior team as offering high quality leadership, and key change management skills were found to be lacking. For instance, under 50% recognised partnership working as a key public leadership skill.

#### 4.2.9 *Skilled managers improve quality of working life*

Properly qualified, professional managers will be better equipped to respond to growing demands for flexible working and new working arrangements, as the Government continues to introduce reforms and new workplace rights. Recent research published by the Institute (*The Quality of Working Life: Managers’ health and well-being*, Worrall and Cooper, March 2006) demonstrates a link between poor management performance and both low productivity and high reported levels of workplace ill-health. Good management can reduce these stress factors and thereby drive higher productivity, and lower costs and social benefits through decreased absence levels.

#### 4.3 Management and leadership: evidence of a skills gap

##### 4.3.1 Lack of management qualifications

The management population is significantly under-qualified, as recognised in Leitch's Interim Report: "41% of managers hold below a Level 2 qualification" (Box 5.1). Furthermore, Labour Force Survey data (March-May 2002) indicates that just 38.5% of managers and senior officials are qualified at NVQ Level 4 or above compared to 80.9% of those in professional occupations. This level should be viewed as untenable given the UK's ambition to shift to a high skills, high added-value economy.

4.3.2 However, the Leitch analysis did not go on to identify the additional point that most managers lack qualifications related to their profession as managers. Too many remain what can be termed "accidental managers"—highly skilled specialists or technicians who are promoted to management positions on the basis of their technical or specialist skills, not because of their suitability for a management role.

4.3.3 The Final Report of the Council for Excellence in Management and Leadership (2001) concluded that on a "rough estimate . . . the proportion of managers with management related qualifications will not get much above 20% in the longer term". This estimated level of only 20% of managers being qualified is unacceptable given that it already takes into account both a strong growth in specific management qualifications, such as a 20% growth in first degrees in business and management studies, and also the fact that the number of management NVQs has remained fairly static.

##### 4.3.4 Employers reporting deficiencies

The Council for Excellence in Management and Leadership between 2000 and 2002 was tasked by the DTI/DfES to develop a strategy for improving future management and leadership performance. CEML's final report, highlighted the need to address management weaknesses that are in part responsible for holding back innovation, productivity and performance.

4.3.5 The common estimate is that between 4 and 4.5 million individuals in the UK have significant management responsibilities, yet 36% of organisations report that their managers are not proficient. It is noted that the current low level of skills in the workplace is part of the reason for why employers are not moving to higher value added business strategies, but other significant contributing factors are the combination of low employer ambition and management skill deficiency.

##### 4.3.6 Falling behind our competitors

The 2006 UK Productivity and Competitiveness Indicators published by the DTI (March 2006) show that UK managers are perceived to lag their colleagues in France, Germany and the US in terms of "management quality", this is according to the latest survey by the International Institute for Management Development (IMD). These results are consistent with the CEP/McKinsey study (2005) which finds that UK manufacturing firms perform less well in terms of overall management practice, including talent management and performance management, compared to their international counterparts.

##### 4.3.7 High failure rate of SMEs

The need for better management skills is highlighted by the failure of start-ups and SMEs. The Association of Business Recovery Professionals has shown that poor management is the main reason for business failure, behind loss of market. It says there is "an argument" that as many as "six out of 10 insolvencies are management's fault". This must be a priority area to address; particularly as small businesses are known to carry out less training. (*Corporate Insolvency in the UK—12th Survey*, Association of Business Recovery Professionals, 2004). In the UK as a whole SMEs account for over half of employment (58.7%, making this is an important area for tackling the urgent need for a step change in management and leadership capability.

#### 4.4 UK's Management Skills Profile: future demand

##### 4.4.1 Management: a growing profession

There are currently 4.6 million managers in the UK (*Working Futures 2004–14*). This is a higher number than previously estimated, indicating a larger employment share for managers and senior officials—of 15.3%. They now comprise the largest occupational group in the working population, and the management population is forecast to grow by a further 617,000 by 2014 alone. Given the growing recognition of the need for skilled managers and leaders, this growth is expected to be at a greater rate than previously anticipated. Leitch's Report's acknowledged this trend. Current and future skills policy must take account of this and address how this section of the working population can be helped to develop the specific work-oriented management skills necessary for success.

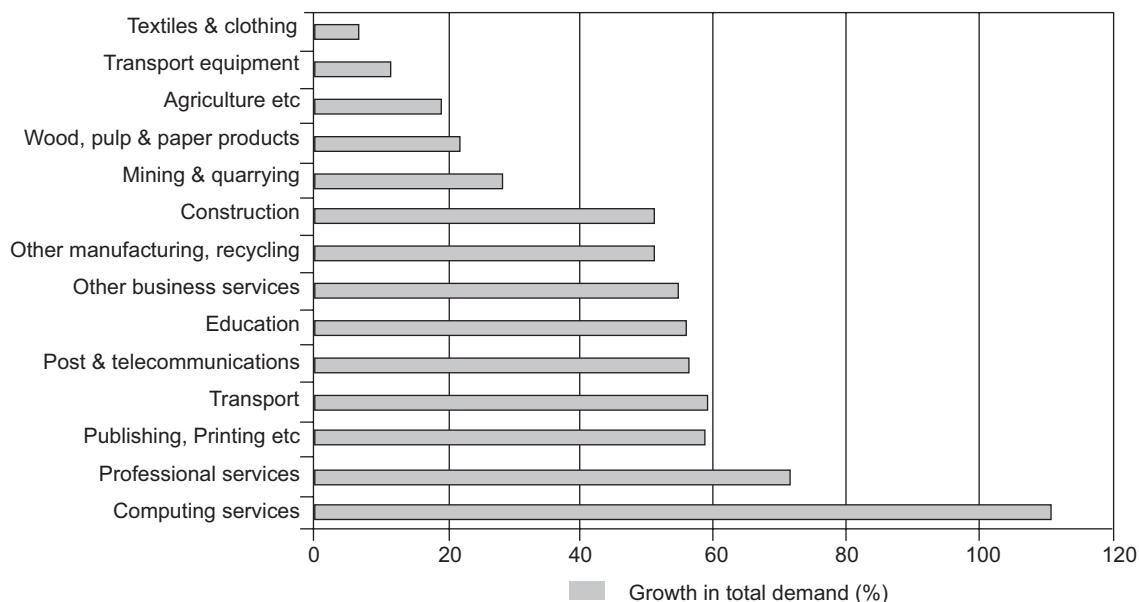
4.4.2 As explored by the Leitch Review in Chapter 3 of the Interim Report, the UK's management population will face major replacement demands due to demographic change. This makes it imperative that skills policy helps develop workplace skills throughout working life. Since around 70% of the workforce of 2020 has already completed compulsory education, and high exit levels will be experienced due to factors such as retirement, it is important that people already in employment or in junior management posts are supported to develop their skills and competencies, so that they can progress their management careers.

#### 4.4.3 Sectoral priorities

All the emerging Sector Skills Agreements developed by the Sector Skills Councils highlight the need for management and leadership skills. It is recognised that variations in demand for management skills do exist between sectors, and that those sectors where economic growth is high, also have the highest demand for management skills. A report prepared by Bosworth and Wilson for the SSDA offers the most comprehensive assessment. ("Sectoral Management Priorities: Management Skills and Capabilities", Bosworth & Wilson, January 2005).

4.4.4 Using data from the 2004 *Working Futures* report, they suggest that the most dramatic need for managers will be in the computing services sector, followed by professional services. A total of seven other sectors are expected to see total demand grow by 50% or more, as indicated in the table below. Even in textiles and clothing, the positive replacement demand exceeds the negative net growth of the sector.

**Growth in Total Demand for Managers in Selected Sectors (per cent)**



Source: IER/CE estimates based on (Wilson et al., 2004), *working futures*.

## 5. MEASURES TO ASSESS SUCCESS OF SKILLS STRATEGY

### 5.1 Responsibility for labour market intelligence

5.1.1 It is important that working across Government departments and agencies, there are clear responsibilities for measurement and evaluation.

5.1.2 Sector Skills Councils (SSCs) and other recognised Standard Setting Bodies (SSBs) such as the Management Standards Centre (MSC) are now responsible for ensuring that the skills needs of employers in the sectors they represent are clearly defined. The UK Regulatory Authorities (RAs), QCA, ACCAC, CCEA and SQA, working with these organisations and other strategic partners, have a responsibility to reform and rationalise vocational qualifications to ensure they support workforce development and the needs of individual learners. Sector Qualifications Strategies (SQS) will assist in the reformation and rationalisation of vocational qualifications.

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5.1.3 The SQS will provide a UK-wide vision or “blueprint” for the design, development and implementation of qualifications and/or other learning provision in each sector, which is underpinned by robust evidence of sector need and capable of supporting workforce development in years to come. The SQS for Management and Leadership should in turn provide a sound basis for planned, strategic and intensive activity by all stakeholders, to reform and rationalise provision.

5.1.4 The Management Standards Centre in partnership with SkillsActive and the Skills for Business Network (SfBN) has set up Steering Groups consisting of key stakeholders with relevant expertise to oversee the work to develop the Management, Leadership and Enterprise Learning and Qualifications Strategy (MLELQS).

5.1.5 It is recommended that the Management Standards Centre, as the recognised Standards Setting Body, plays a lead role in developing national measures for management capability that can both influence the development of the MLELQS and also feed into the incremental development of the National Occupational Standards.

5.1.6 The Institute would also support recommendations to expand the remit of current national surveys such as the Workplace Employer Relations Survey and would seek Government support for the continuation of its longitudinal survey (carried out in 1996, 2000 and 2004) tracking the links between management development activities and organisational performance.

## *5.2 A national measurement of management capability*

5.2.1 An important measurement of managers’ real impact in the workplace that could be used at a national level to assess management capability and performance is the Chartered Manager designation. The Institute recommends that support for the development of Chartered Manager should establish this by 2015 as a benchmark against which employers and Government can recognise and measure professional management capability.

5.2.2 The designation of “Chartered Manager”, introduced by the Chartered Management Institute in 2003, enables individuals with a management qualification and a significant commitment to CPD to gain externally validated recognition of their ability to deliver significant change in their workplace.

5.2.3 The six core leadership and management skills areas required to achieve Chartered Manager status are explicitly aligned to the skill areas identified in the National Occupational Standards for Management and Leadership. It therefore provides employers with a benchmark for professional management. As such, it could be promoted more widely by Government to help drive demand for professional managers.

5.2.4 In the shorter term, management qualifications that have also been developed using the competencies and behaviours identified by the National Occupational Standards for Management and Leadership should be used as key performance indicators for those Government departments and agencies responsible for delivering skills.

## *5.3 Encouraging employer responsibility for people measures*

5.3.1 The Business Review, which in 2006 replaced the requirements of the Operating and Financial review and will be required alongside listed Companies’ Annual Reports, could play a significant role in setting and raising the standard of people management in companies. The Institute recommends that a lead partnership should be formally recognised to develop standards on Human Capital Management reporting for inclusion within the Business Review.

5.3.2 The development of workforce reporting measures within this new Business Review could help to drive employer understanding of the strategic benefits that can be gained from investing in better people management. There is already good evidence of the process by which HCM reporting combines narrative and hard data about the aspects of people management that most affect business performance.

5.3.3 The introduction of comparable and commonly accepted basic standards on HCM reporting could help to focus companies’ understanding of the value of measures of workforce capability. Already many leading companies are looking at measures that indicate how they have generated competitive advantage through their strategic management, deployment and development of employees.

5.3.4 Currently, the Chartered Management Institute is working with Investors in People UK, the Chartered Institute of Personnel and Development, and a number of other bodies including investor representatives and large employers on a Human Capital Management Standards Group. The aims of the group are to produce and test more unified and supportive guidance on the measures and information that companies should be using to report on their human capital.

5.3.5 The outcomes of this work will be shared with Government and disseminated more widely to help develop both the reporting capabilities of UK companies and investor insight into management performance.

5.3.6 The Institute has also established an Employer-led Human Capital Reporting Forum to help develop progressive thinking and business measures that focus on value creation by seeking competitive advantage through the strategic management, deployment and development of employees.

## **6. THE SUPPLY SIDE: THE ROLE OF PROFESSIONAL BODIES**

6.1 Professional bodies are as a source of high quality learning and development in their specific fields and targets for professional qualifications should be included as part of the National Employer Training Programme (“Train to Gain”) and other initiatives.

6.2 There are close to 400 professional associations in the UK, with memberships extending to several million learners. They cover the full spectrum of occupations which cut across industry sectors and are critical to the successful management of business and public services. They have a deep understanding of the challenges their members face and of their learning needs.

6.3 The Chartered Bodies in particular are instrumental in defining the standards for their professions and the development routes and qualifications that recognise learning and skills. Evidence demonstrates that many more people take professional qualifications, usually paid for by their employer, than take NVQ's or post-graduate academic qualifications in management related fields as evidence of the relevance of what we do.

6.4 The medium and longer term prosperity of the nation is dependent upon upskilling, reskilling and updating knowledge within the current workforce. Indeed, the core objective of a professional body is the commitment to raising standards through their codes of conduct, guidance on good practice and the emphasis on continuing professional development (CPD).

6.5 Chartered Bodies go well beyond the delivery of professional standards and qualifications to give real public benefit in terms of lifelong learning. Most provide journals and other publications, research and leading edge thinking, best practice and practical advice, contributions to public policy, libraries, websites, courses, conferences, face-to-face and electronic networks and other up-to-the-minute services, all extensively used by members and non-members for the purpose of continuous learning and improving their ability to deliver change in the workplace.

6.6 Much workplace development of all skills is led by management professionals. It is an area for which there is little public funding and support beyond Level 2 qualifications or apprenticeships. The Chartered Bodies play a vital role in encouraging CPD amongst their members. They also provide relevant frameworks and support to employers seeking to develop their staff and to transfer newly acquired skills into employment.

6.7 The Institute proposes that the Government should include professional training and qualifications within the targets relating to its current initiatives. An example of this is the National Employer Training Programme (NETP). At present the skills brokerage for this scheme signposts LSC accredited provision with an emphasis on Government targets. To achieve the improvements the nation seeks in productivity, in innovation and in public service delivery, it is vital that we encourage individuals and their employers to engage in continuous professional development of those skills which are fundamental to performance. The professional bodies should be acknowledged as a source of high quality learning and development in their specific fields and accessed as part of NETP and other initiatives.

## **7. THE DEMAND SIDE**

7.1 The overarching recommendation from the Leitch Report was that vocational skills must be demand-led rather than centrally planned, and all policies to incentivise demand for management skills from both individual managers and also employers are to be welcomed.

7.2 A key incentive is to provide funding direct to end users rather than through the supply side. Proposals for more flexible funding are supported, particularly where funding streams are re-routed through the employers and employees.

7.3 Alongside the entitlement approach of the National Employer Training Programme, introduced in the Skills Strategy as a way of raising minimum skills levels and engaging individuals, there is a strong case for reviving Individual Learning Accounts (ILAs) in a more carefully managed form, with a particular focus on training to Level 3 and above. As such the Institute welcomes the proposals within the Further Education White Paper and the Leitch Report to introduce a new Learner Account.

7.4 The use of the ILAs helped to reveal a strong preference among individuals for training and there is no doubt that learning is highly valued. Expressing the entitlement to learning as a form of empowered choice, with a matched contribution from employees, employers and government, can be a useful vehicle to encourage an intelligent discussion of co-financing. Both employers and employees have a very clear understanding of the idea of a “government match”, and might be more inclined to invest in their own learning if they believed that the government would contribute a similar amount.

7.5 The Institute will continue to work with the Government's Advisory Panel on Leadership and Management and others both to look at how we support individuals' aspirations to improve as managers and leaders and to help develop innovative approaches of engagement supported by using proposals for Learner Accounts to specifically incentivise management qualifications for adults.

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7.6 The Leitch Report also recommended that a portion of HE funding for vocational courses, currently administered by HEFCE, be delivered through a similar demand-led mechanism as Train to Gain. This should use Government funding to lever in greater investment by employers at Level 4 and Level 5. The Institute strongly supports this proposal as it would potentially open up new access routes for professional qualifications across the HE sector.

7.7 The Institute already successfully engages and raises demand for better management among both individual managers and employers: this is evidenced through its membership and high customer satisfaction levels. The Institute will be actively continuing to support the Government's Advisory Panel for Management and Leadership, chaired by Ian Smith of Oracle, in its proposals to help raise demand which include:

- The development of a national award which raises the profile of those employers who offer truly outstanding leadership and has real currency to prospective employees;
- The identification of leading employers to help promote best practice in leadership and management development;
- And working with Sector Skills Councils to help understand the leadership and management needs of each sector and ensuring that training provision and qualifications are tailored relevant to sector needs.

## 8. APPRENTICESHIPS

8.1 In 2006, the Management Standards Centre was commissioned by the QCA to produce a summary report advising DfES on the practicality of designing and implementing a self-standing "qualification" for management apprentices. This report included an investigation and evaluation into the benefits and risks of implementing a management apprenticeship "qualification" based on primary and secondary research carried out with training providers and employers.

8.2 The MSC apprenticeship in team leading (Level 2) and the advanced apprenticeship in management (Level 3) rank in the top 25 most popular frameworks in England (in terms of numbers of learners enrolled). They are well established frameworks having been in operation for seven to eight years, with a new framework recently approved and live since the 1 May 2006. According to LSC data there were a total of 1,603 people engaged in learning on management apprenticeships across England in 2005.

8.3 The key conclusion from this report based on the MSC's employer and provider consultations was that the majority of respondents seemed to view the proposal of converting the current apprenticeship into a formal qualification with relative optimism. However, this enthusiasm was tinged with caution that the current structure and content of the framework should not be radically transformed. Stakeholders were adamant that issues such as completion, take-up and status of the apprenticeships would all be more likely to rise, if efforts were focused on improving the delivery of the current framework.

8.4 The report called for the LSC to lift the barrier to post 25 funding for apprenticeships: this is a key factor restricting take-up as management is an occupation that is found higher up the career ladder. In addition, most potential managers are likely to be older.

8.5 Another key area that will improve the flexibility and management of the apprenticeship framework would be to increase cooperation between the various stakeholders who are engaged in delivering the learning package; as one employer put it:

"My experience as an employer in trying to set up an apprenticeship scheme has been very difficult. I have had to battle to co-ordinate SSCs, LSC and colleges. This could be a barrier to many employers—there must be an easier way."

## 9. QUALIFICATIONS

### 9.1 New targets for management qualifications

9.1.1 As detailed in section 4.3 above on the current low levels of management qualifications, the estimated level of only 20% of managers being qualified in a management discipline by 2020, should be a priority area for tackling in a future Government skills policies.

9.1.2 To drive management capability, we recommend that the Education and Skills Select Committee considers the benefits of new targets for the qualification of managers in the current workforce, going beyond the generic targets of the Leitch Report.

9.1.3 The Institute recommends that by 2020, at least 50% of managers should be qualified in a management discipline to level 4 or higher. This would include Level 4 S/NVQ in Management; management degrees, professional Diplomas in Management and higher level qualifications such as Masters or MBA programmes.

9.1.4 Evidence from a Chartered Management Institute survey into skills (2002–03) demonstrated that employers welcome a plurality of options for work-based qualifications with a more practical content. Employers have also strongly indicated that assessed qualifications are often more appropriate than examined qualifications. Professional qualifications were generally rated as more relevant than academic and vocational qualifications.

9.1.5 While a qualification may be able to assess competence and knowledge at a given point in time, it does not always provide evidence of the application of management skills and an individual's impact in the workplace. Professional qualifications can combine evidence of impact with evidence of relevance through continuing professional development programmes.

9.1.6 Therefore, in the same way that public services are beginning to demand management qualifications for those responsible for delivering change, more could be done to help employers in other sectors demand management qualifications. Examples of good practice in this area include the Cabinet Office's Professional Skills for Government programme and the DfES's current proposals for qualification requirements for newly appointed Principals of FE colleges. Raising employer demand for management qualifications could be achieved by creating "Licences to Practice" on a sector basis. For example, the care industry already requires NVQs in management.

9.1.7 Public procurement processes could also demand that an appropriate proportion of their suppliers' or contractors hold a recognised management qualification.

## *9.2 The Qualifications and Credit Framework*

9.2.1 The Qualification and Credit Framework being established by the Qualifications and Curriculum Authority should provide a clear credit framework to give both employers and learners better understanding and greater confidence in the value of qualifications and learning.

9.2.2 The new Framework should facilitate progression routes and links across vocational, academic and professional education and across all sectors and occupations.

9.2.3 The Government must give a clear signal that its current commitments to implement credit-based learning for adults through the new Framework for Achievement will be integrated with similar commitments for 14–19-years-olds into a simple, well-understood system of comprehensive lifelong learning.

9.2.4 Learners need to be able to navigate their way with ease through the qualifications system. They must see qualifications as relevant, believe that achievement is properly recognised and be confident that the returns from learning—both economically and in terms of meeting their own potential—are high. It is vital that on and off the job learning can be united by a system of interchangeable, mutually recognisable credits. From the employers' perspective, it is essential that the qualifications framework is credible and offers an adequate guarantee of competence.

9.2.5 There must be parity of esteem between the academic, professional and vocational routes. The UK has always been reluctant to grant vocational qualifications the same respect that academic qualifications—honours degrees, A Levels, O Levels and latterly GCSEs—have been accorded.

9.2.6 The new Framework for Achievement should facilitate progression in a number of different directions:

- Across educational stages—requiring alignment with the 14–19 curriculum and the Higher Education Qualifications Framework.
- Across geographical boundaries—requiring alignment with the Scottish, Wales and Northern Ireland Frameworks and eventually extending beyond the UK.
- Across occupations and sectors—requiring alignment with national occupational standards, sector skills strategies, professional body qualifications and CPD frameworks.

9.2.7 The Institute recommends that there is also a need for the regulatory bodies, such as QCA, HEFCE and QAA, to seek greater alignment of their qualifications and funding mechanisms to provide the desired progression routes across all levels of education.

*January 2007*

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## **Memorandum submitted by the Church of England**

The Church of England wishes to thank the Committee for the opportunity to submit evidence to the Inquiries into Skills. The Church of England has considerable interest and involvement in Further Education, and we are particularly interested in the Further Education and Training Bill currently before

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the House of Lords, to which we are submitting an amendment seeking an entitlement for all 16–19 year old students in further education to the provision of their spiritual, moral, social and cultural development on the same basis as their counterparts in school sixth forms.

We give below some summarised concerns on key issues:

## 1. POST 16 SKILLS TRAINING

We fully support the main findings of the Leitch Report and would emphasise the importance of:

### (a) *Context*

Flexibility—because of the high likelihood of changes in skills needs several times over in the working lifetimes of most students. This calls for core educational content and vocational diplomas and skills training.

Provision for the broader needs of students—especially in the areas of spiritual, moral, social and moral development to ensure the students are equipped for the challenging circumstances of work and life in contemporary multi-faith society, the diversity and impact of faith, and the need for social cohesion and mutual understanding for students from very different backgrounds.

### (b) *Additional / Policy Issues*

The need for consultation with all three constituencies, of learners, employers and communities is built into the LSC Framework for Excellence. Why is there no proper mechanism for consulting with communities in the FE Bill?

### (c) *Supply Side*

The constraints on LSC, not allowing funding of any provision that does not lead to an NQF qualification, is not compatible with the aim of attracting more NEET students into the system. Mentoring/learner support from both Student Services and Multi—Faith Chaplaincy are vital to the recruitment and above all, retention of NEET students. These services should be funded outside the framework of NQF and course provision, based on social priority categories.

Anything to reduce the burden of intermediary agencies and their monitoring / assessing regimes is to be welcomed as liberating teachers to get on with the job of teaching skills to students.

Local partnerships between colleges, schools and communities are vital to success in encouraging new students to take up skills courses.

New provision—some skills are seen as “more equal than others”—for example, skills for faith workers are much in demand but very few colleges are aware of this, and even less run courses in this area.

## DEMAND SIDE

### *Employers*

Given the historical refusal of UK employers to pay for training, it is clear that compulsory levies and enforceable regulations for training etc are the only way to achieve the Government’s Skills agenda. Without such changes, we will continue to lag behind Germany, Scandinavia etc, where employers are levied and expect to pay.

### *Learners*

Information and advice is patchy. NEET students are unlikely to enter or stay in FE unless colleges can provide the kind of pre entry and entry level skills training, with the additional learning and the support the students need, and the needs-based services (including spiritual and moral support) which colleges cannot afford under new funding regimes.

## 2. SPECIALISED DIPLOMAS

There is a lack of a clear core of learning that covers broader issues of attitudes to life and work. This is a real problem, which has not been overcome by the PLTS Framework.

The early work appears to have less to offer than many existing qualifications. Why aren’t existing qualifications being integrated into the new Diploma Framework?

Training is not yet adequate for the current timetable to be met with the level of quality desired.

It is not clear how competition between private colleges and schools is going to be avoided. Local partnerships need to have a regulatory capacity.

### **Memorandum submitted by the Edge Foundation**

Edge is an educational foundation with the aim of raising the status of practical learning and vocational learning.

#### **ADDRESSING SKILLS**

Edge's priority is the development of young people—up to the age of 25—and so comments relate primarily to this group. It is important that we avoid the trap of regarding education and learning as something that takes place when young and skills development as the preserve of those in work. Everyone needs to learn and develop their skills throughout their life.

#### **1. *Raise Demand***

The most important issue relating to skills is how to “raise demand”: if most people had the confidence and desire to learn and develop new skills, the rest would follow.

It is difficult to instil this confidence and desire if people leave formal education without it—and especially if they leave without basic literacy, communication and numeracy skills.

The aims of formal education therefore must be to ensure all young people are literate and numerate, and have a good idea of their particular interests and abilities, what they want to be in work and life, the confidence to try and get there, and the motivation and knowledge of how best to learn and develop themselves.

#### **2. *Underlying culture and attitudes***

History tells us that policy changes and new initiatives will not by themselves make a major difference to the nation's skills issues. The underlying culture and attitudes also need to change. Such changes do not come about by intellectual argument but by continually revealing the downside of the current system and at the same time building faith in new ways of doing things, and in particular by spotlighting and celebrating success—employees, employers, education and training providers. A major communication campaign to raise demand is essential.

#### **3. *Practical learning***

Edge believes that the key to change for young people is to ensure anyone can focus on practical and vocational learning as a natural and respected route to success, and that such learning is an integral and valued part of everyone's education. Attached is an article that analyses why practical learning is an economic imperative for this country (*not printed*).

#### **4. Specific points re Leitch report on skills:**

- Employer engagement with young people. Employers are being asked to do very significantly more in terms of supporting learning and skills development not directly related to their core business: huge planned growth in apprentices; new Specialised Diplomas; support so that all adults secure a Level 2 qualification; ensuring all young people remain in education or workplace training up to the age of 18. There will need to be a shift in the whole culture re employer/education links and engagement. This will require improved brokerage and related internet-based services to make it easier for employers, as well as financial support or incentives.
- Careers advice and guidance. A new adult careers service is a great plan in principle, but it needs to be based around new ideas like Horse's Mouth where people can find out about future work and career options by asking others who have had relevant experience—not publicly-funded careers “experts” and information sites. Horse's Mouth is a new mass e-mentoring site for which Edge has provided the primary venture funding.
- Higher Education. We have to move to promoting higher levels of learning, not HE *per se* (and its association only with Universities). If there are targets in this area they should be related to all those achieving Level 4 or above, including through skills, NVQs and professional qualifications, not just degrees. Higher Education involvement in workforce development is essential, but again the answer will not lie in centrally-imposed government-created solutions but by raising demand. Edge has been working with a number of employers and universities to set up a truly demand-led independent commercial brokerage to enable employees to gain degrees based on their work experience and training.
- Apprenticeships. The number of apprenticeships at Level 3 has been falling for many years (between 1997–08 and 2004–05 the number of young people starting Apprenticeships at Level 3 fell by nearly 20%) and completion rates are still unacceptably low (35% for Level 3 in 2004–05, and still certainly below 50%). One of the major difficulties is finding sufficient apprenticeship

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- places with employers who can provide the quality and breadth of development young people require—as opposed to a cheap “extra pair of hands”. A target to double the numbers of apprentices without any explanation of how is unhelpful and misleading.
- Professions. There is a very well established and respected form of “private” training that is always omitted from public enquiries and reports—professional associations. Serious consideration should be given to the lessons to be learned from the professions, whether more occupations can be “professionalised”, and how professional qualifications are integrated with public educational pathways—including apprenticeships, specialised diplomas, and degrees.

*January 2007*

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### **Memorandum submitted by the Design Council**

#### **1. INTRODUCTION**

The Design Council welcomes the opportunity to respond to the House of Commons Education Select Committee Inquiry into post-16 Skills Training.

This submission particularly deals with the questions set out in the inquiry terms of reference relating to the broader policy issues in respect to the current debate on skills as identified in the Leitch Review.

Our views are drawn from our work in relation to an independent Treasury Review of Creativity in Business carried out by Design Council chair Sir George Cox and recent design industry research and consultation carried out by the Design Council in partnership with the Sector Skills Council, Creative & Cultural Skills.

#### **2. SUMMARY**

If we are to rise to the globalisation challenge then education policy initiatives need to go beyond basic skills towards more support for employer-led and value-added skills.

We welcome recent government initiatives that focus on the further education agenda but current government funding structures do not encourage proposals for National Skills Academies that focus on professional training practice. We have identified a specific need for academies of this type, and would urge the Government to review its support for mid to high-level skills training for workers.

There is a skills gap in professional training in high-level skills—ie lack of enterprise and leadership skills in the design industry. Design students must be equipped with the business skills and the know-how to apply their expertise to a wide range of jobs.

Some industry sectors, like design, do not have big employers to make contributions towards graduate training schemes. There is no provision for support to SMEs to do so at the moment and SMEs are missing out on using graduates. Employers need financial support to take on graduates and Government should make ways of allowing SMEs to make contributions towards the development and provision of training schemes.

#### **3. LESSONS FROM THE COX REVIEW OF CREATIVITY IN BUSINESS**

The Chancellor commissioned Design Council Chair Sir George Cox to look into the question of the UK’s long-term economic success and how the nation’s creative skills could be exploited more successfully. The Cox report was published by the Treasury in December 2005.

The Cox Review highlighted that:

- Design skills are the key contributor to being a competitive nation
- Understanding creativity should be part of equipping everyone for life and work in the 21st century
- The nature and value of creativity needs to be an integral part of all learning
- Creativity needs to be part of technological and scientific learning, and also of management and business studies
- We need business people who understand creativity and creative graduates who can speak the language of business
- Higher-education is becoming more multi-disciplinary around the world—we need to build on the successful models of joint courses and multidisciplinary centres, such as D-School in the US, IDBM in Finland, the RCA and Imperial College in London.
- We need many more and stronger links between universities and SMEs
- We need more links between big business and design schools, not just with engineering and science schools

— Developing design skills across the board is investing in the future

One of the recommendations in the Cox report focussed on preparing future generations of creative specialists and business leaders. The Higher Education Funding Council of England has been the lead body in taking forward this task, and has met with heads of business schools, design schools and the engineering education community to develop this further via its Strategic Development Fund. As a result of this work we are expecting an announcement of a number of new university courses and centres that will bring business, creative and science teaching closer together.

(Further information on the Cox Review are available at:  
<http://www.designcouncil.org.uk/en/Live-Issues/The-Cox-Review>)

#### 4. LESSONS FROM DESIGN SKILLS CONSULTATION

The Design Skills Advisory Panel, a panel of 25 design industry experts, convened by the Design Council and Creative & Cultural Skills, is working to produce a comprehensive report on the status of skills development within the Design Industry. Here are preliminary findings that are relevant to specific questions in the terms of reference of this inquiry.

*(1) Are the Government's priorities for skills broadly correct—for example, the focus on "Level 2" qualifications?*

The UK design industry highlights a need for the Government to place higher skills on the agenda. The DSAP (Design Skills Advisory Panel) has proposed a UK professional design practice centre—an industry led “academy”—that provides widely available, relevant and affordable professional practice development courses and programmes for practicing designers at all levels.

*(2) How do other targets, such as the “50% into HE” fit with the wider skills agenda?*

The current university system produces a far greater number of design graduates than there are graduate-level jobs within the industry. Whilst design should continue to be encouraged as a popular degree choice amongst school-leavers, the industry recognises that design students must be supported in their pursuit of alternative careers, be they design-related or not. This means including robust business management and professional practice skills within undergraduate design courses. The inclusion of business skills and the development of a greater understanding of industry contexts would greatly benefit both those students who go on to become specialists designers as well as those who pursue other careers within and outside the design industry. Whilst 93% of designers think that business skills are either essential or useful in the design curriculum, only 54% of design colleges agree.

Results of the Design Industry consultation have shown that most design students have very little knowledge about and no reassurance that their design education will be valued within any professional role other than “designer”. Yet there is a huge range of careers that could exploit the creative and intellectual assets of a UK design graduate, and this reality should be at the forefront of 21st century design education.

Likewise, the value of a formal design education—and the skills set it transfers—needs to be promoted across business, education and wider-society. Other industries can benefit from welcoming design-educated creative individuals into their environments.

*(3) Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

Large design consultancies are relatively rare and the design industry is overwhelmingly characterised by very small businesses: 59% of design consultancies employ fewer than five people and a further 23% employ five to ten people. As well as being characterised by very small businesses, the design sector in the UK is predominantly made up of very young businesses. This is particularly true in digital and multimedia design, where 45% of businesses were set up in the last three years.

These factors contribute to the design industry's inability to invest in graduate training schemes and professional development. Smaller companies have less money to spend on training their staff, and so place an increasing demand on education to deliver fully skilled and industry-aware design graduates. However, education institutions and bodies cannot make these provisions without formal engagement from design professionals.

Further mechanisms could enable smaller companies to train their staff without making huge financial contributions. If supported by government, proposals such as professional design practice centre would allow design companies to develop the skills of their staff without making huge financial contributions. Likewise, the “academy” would provide expert curriculum development advice for colleges and university; building a clear link between industry and education.

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*(4) What is the typical experience of someone looking for skills training? / What information, advice and guidance is available to potential learners?*

There is no currently a culture of continuous professional development (CPD) and training comprises mainly of informal mentoring and on-the-job coaching. Only 12% of designers will receive any formal training from other designers. But when formal training is required, 68% of design companies will pay for their staff to do so. The most commonly cited barrier to formal training is lack of time (38%), with cost being cited as a close second (34%).

The Design Skills consultation has demonstrated a clear need within the design industry for a formalised delivery of relevant and affordable Professional Development programmes. The proposed vehicle for this is a UK professional design practice centre—a type of academy which would be established as a centre of knowledge about design practice, with a particular focus placed on new and future skills needed within this global and increasingly competitive industry. In effect, the “academy” would provide the “next step” after university working with employers and industry partners to allow designers to broaden their horizons and increase their career pathways. However—due to its emphasis on professional development rather than skills for 16–19-year-olds—this type of academy does not fit the criteria for support within current funding structures.

*(5) What should apprenticeships look like? / What aspects of apprenticeships are seen as valuable by learners and by employers and which less so?*

The results of our consultation have shown that employers prefer to take on designers who have a formal design education. However, the research also identifies a skills gap between higher-education and the workplace—where employers felt graduates should acquire practical business skills before starting work. So whilst apprenticeships independent of a formal education are not popular with employers, a post-graduate “year in practice”—a type of “graduate apprenticeship”; is a well-supported proposal. There needs to be increased financial support to enable small businesses to take on graduates and offer them training, perhaps in the form of tax relief.

*(6) Need for professional training and skills development beyond further and higher education*

Design Council’s research has demonstrated a skills gap within the Design sector relating specifically to professional training and skill development beyond further and higher education. Unlike related industries such as architecture, engineering or marketing, the Design Industry does not currently benefit from a firmly positioned and well-supported culture of professional training. As a result, there are strong concerns that UK designers will lack the competitive business and leadership skills required in today’s global markets.

Formal work experience or a “professional practice” year is considered essential by 88% of designers, yet only 54% of design businesses consider themselves able to provide this opportunity to design graduates. This is often due to the size of design companies, which in most cases (59%) employ fewer than five people. Within an industry characterised by small businesses, support or tax relief needs to be granted to companies who offer professional training design graduates. If the UK professional design practice centre/academy were to be supported in the delivery of schemes such as these, many more design graduates could move forward as “specialists” with essential business acumen. At the moment, small design companies are missing out on the best design graduates, who are heading to large agencies and corporations that offer training schemes. A part-funded “professional practice year” would offer an exciting solution to both promising companies and talented graduates and would result in the UK developing a world class design industry that continued to contribute significantly to innovation across all industries and public sectors in the future.

We would welcome further opportunity to update the Committee on the forthcoming Design Sector Skills Plan expected to be published in April 2007.

*March 2007*

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**Memorandum submitted by e-skills UK**

**1. EXECUTIVE SUMMARY**

*Background*

1.1 e-skills UK has responsibility for ensuring that the UK has the technology-related skills pool to succeed in the global economy. This includes the needs of the IT & Telecoms sector, the needs of business managers and leaders, and the needs of those who use IT in their day to day work.

1.2 The IT & Telecoms sector is a major contributor to economic performance, providing a GVA of over £30 billion, and IT intensive industries contribute 45% of total GVA. It is clear that, in the technology-driven, global economy, IT skills are an increasingly crucial determinant of national competitiveness.

## COMMENT

### *The need for a demand led system*

1.3 e-skills UK warmly welcomes the Leitch report, agrees with the findings and supports the thrust of its recommendations. The Leitch recommendations are intended to create a demand-led system whereby employers have much greater influence over Post-16 provision. Giving employers a much greater role in determining provision is the way to increase prosperity through skills.

1.4 In particular, e-skills UK supports the crucial role envisaged for employers, through their Sector Skills Councils, in actively designing and developing provision and qualifications. This includes not only defining occupational standards as at present, but empowering employers to decide which qualifications meet their needs and should be included in the system. We would also like to see an end to the increasingly spurious distinction between vocational and academic qualifications that currently exists.

1.5 We fully endorse the proposal in the Leitch report to create a demand-led system; the indications are that the current system, in terms of IT-related skills, is not demand-led to any significant extent and therefore employers have little engagement with it.

1.6 Employers of IT & Telecoms professionals already make significant investment in the skills of their workforce. However, they have little engagement with public sector provision which they do not, on the whole, find appropriate to their needs. For every £100 our employers spend on developing their IT workforce skills, the LSC spends just £3.

1.7 In relation to IT user skills, although there is a good deal of publicly funded provision, the demand is largely driven by individuals (rather than employers purchasing it for their IT user workforces) and much public provision is at too low a level (Level 1 or below) to meet the needs of employers and the economy. Therefore, although employers buy significant amounts of IT user training they are not very likely to purchase the publicly funded provision.

### *Need for intermediate and higher level skills, not just Level 2*

1.8. The evidence from employers in the IT and Telecoms sector supports the premise in the Leitch report that there are serious and pressing skills gaps and shortages, and that urgent action is required to address these. Considering IT users, action is required not only at Level 2, (the basic level of IT user skills) but also significant numbers of IT users need urgently to be upskilled to Level 3+.<sup>6</sup> For IT professionals, skills gaps are mainly at Levels 4 and above. A continued focus on Level 2 will not address the majority of the skills issues in our, and other knowledge-intensive sectors, which are increasingly critical to economic competitiveness.

### *Sector Skills Agreements*

1.9 Sector Skills Agreements should have more influence over national and regional policy. Through our Sector Skills Agreement for IT (SSA), we have carried out unprecedented levels of research into the current and future skills needs of the sector and the drivers of skills demand. The SSA for IT provides a compelling articulation not only of employers' needs but also of the potential solutions, yet our success in influencing Post 16 has been limited, due to the voluntary nature of negotiations regarding SSAs at national and regional level and the constraints of national targets.

### *The funding system*

1.10 The current funding system does not support the creation of a demand-led system. It reinforces the focus on Level 2 and on whole qualifications and thus there is still little publicly-funded, responsive provision that meets the needs of employers of either IT and Telecoms professionals or IT users .

1.11 In 2004–5 there were 650 different IT user qualifications being funded in England with nearly 1.2 million entries, 80% of which were at Levels 1 and 2. This clearly does not match our evidence of skills needs which shows that at least 40% of IT users need to be upskilled to Level 3 and that this proportion is increasing. The current system tends to encourage certification of existing skills at the expense of development of increased skills.

1.12 In the case of IT and Telecoms professionals, there is almost no publicly funded skills training that is appropriate to employer need. The most valued and used qualifications and skills training are not currently eligible for public funding.

1.13 Employers need a flexible, unitised approach which is not supported by the current funding regime, and a focus on higher skill levels.

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<sup>6</sup> e-skills UK's SSA for IT 2005–08 estimates the number of people with IT user skills gaps approximately 2 million who have an average skills Level of 1.5 but need to have skills at an average Level of 3.3.

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*Empowering employers in qualification design*

1.14 In a demand-led system employers must be at the heart of designing the qualifications strategy, determining which qualifications are appropriate and how they should be designed to meet their needs. At the moment, this involvement in qualification design tends to be the exception rather than the norm. SSCs need a much clearer, authoritative role within the whole process.

#### SUMMARY OF RECOMMENDATIONS

1. Create the employer demand-led system envisaged in Leitch as quickly as possible.
2. Rebalance the policy focus to explicitly embrace intermediate and higher level skills at Levels 3, 4 and above. Focus on higher level skills is essential for UK competitiveness.
3. Place specific focus on those skills areas with the most influence on economic performance, in particular IT, with its proportionately high impact on productivity and competitiveness across all sectors.
4. Ensure Sector Skills Agreements have real influence on national and regional policy, and enable more flexibility to determine the balance of skills development to be supported at sectoral and regional level.
5. Ensure that the funding model supports the change to a demand led system. The characteristics of this would include the following:
  - SSCs through their SSAs determine skills needs by sector.
  - The funding system supports the delivery of, flexible units of learning rather than whole qualifications driving the system. Qualifications are seen as likely outcomes of a fully demand-led system, not targets and drivers.
  - SSCs determine which learning, units and qualifications are eligible for public funding.
  - Appropriate funding focus is applied to all levels of skill, including supporting increases in higher levels, which are essential to the economy.
  - Funding supports innovative models of delivery, for example e-learning and provider collaboration between publicly funded and private sector providers.
  - The market is open, with all providers operating in open competition with a level playing field.
6. Empower employers through the new role for SSCs set out in Leitch which puts employer demand at the heart of the system and gives them real authority, not just over occupational standards, but the design and content of qualifications which will be eligible for public funding.
7. Enable reform of Apprenticeships and their funding to enable them to better meet the needs of high skill sectors.

## 2. INTRODUCTION

2.1 This memorandum is to provide input to the Education and Skills Committee Inquiry into Post-16 Training. The submitter, e-skills UK, is the Sector Skills Council for IT & Telecoms. e-skills UK's objective is to ensure that the UK has the technology-related skills pool for success in the global economy. The company works with employers to understand their skills and productivity issues, and takes a leadership role in shaping a more responsive and appropriate learning supply side.

2.2 e-skills UK sets out to address the UK's technology-related skills needs through focus on three related communities:

- The IT & Telecoms workforce: 1.2 million people in the IT workforce (580,000 people in the IT industry itself and 590,000 IT professionals working in other industries), plus 200,000 people in the Telecoms workforce. These are the professionals who design, implement and run the technology systems on which all companies depend.
- IT users: the 20 million individuals who need to use IT for their day to day work.
- Business managers and leaders: the 4 million people performing business management and leadership roles in the UK, who need to be able to recognise and exploit the power of IT in driving competitiveness and productivity.

2.3 The terms of reference for the inquiry set out a series of questions, categorised into four subject areas: "Context"; "National Policy Issues"; "The Supply Side"; and "The Demand Side: Employers, SSCs, Apprenticeships and Qualifications". This submission focuses on the areas where e-skills UK, as an employer-led body, can add most value, which are the first, second and fourth of these areas.

2.4 Section 3 below provides information and recommendations in response to questions raised.

### 3. INFORMATION

#### *Context*

**Q:** *What should we take from the Leitch Report on UK skills gaps?*

3.1 We warmly welcome the Leitch report and support its recommendations. The rationale for the report, namely that there are serious skills gaps at all levels in the UK, is one that we endorse and can support with detailed evidence from our sectors. We agree that urgent and radical action is required to address these pressing skills gaps, for the UK to remain competitive in the global, increasingly technology driven, economy.

3.2 The Leitch report identifies the solution as the creation of a demand led post-16 system. The recommendations go beyond the piecemeal reforms of post 16 provision undertaken so far and have substantial implications for qualifications strategy and funding. Unless these changes are implemented fully and quickly, the skills our employers and our economy needs will not be delivered and much public funding on skills provision will continue to be wasted. Currently, funding is not aligned to the skills profile needed by the economy, and public funds are spent on a confusing plethora of qualifications, a large proportion of which are not valued by employers.

#### *Evidence from employers*

3.3 Although there has been significant investment in and take up of IT in the UK, over the last decade the productivity gains have been less impressive, particularly compared to those seen in the US.<sup>7</sup> Employers confirm that there are significant and serious IT skills gaps among IT professionals and IT users, and there is an urgent need to increase skills, predominantly at Levels 3, 4 and above.

3.4 The Sector Skills Agreement for IT (SSA)<sup>8</sup> highlights the following issues:

#### *IT and Telecoms professionals*

- An average of more than 150,000 entrants are required into the IT & Telecoms workforce of 1.4 million people every year for the next decade to meet growth and replacement demand.
- Entry level into the IT workforce is predominantly at graduate level and above. However, there has been an alarming decline in the number of students choosing to study IT-related subjects at A-level and at university. Applications to IT undergraduate degrees decreased by 46% from a peak of 27,000 in 2001 to 14,700 in 2005. (UCAS applications data) and the take up of other science, technology and maths (STEM) subjects is also declining.<sup>9</sup>
- IT and Telecoms professionals need increasingly advanced skills as traditional entry-level jobs are sourced from other countries and employers' requirements continue to change. IT and Telecoms professionals in the UK are increasingly required to have a sophisticated blend of technical, business and interpersonal skills. The training needs are predominantly at higher skills levels.

#### *IT Users*

- IT users throughout the economy require significant upskilling as employers increasingly demand broader and deeper skills. e-skills UK research shows that up to 7.6 million people need to increase their IT user skills, 40% of whom need to increase to at level 3 or higher. By contrast, most publicly funded IT user provision is below Level 2.

#### *Business managers*

- Business managers and leaders increasingly need to understand how to exploit IT to maximise its strategic value to their businesses and IT strategic management should now be part of the core skillset for today's managers. However, research shows there is little technology-related management development provision. Addressing this would also help to drive up demand for skills throughout the organisation as companies' performance improves through the better strategic deployment of technology.

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<sup>7</sup> "Mind the Gap: international comparisons of productivity in services and goods production" Inklaar, Timmer and Van Ark Oct 2006 University of Gronigen.

<sup>8</sup> Sector Skills Agreement for IT 2005–08 e-skills UK.

<sup>9</sup> There are falling numbers of UK-domiciled degree entrants in Engineering and the Physical Sciences, particularly Chemistry. The flow of A-Levels qualifiers in some STEM subjects is declining, particularly Mathematics; STEM A-levels have an important role in progression to STEM at higher education. (The Supply and Demand for Science, Technology, Engineering and Mathematics Skills in the UK Economy DfES RR775, June 2006).

3.5 There is a clear need for major and sustained upskilling. Employers of IT professionals make significant investment in the skills of their IT professional workforce but have little engagement with public sector provision which they do not, on the whole, find appropriate to their needs. For every £100 employers spend on developing the skills of the IT workforce skills, the LSC spends just £3.

3.6 In relation to IT user skills, although there is a good deal of publicly funded provision, the demand is largely driven by individuals (rather than employers purchasing it for their IT user workforces) and much of it is at too low a level (Level 1 or below) to meet the needs of employers and the economy. Again, although employers buy significant amounts of IT user training, public sector provision is not generally their preferred option.

3.7 There is growing evidence of the correlation between the take-up of IT, IT skills and national productivity, indicating that increased national expenditure on IT skills development could make a direct contribution to UK competitiveness.<sup>10</sup> However, the indications are that the system is not currently demanded to any significant extent, with employers having little engagement with public provision.

**Recommendation 1:** Create the employer demand-led system envisaged in Leitch as quickly as possible, with employers at the heart of the system.

#### THE NATIONAL POLICY CONTEXT

*Q: Are the Government's priorities for skills broadly correct? For example the focus on a first Level 2 qualifications?*

3.8 No. We understand why the focus on Level 2 has developed as it is clearly a major and serious workforce skills gap. However, in practice, this policy focus means that post 16 resources, apart from HE, are almost exclusively targeted on Level 2 with some insufficient funding at Level 3 for 16–19 year olds through Advanced Apprenticeships. This does not address the issues of workforce skills gaps at Levels 3, 4 and above, which are identified in the Leitch report as critical to the UK. Focus on these higher level skills is essential for sectors such as IT and Telecoms, yet there is little support from current policy or current public provision to meet the needs of this sector.

3.9 The evidence from employers referred to in 3.3 above supports the premise in the Leitch report that there are serious and pressing skills gaps and shortages, and that urgent action is required to address these. Considering IT users, action is required not only at Level 2, (the basic level of IT user skills) but also significant numbers of IT users need urgently to be upskilled to Level 3+.<sup>11</sup> For IT professionals, skills gaps are mainly at Levels 4 and above. A continued focus on Level 2 will not address the majority of the skills issues in the IT and Telecoms, and other knowledge-intensive sectors, which are increasingly critical to economic competitiveness.

3.10 The Leitch report points out that the 70% of the individuals who will make up the 2020 workforce are already in the workforce now and that, therefore, the adult skills agenda has to go beyond the remedial approach of ensuring those with low or no qualifications achieve a first Level 2. Important though this remedial action is, it will not on its own achieve the objective of a highly skilled and productive workforce.

3.11 We also believe that continuing to focus policy and the bulk of the available resources on enabling adults to achieve a first Level 2 will mean that there continues to be significant deadweight and lack of true additionality, as individuals who are already operating at skill levels above L2 but are unqualified become qualified at Level 2. This use of public funds illustrates just one of the many problems associated with using qualifications as the sole proxy measure for skills, particularly in the adult workforce.

3.12 Level 2 focus also has the consequence of sectoral targeting which is clearly not intended. Only those working in low skills jobs and hence sectors with large proportion of low skills jobs are heavily involved with public provision, and this is likely to contribute to a low skills equilibrium being maintained in certain regions.

3.13 e-skills UK also argues the case for placing specific focus on IT due to its proportionately high impact on productivity and competitiveness across all sectors.

**Recommendation 2:** Rebalance the policy focus to explicitly embrace intermediate and higher level skills at levels 3, 4 and above; focus on higher level skills is essential for UK competitiveness.

**Recommendation 3:** Place specific focus on those skills areas with the most impact on economic performance, in particular IT with its proportionately high impact on productivity and competitiveness across all sectors.

<sup>10</sup> "Mind the Gap: international comparisons of productivity In services and goods production" Inklaar, Timmer and Van Ark Oct 2006 University of Groningen.

<sup>11</sup> e-skills UK's SSA for IT 2005–08 estimates the number of people with IT user skills gaps approximately 2 million who have an average skills level of 1.5 but need to have skills at an average Level of 3.3.

3.14 We also believe that Sector Skills Agreements should have more influence over national and regional policy. It may be that certain regions and sectors could achieve more productivity uplift and lay the foundations for future competitiveness through a greater investment in higher level skills. There should be more flexibility in determining the balance between levels in regional strategies, in line with SSA priorities, and PSA targets would need to be reviewed accordingly.

Recommendation 4: Ensure Sector Skills Agreements have real influence on national and regional policy, and enable more flexibility to determine the balance of skills development to be supported at sectoral and regional level.

*Q: Do current funding structures support a more responsive skills training system? How could they be improved?*

3.15 There is still little publicly funded provision that meets the needs of employers in terms of IT skills.

#### *IT and Telecoms professionals*

3.16 In the case of IT and Telecoms professionals, there is almost no publicly funded skills training that is appropriate to employer need. The most valued and used qualifications and skills training are not currently eligible for public funding. There is an urgent need for public funding to be aligned to employer need, with employer-defined structures for qualifications and development defining eligibility for public funding.

3.17 This question also links to the issue of the policy focus and whilst it remains on Level 2 with the bulk of the resources supporting this level of provision, there will continue to be little or no publicly funded provision which meets employer demand for IT and Telecoms professionals.

3.18 Whilst it is a positive step to include Level 3 provision in Train to Gain, it is unclear from both the Leitch report and the LSC consultation document “Delivering World-class Skills in a Demand-led system”, what proportion of funding will be available for Level 3 and above. This is not only a question of the proportion of financial resources used in this way, but also of the policy thrust and effort which follows it, including the knowledge and expertise of the providers which will tend to specialise at this level.

3.19 The funding system is currently too heavily driven by the PSA targets and hence by the achievement of qualifications which runs counter to the employer demand-led system we want to create. Although qualifications will continue to be the most appropriate way for employers to assess new entrants to the labour market, the evidence strongly suggests that they do not have the same value or meaning to employers in relation to members of the existing workforce. The use of qualifications as the single proxy measure for skills is therefore inappropriate and has led to the wrong targets driving the funding system with adverse consequences for all concerned.

3.20 In relation to adult skills in particular, it is clear that qualifications should be natural by-products of the learning and skills system, rather than acting as the primary driver. What is important to employers are the skills and competencies of an individual, acquired as needed, which can then be combined flexibly to create qualifications to suit individual employers’ and learners’ requirements. This unitised model with bite-size learning is essential in a sector like IT & Telecoms, which is operating globally and where the pace of change is very fast.

3.21 In order to truly achieve demand led funding, the use of targets for qualifications should be radically reviewed. The decision to start and complete units and qualifications should be determined directly by the market (ie the employer or individuals), with a system of credit accumulation over time. The LSC should be able to fund workplace development to directly suit business needs, rather than to achieve pre-set targets for qualifications. Measures should be based on increased skills levels, supported by aggregated unit credits.

3.22 The current system for whole qualifications offers an all or nothing approach for employers who must be sure they want to do 100% of a qualification before they can be eligible for funding. In reality, this deters employers from taking up funded learning. In contrast, under a credit-based system, achievement of individual bite-sized learning would be valued as the achievement it is rather than a failure to achieve a whole qualification, which may well not suit the user’s need. The funding system needs to be radically redesigned to support publicly funded learning providers in becoming employer demand-led in terms of type and level of provision.

3.23 The risks are that, without this, there will continue to be a two tier system where the public sector provision for adults has little relevance to key sectors of the economy, such as IT & Telecoms, while these employers continue to invest substantial sums in training and learning which is largely unseen and unrecognised by Government.

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*IT users*

3.24 In the case of IT users, although there is a great deal of publicly funded IT user skills provision, too much of it is at too low a level to be relevant to employers, and is delivered in a standardised way which is not customised to individual needs. In 2004–5 there were 650 different IT user qualifications being funded in England with nearly 1.2 million entries, 80% of which were at levels 1 and 2. However, at least 40% of IT users need to be upskilled to Level 3 and that this proportion is increasing.

3.25 e-skills UK has developed an innovative approach for IT user skills through the e-skills Passport and ITQ qualification. This provides an accurate web-based diagnosis of an individual's skills needs, linked to the ITQ which provides flexible units of learning leading to a qualification at the appropriate level. When implemented properly, this delivers a radically different approach from the formulaic delivery of a standard qualification.

*Q: Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

3.26 The proportion of contribution from public funding, employers and individuals varies considerably by sector and geography. In the case of the IT and Telecoms sector, these is very little public contribution. The disconnect between public provision and employer need perpetuates a situation where publicly-funded providers are not in general able to meet the needs of the sector.

3.27 Enabling a level of public funding support for higher level skills would help providers to become more responsive to the needs of employers.

Recommendation 5. Ensure that the funding model supports the change to a demand led system. The characteristics of this would include the following:

- SSCs through their SSAs determine skills needs by sector.
- The funding system supports the delivery of flexible units of learning rather than whole qualifications driving the system. Qualifications are seen as likely outcomes of a fully demand-led system, not targets and drivers.
- SSCs determine which learning, units and qualifications are eligible for public funding.
- Appropriate funding focus is applied to all levels of skill, including supporting increases in higher levels, which are essential to the economy.
- Funding supports innovative models of delivery, for example e-learning and provider collaboration between publicly funded and private sector providers.
- The market is open, with providers operating in open competition with a level playing field

#### THE DEMAND SIDE: EMPLOYERS, SSCS, APPRENTICESHIPS AND QUALIFICATIONS

*Employers*

*Q: What should a demand-led system really look like?*

3.28 To achieve a demand-led system, it is necessary to address the points raised above with respect to policy focus, planning, qualifications and funding systems. In addition, the mechanisms need to be in place to ensure that:

- Employers are empowered to shape change and are engaged at every step of the learning and skills provision cycle from design to delivery and from occupational standards through to qualifications.
- Employers' current and future skills need are clearly articulated and are able to drive change through the SSA process, with employers, through their SSCs, having the authority to influence national and regional skills planning;
- Individual learners make appropriate choices based on high quality, up-to-date sectoral information and accurate diagnosis of their skills needs.

3.29 The Leitch report recommendations have the power to achieve a significant shift towards this demand-led system if implemented in the spirit intended. Given the pressing need for change, implementation needs to be started immediately.

*Q: Do employers feel they are shaping skills training?*

3.30 In general employers do not feel publicly funded training meets their direct workforce development needs for either IT professionals or IT users and they cannot see a direct relationship between their needs and what is provided. For example, currently the number of IT user achievements funded by the LSC in England meets only 18% of employers' requirements to address skills gaps and up-skilling. Achievements of priority qualifications account for just 4% of employer requirements.

3.31 e-skills UK is trying to shape IT user training by ensuring provision is directly supporting the employer-defined framework of the e-skills Passport and ITQ qualification. However, there are many inhibitors to achieving this in the current environment.

#### *Sector Skills Councils*

**Q:** *Do employers feel closely involved with design of qualifications?*

3.32 This varies significantly across the range of employers. When e-skills UK is involved in qualification design, typically employers are engaged in two ways. Firstly, research amongst a large and statistically valid sample of employers is undertaken to define needs. Secondly, a smaller working group of employers is directly involved in the detailed development work. This requires a substantial investment of employers' time and appropriate expertise.

3.33 Examples of employer involvement with qualifications include the development of a new Honours degree framework, the Information Technology Management for Business. Broadly-based research evidenced the need for a new type of degree which incorporated business, technical, interpersonal and project competencies. A selection of employers they worked together to define the details of the programme. Similarly, the development of the new 14–19 Diploma in IT has been led by a steering group of 20 leading employers, supported by input from a statistically valid sample of 632 companies.

3.34 Employers add real value through this type of process, ensuring that new standards, frameworks and qualifications are fit for purpose and reflect the reality of the workplace.

3.35 For those employers who are unable to be directly involved in development, the essential requirement is that there is a trusted organisation to act on their behalf, understanding their views and ensuring their needs are met. This is the role of the Sector Skills Council.

**Recommendation 6:** Empower employers through the new role for SSCs set out in Leitch which puts employer demand at the heart of the system and gives them real authority, not just over occupational standards, but the design and content of qualifications which will be eligible for public funding.

**Q:** *Should employers be further incentivised to take up training?*

3.36 Employers already invest significant sums in skills development of both IT professionals and IT users. The IT and Telecoms industry alone spends £1,054 million<sup>12</sup> a year on training the workforce, equating to spend of £1,600 per employee compared to an all sector average £1,550. In addition, the sector invests a great deal in on-the-job development.

3.37 Research shows that after mandatory training such as Health and Safety (69% of employers who train provide Health & Safety training), employers are most likely to invest in IT user training: 53% according to National Employer Skills Survey (NESS) 2003.

3.38 Although the proposed contribution of 50% to a first L3 would be welcomed by employers, this alone will not overcome the problem of lack of relevant provision. For investment in training to increase, it is essential that the training on offer meets employer needs. For the IT & Telecoms sector, the emphasis needs to be on creating a radically reshaped system that is responsive to employer needs.

3.39 e-skills UK supports positive incentives, such as influence on provision, and a partnership of public / private funding for training at all levels. However, an attempt to make increased take-up of training mandatory would be very badly received. Employers operating in a global economy find increased bureaucracy a disincentive to invest in a particular country.

3.40 Furthermore, there is evidence to suggest that compulsory or regulation-driven, training has the effect of decreasing demand for the sort of high quality, elective training aimed at raising skills levels that is the primary requirement in terms of increased competitiveness.

3.41 Regulation-driven training already uses up significant and often scarce resources for skills development, particularly in smaller companies. The Labour Force Survey shows that the level of off the job training has remained static at around 14% (those surveyed having received off the job training in the past year) for the past 10 years. The most common type of training is health and safety (ie regulation driven training) at 84%. Other forms of training which are more closely related to upskilling such as the use of technology, accounts for only 54% of off-the-job training, and management training is an even lower percentage.

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<sup>12</sup> "NESS 2005/Cost of training survey" LSC June 2006.

## *Apprenticeships*

*Q: What should apprenticeships look like?*

3.42 Apprenticeships have an important role to play in providing job-related development and progression. However, employers of IT professionals typically prefer to recruit at a graduate level minimum. It is possible that more employers would offer IT professional Apprenticeships if the programme were more flexible in meeting their needs.

3.43 e-skills UK has embarked on a project to reform the range of Apprenticeships for the IT sector, with a more flexible, credit-based Apprenticeship qualification as part of the QCF tests and trials. This will include credit for a broader range of employer valued achievements than the existing system, and give the flexibility to tailor an Apprenticeship to better meet individual learner and business requirements.

3.44 However, although Apprenticeships can be improved, we would still not expect this to be a primary route into the sector, and would like to see an expansion of the Higher Apprenticeships programme which would be more attractive to the sector. This programme needs fit-for-purpose funding arrangements as it is currently a small pilot.

*Q: What parts of the current apprenticeship framework are seen as valuable by learners and by employers and which are less so? Is there a case for reform of the framework?*

3.45 It is currently difficult for apprenticeships to keep pace with changing business needs. Technical Certificates are not particularly valued in the IT sector, and development cycles are often too slow for employer needs. Allowing employers to use the system in the credit framework to develop and add individual units of learning (eg new vendor certificates) to the Apprenticeship will help.

*Q: Are the right numbers of places available and in the right areas and at the right level?*

3.46. There is a fundamental problem for the IT & Telecoms Professional workforce; the LSC is required to fund 16–19 year old Apprentices as a priority, which means that the majority of apprenticeship funding is directed to sectors with low age and skills profiles. This means that the IT & Telecoms sector, where the skills profile is much higher and mainly requires new entrants who are 19+, has few or no opportunities to access LSC funds. This problem is further exacerbated for Higher Apprenticeships as, to be sufficiently qualified, almost 100% of learners will be over 19+ when they begin the programme.

Recommendation 7: Enable reform of Apprenticeships and their funding to enable them to better meet the needs of high skill sectors.

*Q: What is the current success rate for apprenticeships?*

3.47. In 2005–06 the national figures were as follows:

Framework	Apprenticeship Success Rate %	Total Leavers	Advanced Apprenticeship No	Total Leavers No Success rate %
Communications Technologies (Telecoms)	71	647	64	1,007
IT Services and Development (IT professional)	61	1,151	58	705
IT User	75	2,069	34	100
		3,867		1,812

## *Qualifications*

*Q: Do the qualifications which are currently available make sense to employers and learners?*

3.48 No. There is a pressing need for reform in terms of IT-related qualifications, the wide range of which baffles employers and individuals alike. The purpose of the Sector Qualifications Strategy is to rationalise the current unhelpful plethora of qualifications and bring together within a coherent framework those qualifications which are of proven value to employers.

3.49 The IT & Telecoms Sector Qualifications Strategy will:

- Include all nationally recognised qualification types including academic, occupational, vendor and employer-led training, and thus contribute significantly to eliminating the increasingly unhelpful and irrelevant divide between academic and vocational learning.
- Ensure that only those qualifications that have proved to be of value to employers and learners are included and funded and that they fit within the relevant employer-defined frameworks.

- 
- Provide flexibility through recognition and aggregation of chunks of learning positioned within a coherent level and credit framework.

**Q:** *Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalisation?*

3.50 There needs to be a single framework with employers deciding, through their SSCs, which learning, units and qualifications are included, both publicly and privately developed. e-skills UK also supports the moves towards accumulation of credit and unitisation and the flexibility that these bring. This reform needs to be implemented quickly, and supported by the other aspects of the demand led system, including an appropriate funding which supports unitisation. In relation to adult skills in particular qualifications should be by-products of learning, not the primary driver of the system.

3.51 In order to truly achieve demand led funding the concept of learning aims, and success rates for qualifications should be given far less prominence and their use as targets should be radically reviewed. The decision to start and complete units and qualifications will then be determined directly by the market (ie the employer or individuals) and reward credit accumulation over time. If the LSC were relieved of part or all of their targets for full Level 2 or 3 achievements, they would be able to fund workplace development to directly suit business needs. Measures could be based on total credit achieved at each level.

#### **Annex**

#### **E-SKILLS UK VISION, MISSION AND BOARD MEMBERSHIP**

The vision of e-skills UK is that:

- The UK's IT & Telecoms workforce is a global leader in high value services, innovation and contribution to the economy.
- All organisations in every sector are fully realising the potential of technology to support their business goals.
- All individuals in the UK have, and continue to develop, the IT user skills to fully participate in the e-economy.

The mission of e-skills UK is to develop the skills pool needed to improve productivity and business performance, by uniting employers, educators and government on a common, employer-led agenda for action.

e-skills UK Board members are as follows:

Larry Hirst (Chair)	Chief Executive	IBM UK
David Tomlinson	UK Managing Director	Accenture
Andy Green	Chief Executive	BT Global Services
John Pluthero	Executive Chairman, UK	Cable & Wireless
Duncan Mitchell	VP & Managing Director, UK & Ireland	Cisco
Bill Thomas	President of Europe	EDS
Peter Hutchinson	Managing Director UK Public Sector	Fujitsu
Stephen Gill	VP/CEO	HP
Martin Read	Chief Executive	LogicaCMG
Gordon Frazer	Managing Director	Microsoft
Ian Smith	Managing Director	Oracle
Julian Harris	CEO	Smart421
Nick Read	UK CEO	Vodafone
Paul Coby	Chief Information Officer	British Airways
Simon Post	Chief Technology Officer	Carphone Warehouse
Peter Brickley	Chief Information Officer	Centrica
Claire Hamon	Director, Business Information Systems	Crown Prosecution Service
John Suffolk	Chief Information Officer	Government
Andrea Kalavsky	Systems Magician	Innocent
David Lister	Chief Information Officer	Reuters
David Burden	Group Chief Information Officer	Royal Mail
Angela Morrison	Chief Information Officer	Sainsburys
Richard Thwaite	Global Head of IT Production Change	UBS
Neil Cameron	Chief Information Officer	Unilever
Ben Wishart	Group IT Director	Whitbread
Adrian Askew	General Secretary	Connect (Trade Union)

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## Memorandum submitted by Faber Maunsell

### 1. SUMMARY

1.1 Faber Maunsell is a leading multi disciplinary consultancy in the UK and is part of the global AECOM group of companies. The company provides consultancy services in the building, transport and environmental sectors. Faber Maunsell employs over 2,500 people in a network of 30 offices in the UK and Europe, which combined with the strength of AECOM's global reach provides it with the capacity to take on any project, anywhere.

1.2 Faber Maunsell clients include central government and its agencies, local government and the private sector.

1.3 Examples of Faber Maunsell's work include the restoration of Windsor Castle and other major historic public buildings, the engineering for new BBC headquarters and the Olympic village for Torino 2006. It is the engineering expert behind the much-publicised British Antarctica Survey base Halley VI. Additionally, Faber Maunsell has been instrumental in the design and management of transport networks, innovative traffic demand management systems (like road tolling) and freight expertise. Programmes include the M62 toll road, the London Bus Initiative and the Capital Programme for Manchester City Council.

1.4 Faber Maunsell has the largest team in the UK in any engineering consultancy dedicated to sustainable development.

1.5 Faber Maunsell's vision is to create a better world in which to work and live. To achieve this requires access to a large pool of skill and talent. Currently there is a serious shortage of skills that make up the engineering sector including planning and design as highlighted in the Leitch and in Pre Budget report.

1.6 To address this increasing problem, Faber Maunsell has developed its own STEP (structured training excellence programme) programme as its solution to the industry.

1.7 In 2006, Faber Maunsell was the first in its sector to launch a large scale, joined up skills programme for 16–18 year olds which was seen as critical for addressing the UK's critical skills shortage in science, technology and engineering.

1.8 STEP, its Structured Training Excellence Programme, will enable school leavers to have paid alternatives to academia.

1.9 STEP precedes government policy to address the issue by providing a new approach via a flexible programme that combines training skills with work experience. It is suitable for those joining Faber Maunsell after GCSEs, AS Levels or A Levels (or national equivalents) and offers exciting careers in the UK and overseas in association with AECOM, its global parent company.

1.10 Options for school leavers include on the job training and further education:

- 16 year olds will have four days work experience plus one day at college studying for a National Certificate (two years) progressing on to an NVQ Level 3 qualification—they can complete their studies and progress within the business or continue to a Higher National Certificate (HNC) or Diploma (HND) leading possibly on to sponsorship through university and a professional qualification;
- 18 year olds can either join Faber Maunsell on a Gap Year, which is paid work experience leading to possible university sponsorship or they can opt for an HNC day release course.

### 2. POST-16 SKILLS TRAINING

2.1 Based on experience and the research that Faber Maunsell conducted into developing its STEP programme, it is apparent that the main focus of government skills policy is focused on targeting training up to Level 2.

2.2 The Government should look to undertake a review of specific skills and resource shortages in order to encourage training in areas where there are high levels of demand—such as technician training.

2.3 Government appears to give less emphasis to skills training for Level 3 qualifications which is where Faber Maunsell funds qualifications and training itself. More could be achieved by the government through an incentive scheme at this level of recruitment and training. Within Faber Maunsell, the apprenticeship scheme (Level 3/4) is proactively engaging this target group, funding their education and then helping to find future employment within industry. Faber Maunsell has managed a graduate development scheme for several years and its success has formed the basis of the structured STEP programme.

2.4 With a lack of any improvement in reducing the skills shortage within the engineering sector, there has been a requirement for industry to address the solution itself. Government has been more proactive in respect of encouraging smaller companies to offer Level 2 apprenticeships. However within the engineering industry there is a huge “talent war” that requires a speedy and effective response that private companies have had to manage themselves rather than rely on government support which brings with it slow procedure and implementation of training schemes.

### **3. DEMAND SIDE**

3.1 Faber Maunsell believe that the best approach to a demand led system is well illustrated in its STEP programme. See separate table.

3.2 Faber Maunsell has been working closely with Summit Skills, the Sector Skills Council for building services to tackle the issues surrounding future skills needs and the level of training provision in the region. The findings will be reported in January 2007.

3.3 During the development of the Faber Maunsell STEP programme there has been little opportunity to shape the content of qualifications. The skills of individuals are tailored to become more job specific and relevant through the integration of practical and “on the job” experience into the academic qualification. However, at a National Certificate and Higher National Certificate Faber Maunsell can use its education supply chain approach to influence further education colleges and NVQ providers. To date this has been successful with Further Education colleges and we intend to roll it out to qualification setting bodies like Edexcel.

3.4 Whilst Faber Maunsell is proactive and pleased to be working to help secure skills in the UK engineering consultancy industry, it recognises that more could have been achieved with the support of government particularly for Level 3 and above. It appears that the majority of support is focused on those who receive no further education. Some support funding of education courses is available to Faber Maunsell however, the bigger barrier is the complete lack of clear consistent listings of what education courses and NVQ’s are available and where. The skills sector councils are poor at making contact with employers and the FE colleges are usually unable to provide details of courses that they themselves offer. As part of its apprentice and STEP programme, Faber Maunsell has received support from Summit Skills who prepared listings of the colleges at which NC’s and HNC’s in engineering subjects are delivered—these should be available through a proper structured government website as should the listings of NVQ providers/assessors. Sadly the availability of particular courses at colleges seems to change annually according to student demand so the certainty of being able to offer day release education is somewhat fragile.

### **4. APPRENTICESHIPS**

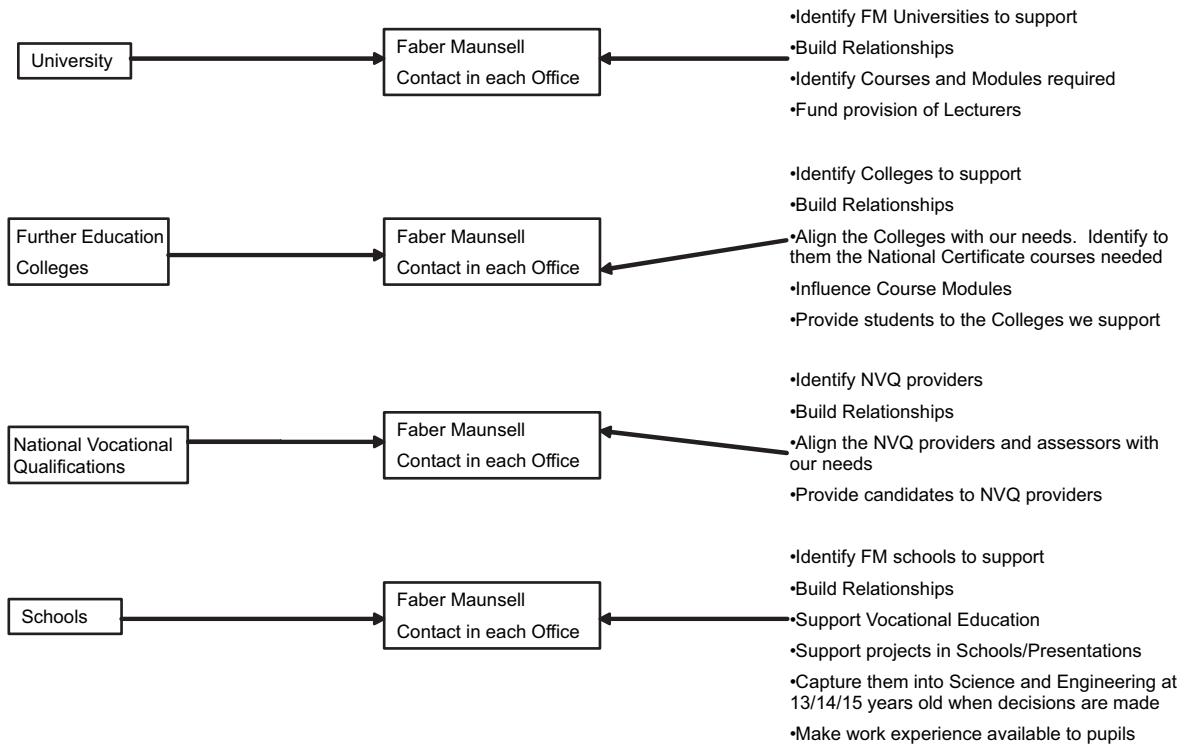
4.1 Faber Maunsell has spent considerable time developing and trialing its modern apprenticeship and believe it is the basis for best practice across many industry sectors. See additional information on STEP.

4.2 Typically, apprenticeships don’t target Level 3 or above. While the Government scheme tries to attract the candidates to an apprenticeship and then find them an employer, the Faber Maunsell STEP scheme effectively works in the opposite way by attracting potential apprentices to the opportunities that the company can offer, despite this, those completing the STEP programme are not tied to working for Faber Maunsell if they don’t wish to.

### **5. CONTACT DETAILS**

5.1 Faber Maunsell would be keen to provide oral evidence from an industry perspective.

## 6. ADDITIONAL INFORMATION—SUPPLY CHAIN MANAGEMENT (SECTION 3.1)



January 2007

## Memorandum submitted by the Financial Services Skills Council (FSSC)

### INTRODUCTION

The Financial Services Skills Council (FSSC) was established in 2004 to lead the skills and productivity drive for the United Kingdom financial services industry. It is the only body, apart from industry regulator the Financial Services Authority, acting for the entire UK financial services industry, and seeks to provide strategic leadership for training, skills and education development in the industry in order to improve productivity and performance.

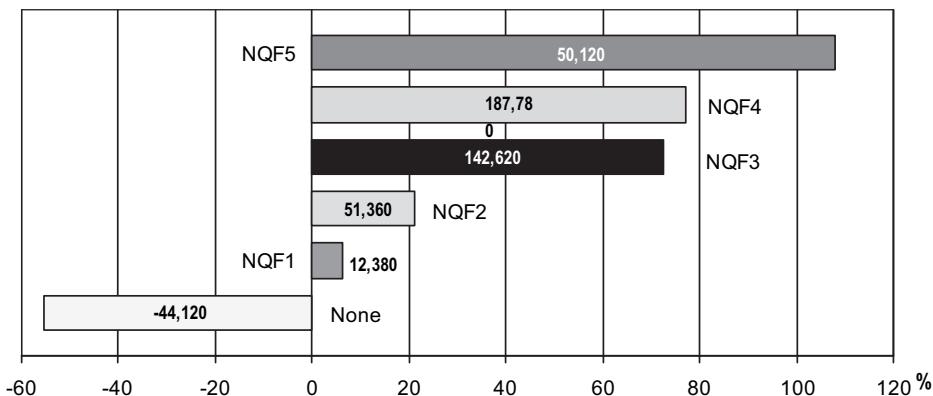
The FSSC is focussed on representing the employers' interests (employer-led) and directly influences the planning and funding of education and training across the UK with relevant Government, national and international organisations. The FSSC promotes the concept of spending on skills training to meet the strategic needs of the financial services industry, rather than being driven by calls simply to comply with the requirement to provide skills training. Further, the FSSC works to enhance the profile of British qualifications in the global financial services community.

The FSSC is part of the Skills for Business Network, a cluster of Sector Skills Councils (SSCs) covering the key industry sectors, and flagged by Lord Leitch in his recent HM Treasury Report on Skills as being important to the delivery of future skills provision in the UK. SSCs are the access points to public funding to match employers' investment, and actively involve trade unions, professional bodies and other stakeholders. The FSSC also has memoranda of understanding with professional associations including the Alliance for Finance, Investors in People UK and the Financial Services Authority.

Over the past 10 years, heightened competition for global markets and the advent of the offshoring trends have increased the pressure on cost reduction and productivity, and the sector has faced many changes; structurally, legislatively and technologically. With no sign of these changes abating, it has never been more important to be prepared for the needs of an increasingly global dimension to the UK economy in the future; this must entail the creation of a greater skills base in the UK.

An important part of the role of the FSSC is to predict and plan for skills needs which result from industry change. In order to do this effectively the FSSC undertakes a rigorous programme of research to provide its members, stakeholders and partners with useful information on skills trends throughout the UK.

**Figure 1: Incremental Demand by Qualification for periods 2004-2014  
England, Financial services**



The FSSC is currently engaged in the most far-reaching research undertaken in this area to date, to inform development of its Sector Skills Agreement. This process, involves employers at every level of the industry to get their views about where they perceive skill gaps now and over the next five years. In addition, the FSSC is also carrying out a piece of research at the request of the Chancellor at the first meeting of the High-Level City Group. The research considers financial skills gaps specifically within the wholesale market (which underpins much of the City of London's success). At the same time, HM Treasury, together with industry, will examine a proposal for a centre of regulatory expertise that would provide teaching and research.

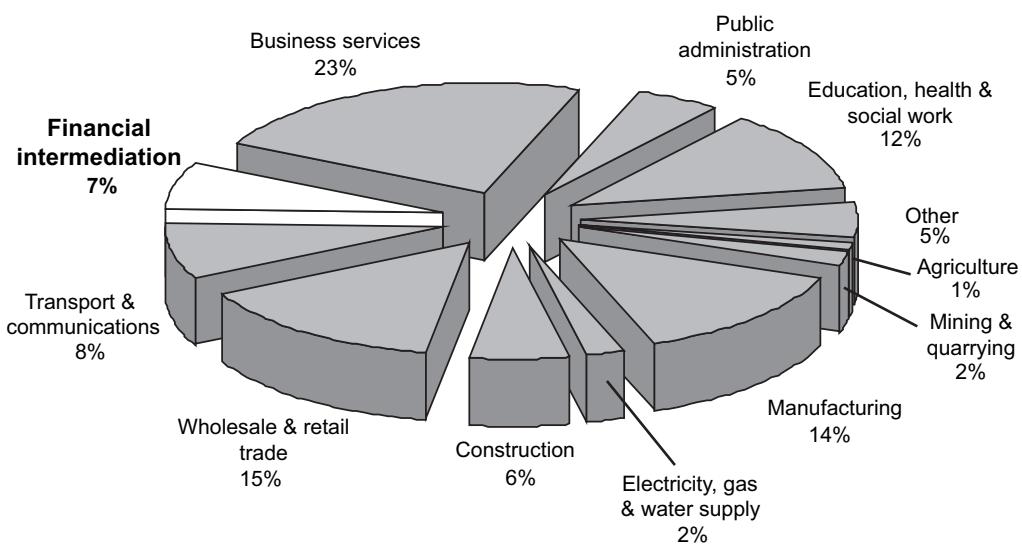
#### THE CHALLENGES AHEAD FOR UK SKILLS PROVISION

The FSSC maintains the appropriate exams list for the financial services industry. It acknowledges the reasoning behind using qualifications as a proxy for skills. However, it also recognises that qualifications are not always the only appropriate measure. (For example, the FSSC is introducing systems of accreditation for workplace training and trainers as a quality assurance system for financial services.) Sector qualification strategies need to take into account the provision that lies outside the formal UK qualifications and credit framework, particularly reflecting the increasing impact of higher-level international qualifications.

The FSSC is concerned by the Government's decision to focus on "Level 2" qualifications. Consistent opinion amongst employers is that a higher skill level, "Level 3 or above", is required to ensure that individuals are equipped with a sufficient level of training to work not only in the financial services industry, but throughout the wider economy, in a bid to maintain global competition. Figure 1, above, demonstrates that from 2004-14 there will be an increase in demand for Level 5 qualifications of 110% (and high percentages for Levels 4 and 3)—but only an increase in demand of 21% for Level 2:

In financial services, the emphasis on compliance training and the completion of appropriate exams to meet regulatory requirements means that employers' preferences are weighted not just towards Level 3, but towards higher levels. The FSSC would encourage progression to higher levels of educational attainment. This is also reflected in the Leitch Review's proposed commitment to exceed 40% of the adult population to be qualified to Level 4 or above, in pursuit of world-class skills.

As the demand for more managerial and professional staff increases, the level of qualifications expected of the workforce will rise—NQF Levels 3 and above. The most significant increase in demand will be for individuals with a Level 5 qualification, followed by "Levels 4 and 3". The sector is expected to require fewer individuals at Levels 2 and below, though "Level 2 and 3" qualifications will continue to provide important access routes into the qualifications ladder and employment entry. These changes will be driven primarily by potential shifts in the sector, the economy, and changes in society, demographics, and both supply and demand.

**Figure 2: Breakdown of UK GDP Industry(2003)**

*UK financial services: Five years forward, published by the Financial Services Skills Council, authored by Oxford Economic Forecasting, August 2006, page 41.*

The financial services industry is an important segment of the UK economy. The table above shows the distribution of output in the UK, based on data for value added by industry in 2003 (the last year of ONS input-output tables currently available, which give detailed figures of the level of output). Financial services constitutes about 7% of total output (GDP), which is approximately 0.5% higher than its weight in 1993. This figure can be put into context by noting that manufacturing output now constitutes around 15% of GDP, while total output of services makes up approximately 75% of GDP.

The restructuring of other UK industries, in response to technological progress and changing competitive conditions, has also influenced structural and productivity trends in financial services and their relationship with corporate clients. Financial services have an impact on all parts of the company life cycle—from entrepreneurial start-ups through to mega mergers and acquisitions. Growth within the credit derivatives market in recent years is just one aspect of these trends, and illustrates the industry's need for highly educated staff that can quickly learn and apply new skills and techniques.

The longstanding attraction of the “City” over “Industry”, especially for holders of degree-level qualifications, has attracted periodic political complaint, especially at times when large non-financial companies are reporting skill shortages. Financial institutions have responded to accusations of “poaching” skilled labour from other sectors by increasing their own expenditure on education and skills training, a move that also reflects the growing requirement for sector-specific skills in such fast-growth areas as the management and marketing of new financial instruments, and the design and implementation of new software. As well as financing trainees on existing courses, or reflecting self-financed training costs in salary structures, financial institutions and their industry associations have stepped up their collaboration with educational providers in course design and delivery. In some cases, this has made the sector a net exporter of training, both to financial sectors abroad and non-financial companies at home.

The scope for continued expansion of the supply of financial skills is limited by the lack of suitably qualified school-leavers and university graduates. The gradually increasing trend of general educational attainment in recent years is now being countered by a demographic decline in the number of young people moving through the education system. Changing school subject preferences have prompted a sharper decline in numbers qualifying in some subject areas of increasing relevance to finance, notably economics and mathematics. The financial services industry's main weapon against skill shortages will emerge on the demand side: rising productivity of existing employees should be keeping net recruitment needs to a manageable level, despite continued strong growth in output. However, productivity growth is closely linked to improvements in existing workforce capability, so that the sector can economise on its additional skill needs only by investing more in the skills of those already working there.

The relatively high pay levels enjoyed by industry employees can, in part, be seen as a necessary incentive to acquire the requisite qualifications and experience. However, financial markets are global, the labour market is increasingly international, and the sector's ability to recruit and retain will remain heavily dependent on its ability to keep pay and conditions internationally competitive. If suitably skilled employees are not available from among the UK workforce, there is evidence that employers will increasingly bring in overseas graduates, potentially at the expense of our own.

#### SUPPLY SIDE

The FSSC is acutely aware of the importance employers attach to quality of provision in skills training. Furthermore, poor provision is a significant factor contributing to the reluctance of some employers to participate in training schemes for both current and future employees.

The FSSC believes that Skills Academies are a positive way of putting employers in the driving seat. Skills Academies will pioneer new forms of qualification and training for their sectors, and will develop best practice in quality control of educational provision. Skills Academy partners will also be expected to meet rigorous standards and to achieve FSSC accreditation. The emerging role of Skills Academies brings into question the future need for Centres of Vocational Excellence, and whether their role might be fully encompassed by Skills Academies.

In terms of apprenticeships, the FSSC would counsel giving the scheme time to bed down before implementing any kind of reform. At present the FSSC would be reluctant to see any major changes to apprenticeships so soon after the introduction of the blueprint.

#### DEMAND SIDE

On the demand side the FSSC has always held the view that skills training must be employer-led, and has welcomed the validation of this stance by the Leitch Review.

Evidence of our “compliance” with the Leitch agenda is highlighted in the expansion of the Employer Engagement function carried out by FSSC in September 2006. New responsibilities were added alongside delivering upon the FSSC’s employer engagement strategy, including liaison with the widest possible range of employers to influence policy and obtain funding for employer initiatives, liaison with the Devolved Administrations and with stakeholders in the English regions, including Regional Development Agencies, Learning and Skills Councils and Regional Skills Partnerships. The FSSC currently provides a forum where employers can exchange views, agree policy, influence local funding and inform research.

Employers are already using the FSSC to take part in the emerging skills debate. Evidence of this can be found in the FSSC report published in September 2006 entitled *Graduate Skills and Recruitment in the City*, which states that City employers are calling for closer links with UK universities.

The report, commissioned jointly by the City of London Corporation and the FSSC, examined the relationship between Financial and Related Business Services (FRBS) employers operating from the City of London and the UK’s universities. It analysed the perceptions of skill requirements for graduate entrants, an examination of current recruitment practices, and an assessment of views on the performance of UK Higher Education Institutions (HEIs) as providers of appropriately skilled graduate labour.

The report found that there is still a lack of understanding between educators and employers, and that employers sometimes find it difficult to become involved in influencing an educational process that is so directly relevant to the skills they require of future employees. Opinion amongst many employers is that the process is still very much driven by awarding bodies. The report recommends coordination to assist and develop the relationships between City businesses and UK Higher Education Institutions.

The FSSC takes the view that employment agencies should only become involved in facilitating training if they fully understand the needs and provisions an employer requires in equipping future employees with all the relevant skills.

#### CONCLUSIONS

The FSSC welcomes the findings of the Leitch Review of Skills. We believe that we have been acting in accordance with many of the key recommendations of Leitch, particularly in terms of commitment to employer involvement, since the inception of the FSSC in 2004. We hope that the renewed political impetus given by the inquiry will aid the swifter development of the skills agenda in the UK.

As evidenced by the research currently being undertaken, the FSSC is a forward-thinking institution which is working closely with Government and employers to develop and improve the provision of skills for the UK financial services industry. This is a crucial time for prudent investment in skills provision in the UK, if global competitiveness is to be maintained. Development of the skills agenda needs strong employer engagement, which the FSSC believes it is in a unique position to provide.

The FSSC would like to strongly recommend that the Government does not restrict its focus to the provision of just Level 2 skills. The FSSC finds that employer demand favours Level 3 skills and above. We feel in order to maintain global competitiveness, particularly within the financial services industry, skills provision should increase at all levels from basic skills right through to degree-level skills.

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### **Memorandum submitted by the Fitness Industry Association (FIA)**

*Note: The Fitness Industry Association broadly supports the consultation response submitted by the Sector Skills Council, Skills Active. Specific additions are below.*

#### **BACKGROUND INFORMATION ON THE FITNESS INDUSTRY ASSOCIATION**

The Fitness Industry Association (FIA) was formed in 1991 in response to the need to professionalise the health club and leisure centre sector. This is a sector that employs approximately 150,000 staff, engaging over 6 million members within 1,982 private clubs and 2,043 public fitness facilities.

The FIA is a non-profit making trade association with over 2,000 facility operator members. It is run by a democratically elected board of directors representing multi-site and single-site facilities across the private and public sectors.

Although FIA members sign-up to its Code of Practice as a badge of high quality standards, the FIA is not a governing body for the fitness industry. It is a membership organisation offering support and adding value to its members' businesses and acting as a representative for the industry. The FIA encourages its members to participate in its programmes not only to help expand their business but more importantly to demonstrate their social responsibility in giving back to the community.

The mission of the FIA is to improve the health of the UK population by helping to increase the number of regularly physically active individuals. This increase in physical activity does not have to be entirely based within the health club or leisure centre setting, but rather using the site as a resource for expert coaching, advice and exercise programming. The FIA is committed to getting "more people, more active, more often".

#### **NATIONAL POLICY/ISSUES**

*Are the Government priorities for skills broadly correct—for example, the focus on first Level 2 qualifications?*

The FIA broadly support and appreciate the need to ensure basic skills for employment on leaving full time education.

*How do other targets such as the "50% into HE" fit with the wider skills agenda?*

The FIA support the view that this target should be achieved flexibly through the use of part-time study programmes for older adults, foundation degrees linked to work and development of management skills in later stages of a career.

*What is the extent of joined up working between Government departments, particularly, the DfES and the DWP?*

The FIA support the Leitch proposals for a new Employment and Skills Commission. The Commission could aim to co-ordinate/advise/integrate government policy on employment and skills across DfES, DWP and possibly DTI.

*Do current funding structures support a more responsive skills training system? How could they be improved?*

No. The FIA believe that there is an inbuilt conflict between Public Sector Agreement targets for the LSC and sector/employer priorities. The opportunity should be taken between now and full implementation of Leitch after April 2008 to review all existing LSC post 16 expenditure, sector by sector, against employer/SSA priorities to achieve better value and shared investment across a better spectrum of skills.

#### **SUPPLY SIDE:**

*Is there a case for a less regulated supply-side system with fewer intermediate agencies and bodies? What are the potential risks and benefits of such an approach?*

The FIA welcome the recommendations in the Leitch Review regarding the increased employer engagement in skills through the empowerment of Sector Skills Councils and the expansion of skills boards across the country. The FIA hope that this will result in increase influence for employers and not simply become another barrier between employers and decision makers.

The Register of Exercise Professionals (REPs), for example, was setup by the FIA to help safeguard and promote the health and interests of people who are using the services of exercise and fitness instructors, teachers and trainers. Funding and supply should follow these leads from employers. There should be a

single sector led approach to planning which should be the embedded concept in every sector through continuing development of the SSA process which should extend down to regional level. Adult Learning Inspectorate to inspect quality of providers.

*January 2007*

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**Memorandum submitted by Barry Johnson, Learning Partners**

**EDUCATION AND TRAINING IN THE TWENTY-FIRST CENTURY**

**INTRODUCTION**

The purpose of this short paper is to contribute to the discussion on education and training. It is short to present the arguments succinctly and readably.

If the reader agrees, fine, we have a common start point. If the reader disagrees, fine, he or she can now provide an equally simple outline that is better.

**THE FUNDAMENTALS**

The basic question is, “What is the purpose of education and training?”

For me the answer is simple. The purpose of education and training is to provide the human resources to ensure the prosperity of the nation state, in our case the United Kingdom. Education and training has other purposes such as enabling the realisation of individual potential.

**THE ROLE OF GOVERNMENT**

If the fundamentals are accepted then the role of Government becomes clear. Government must provide the infrastructure and guidance that will lead to the UK excelling in those things that will in the short term and longer term make the UK an economic and social powerhouse and an example to the rest of the world. Particularly important is the longer-term element, which is a timeframe of 10–25 years. Industry and the professional institutes/institutions will in general take care of the shorter term—five to 10 years with guidance from government.

Let me be clear, the goals and strategy of education is an accountability of government. It does not belong to educationalists, teachers or parents.

**FOCUS**

Given the Government’s role, its main focus will be on how industry and society is likely to evolve and to give a picture of the UK in 10–20 years time. This analysis will need regular updating. The future “picture” provides the foundation for the education and training strategy. This strategic approach will cause a transfer of civil service resources from micromanaging “the now” to providing the future direction. This focus is likely to give the politicians some difficulties as the results of their endeavours cannot easily be seen and used in the pursuit of short-term power.

**EDUCATION**

The Government’s focus is likely be on education rather than training. There are two reasons for this.

Firstly Government has much greater control of education than of training.

It therefore can impose direction through the levers of power more easily.

Secondly education is the precursor and underpinning of training. Education is the learning process that leads to academic excellence and ensures the basic intellectual proficiency and some limited professional competences that enable training.

**WORKING TOP DOWN**

Having identified the work areas that require a degree to provide the foundation for training it is relatively easy to identify the required degree course entry qualifications in terms of “A” levels and GCSEs. Similarly with work areas that do not require a degree the entry level to apprenticeships and traineeship in terms of “A” levels and/or GCSEs can be identified.

If the thinking to this point has been logical the purpose of each level of academic qualification becomes clear—it is the entry point to the next level of education or the start point for training. Educational qualifications do not indicate the completion of a learning process or a measure of some position on an educational league table but the acquisition of the necessary knowledge to enter the next learning environment. This is a shift from the Government's and schools' present “give everybody a ticket” thinking towards the requirements of the universities and industry. Qualifications are a benchmark of success only if they provide what is ultimately required by industry and society to keep the “great” in Great Britain.

## TRAINING

By training I mean the acquisition of the skills, knowledge and attitude required to meet the accountabilities of a particular profession, trade, craft or job. Training is likely and more efficiently to remain in the purview of industry. This is because while much training appears to be generic it is in practice specific to the market situation and culture of an employing company or organisation. Having said that, it may be necessary to provide incentives to encourage companies to conduct the necessary training, as there tends to be a “lag” between the recognition that there is a skills shortage and the provision of the necessary skills.

## CONTRIBUTORS BACKGROUND

I offer my background as a basis for credibility in this subject area.

After an early career in the Royal Navy, Fleet Air Arm as an Avionic Engineer I trained pilots, flight engineers and licensed aircraft engineers in British Airways and became the Principle Learning Systems Designer. I was the Chief Examiner Aircraft Electrical Craft for the City and Guilds Institute. I joined the Food, Drink and Tobacco ITB in 1977 as a specialist advisor and joined Nortel (then STC) as a training manager and eventually left in 1994 when I was the senior manager of the Nortel European Learning Institute having held a range of HR management posts responsible for training, development and resourcing for Nortel Europe.

Since the formation of LEARNING partners in 1995 I have worked as the Research and Development Director in the area of human resource development mainly in Competency Framework and associated HR process design and implementation, Assessment Centre design for development and resourcing, as a facilitator and assessor, and in Manager and Soft Skills Training design and implementation.

I have had over 30 articles published in the subject area of training. I have an open BA, primarily in psychology and management, served a full five-year RN Artificer Apprenticeship with ONC and HNC qualifications. I am a Member of the Chartered Institute of Personnel and Development and was a Member of the Chartered Management Institute until my semi-retirement last year. I am a qualified further education teacher, psychometric test practitioner to level A and B and a Master NLP practitioner.

*August 2006*

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## Memorandum submitted by KPMG

### 1. EXECUTIVE SUMMARY

1.1.1 KPMG's Education and Skills team have extensive experience of the Skills agenda and have been involved in supporting clients from both the employer demand side and provider supply side.

1.1.2 In this report we set out evidence we have gathered in the course of our work, aligned to the following points:

- The current support for a first Level 2 qualification whilst clearly being advantageous to some individuals is not, in many cases, meeting the needs of employers.
- The 50% Higher Education participation target, whilst positive, needs to be better aligned to the needs of the economy going forward.
- There is significant need for improvement in cross-government working. The new Skills Commission is a useful, but not yet sufficient, step in achieving this.
- There is clearly a need to support / incentivise employers with regard to investing in skills, however the current Train to Gain approach is focused on the needs of individuals and a general upskilling of the population and not the needs of employers.
- Significant acceleration is needed with regards to Framework for Achievement to ensure that qualifications can be more employer focused.

- It is clear that the public purse, employers and individuals should contribute to the cost of the training. However, it is doubtful whether employers and individuals will be prepared to contribute further given the current levels of reluctance and the perception that much funded provision is of poor quality or not aligned to their needs. Significant work has been undertaken with regard to increasing the performance of providers, however this has not yet had sufficient time to develop in order to be able to improve these perceptions.

1.1.3 With regard to supply issues, our work in these areas points to the following:

- That there are too many overlapping organisations performing similar roles and services.
- Closer alignment of regional skills priorities, for now and the future, to funded training and qualifications is required;
- Closer alignment of school curriculum to employability needs and skills is necessary;
- There must be enhanced awareness of employer needs and operational constraints on the part of training and education providers and enhanced understanding of the qualifications and training available, including Skills for Life, and the benefits of these to the workforce, and to productivity and competitiveness, on the part of employers;
- A simplification of the whole education and training, skills and economic planning infrastructure is needed, so that the money available is used to greatest effect on tackling skills issues rather than supporting major infrastructural requirements in organisations where many roles and tasks overlap or compete.
- The picture around kite or quality marks needs to be clarified, have sufficient marketing to establish the brand and be given time to develop and become recognised.
- The success of commercial providers shows the potential to be able to engage employer investment when the training can be targeted to exact needs and, therefore, funded providers need to have some of the current regulation removed in order to be able to fully engage with employers. This would need to be supported by a simple yet robust value-added measure.
- The funding methodology should be adapted to allow for funded providers to be in a better position to undertake initial investment when beginning to work with an employer.
- It is too early to comment on the LSC given that it has only recently restructured, though obviously its role with the new Skills Commission, if adopted, would need to be considered.
- That Regional Skills Partnerships are most effective when they are able to address specific issues using funding flexibly.

1.1.4 We believe that the demand market needs stimulus in order to address the current and future skills gap. However it is difficult to identify what a true demand model would look like given the range, diversity and current approach to training and development. There is always a risk that any funding system will simply be supporting training that would have happened anyway if it is too easily accessible to employers, but if too complicated will prevent those employers not currently engaged from moving forward. Given this market it suggests that there is potential for a flexible system which funds along similar lines as the present one, but with discretionary funding as the incentive to balance the needs of government and individuals with employers' specific needs.

1.1.5 Where we have found employers who have worked with Sector Skills Councils and on defining qualifications we have found them to value these links highly, and to be strong advocates in their sector to other employers on training matters. However, too often employers have not been aware of the potential support available. This points to an increased need for greater resources within Sector Skills Councils.

1.1.6 We have found Union Learning Representatives to play an extremely powerful and valuable role in promoting learning.

1.1.7 Evidence from our clients indicates that whilst for some industries the current apprenticeship is ideally suited, others, such as customer service, do not find them appropriate to their needs. The vocational elements are always seen as adding significant value, whereas the technical and key skills are often seen as too academic.

1.1.8 There appears to be the opportunity for the introduction of a higher level 18+ apprenticeship for those who have successfully completed A level education.

1.1.9 Due to the success in raising achievement rates which has placed increasing demands on funding, it appears that there are now currently less apprenticeships available and further funding may be required to increase this.

1.1.10 Employers seem to understand the various levels of NVQ and the overall system but are not as clear when it comes to issues such as Skills for Life and actual qualifications or units. This indicates a need to further simplify and remove qualifications, which would need to be balanced against the need for qualification/module content to be specific enough to employers.

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1.1.11 The Leitch Review of Skills has provided an excellent starting point for the simplification of the skills arena and the refocusing of our resources and priorities on the skills requirements to enable us to be competitive in the global economy. It is imperative that the review recommendations are examined and implemented as far as possible to enable us to achieve our ambitions for the UK.

## 2. INTRODUCTION

2.1.1 We have significant experience of the Skills Agenda through the work of our Education and Skills team, which is made up of individuals with extensive personal experience in this field. Our current work includes involvement in three out of the first four National Skills Academies both in the development of expressions of interest and in business planning. We are also engaged supporting the National Employer Service of the LSC and have been working for over three years for the DfES brokering Skills for Life solutions into large corporate organisations.

2.1.2 Our client list of employers we have supported with Skills development includes DHL, McDonalds, Royal Mail, Serco, IBM, First Group and a further 60 of the largest organisations in the UK.

2.1.3 In addition to employer experience we have a detailed understanding of provider supply-side issues, with the majority of our team having been employed in the sector. We have been involved heavily with the LSC, in reviewing the balance and mix of provision, so are fully aware of their agenda. In addition to this we continue to provide curriculum planning and costing advice to some of the education and skills providers themselves.

2.1.4 This report provides evidence gained from our experience in this sector against the specific questions set out in the enquiry specification.

## 3. CONTEXT

3.1.1 Issues raised in the final Leitch report emphasise the need to focus on upskilling the existing workforce in order for the UK to compete on a global basis. The downturn in the number of young people also means that we must make sure that we raise standards of achievement for those leaving school—there is no room for the continued failure of over 50% of school leavers to have five GCSEs including maths and English. We need our school leavers to be “job ready” in terms of communication skills, work ethic, flexibility and willingness to learn, even if they choose to go into Higher Education. This will mean that employers have to spend less time and resource on improving the literacy, numeracy and general employability skills of recruits and have a bigger pool to choose from in a diminishing marketplace. The introduction of a broader based curriculum, perhaps along the lines of the Tomlinson recommendations, can help to achieve this. In terms of the existing workforce we need to ensure that training is flexible, is available at the right levels and in the right form for employers to be able to access it. This means, in effect, that, as per the Leitch final report, training is truly employer led. The qualifications and funding systems need to change to reflect this.

## 4. NATIONAL POLICY/ISSUES

4.1.1 At present, with such a low skills base in the UK, the focus on first Level 2 is understandable. Unfortunately, there appear to be two disadvantages to this. Firstly, many in the workforce now change career more regularly than in the past, often through changes in the economic make-up of the country or through the demands that increasingly advanced technology creates for skills. This means that people may have a Level 2 qualification in one occupational/vocational area, but now work in a completely different area. These people are not eligible for funding for a more relevant Level 2 qualification, and this creates a barrier to progression and upskilling, and a disincentive for employers to employ these workers. A further disincentive arises from this, as employers can be faced with the situation where they wish to train a full section of their workforce but are only able to gain funding for a small number rendering the cost prohibitive or leaving the perception that the process is too complicated for them to become engaged in.

4.1.2 Secondly, for many industries, Level 3 is the minimum level of skill required, not only for their particular area of business, but to give them any chance of being competitive with other countries. This also has an impact on attracting organisations to the UK, and keeping them here in times where labour costs can be cheaper elsewhere, in terms of the level of qualification of the potential workforce.

4.1.3 In addition to these two points it is important to question for whom the Level 2 target has been introduced. From a government perspective it addresses the current low skills base, however in our experience employers inevitably are more focussed in their needs, especially as most only employ a few people. There is, however, a strong argument that the focus on Level 2 provides significant benefit to those individuals who achieve this level of qualification for the first time, through increasing employability and self esteem to name only two of many benefits. Therefore, whilst the Level 2 target, supported by the funding approach to Train to Gain, appears to be appropriate for the individual and for the nation, it does not fully address the needs of employers or provide employer focus.

4.1.4 Targets such as the 50% HE target are in place due, once again, to the low level of such achievement in the UK compared to other nations, although recent levels of investment now put us on a par or ahead of most EU countries. Qualification levels for jobs are rising and there is increased demand for degree level skills/education. As industry in the UK becomes high value/high tech we will need this level of skill more. However, it is important to look at the needs of the labour market sectors in the UK and focus on what we need for our future. For example, the reduction in Science and other technical courses is worrying for our future, especially in the face of increasing numbers of graduates from countries such as India and China. As we move towards a truly global workforce, we need to ensure that not only do we have the skills we need to sustain our productivity and industries, but that our citizens have the same opportunities to gain work wherever they choose, or need, to do so. We need to have a method of focusing on sectors which we view as a priority for our future, rather than universities and other HE providers offering programmes with limited economic benefit, in a time when funds are short. The amount per head spent on our HE students in much less than that in, for example, the US. We need to focus our resources better to ensure that we maintain a high quality university system that provides the graduates we need in the future.

4.1.5 Joined up working across government departments still has a long way to go. The new Commission for Skills and Employment appears to be a halfway house in the journey towards joining up activities which are part of the employment process:

- Making sure people have the basic literacy and numeracy skills required to gain work;
- Making sure that people have access to vocational/occupational training at a level required for them to gain work;
- Making sure that employers' training needs can be met by high quality learning/training providers in the way in which the employer needs;
- Making sure that the funding available supports people in preparing for and getting a job;
- Making sure that the funding available helps employers to train their workforce to a minimum level required for their sector;
- Making sure that the UK has a strategy for the economy and the types of sectors we think we need to prioritise and focuses funding and support on these areas;
- Making sure that we have the flexibility to deal with different sectoral, regional and employer needs in the way in which we devolve funds;
- Making sure that we start people off in life with a positive attitude towards learning, education and employment; and
- Making sure we help people with social and economic difficulties to re-access the job market.

These needs cross a multitude of departments, including:

- DTI
- DfES
- DCLG
- Treasury
- Home Office
- DWP

4.1.6 The new Commission appears to have a twofold role. Firstly it is to coordinate the work of the Sector Skills Councils. Secondly it is to provide the joining-up force for government departments. It will bring together the SSDA and the National Employment Panel. It is difficult at first glance to see how it will achieve both of these roles, which appear to be distinctly different. What is really required is an overarching policy and strategy which is designed to ensure that all the departments named above sign up to and work towards a common goal in terms of upskilling our workforce, promoting the need for education and training, and enabling access to work. This would have to be led and driven by a department/division that sat above all of the other departments, so that it had the necessary power to drive this strategy forward.

4.1.7 In terms of funding structures, the Leitch final report recommends a wholly demand led system, whereby all adult skills funding is routed through Train to Gain and Learner Accounts. This would enable individuals and employers to drive the market by demanding certain types of training rather than what is traditionally offered as a menu by the education and training providers. There are two issues to consider with regard to this. Firstly, as discussed early in this report, the focus of Train to Gain funding is on achieving the Level 2 target which appears to deal with national needs and those of individuals, but not employers. Any further expansion of Train to Gain would need to consider the funding policy, to be more flexible to meet the needs of employers and thereby bring about a truly demand-led response. An illustrative example of this is that under the current funding arrangements it is not possible for an employer to access Train to Gain funding to support their employees with Skills for Life needs unless they are also progressing to a Level 2 qualification. The result of this, employers are currently faced with employees who have an identified Skills for Life need, even though they have achieved a Level 2 qualification previously and are not able to support them.

4.1.8 The second argument to consider with regard to the funding structure is that the ability for this to work is driven by the qualifications system and the responsiveness and capability of the education and training providers. What employers report that they need is a system which allows them easily to identify and gain training for specific skills required by their workforce. These may be parts of existing qualifications. At present it is difficult to gain funding for these and also, in many cases, to identify separate parts of qualifications. Although work has been carried out on the Framework for Achievement, this appears to have faded into the background and the project has now been ongoing for a number of years with no outward signs of success. If funding was made available for parts of qualifications or for accredited provision which met the national occupational standards then this would appear to help employers in meeting their specific needs.

4.1.9 It is clear that, in order to achieve the vision for Skills that has been established, employers and individuals will need to make a financial contribution to training, as well as the public purse. This would appear to be reasonable given that each of these groups will also benefit from the training. However, our experience from employers and individuals is that in too many cases there is still a perception that Further Education and other government funding training will be of poor quality, will not focus on skills needs and will be complicated with jargon and unnecessary bureaucracy. In addition to this there is clearly a lack of understanding from employers that the cost of these courses is already being supported through public funds. It is therefore difficult to see how employers and individuals who have not been engaged in skills development when they have been offered these courses at highly subsidised rates or often free of charge will be prepared to become involved now, as the perception will be that costs are increasing. This will obviously be a key challenge for the newly established skills brokerage network to address.

## 5. SUPPLY SIDE

5.1.1 At present the skills landscape is crowded with organisations which undertake often overlapping tasks—this is reported to us by employers when we work with them on skills issues, and it remains one of the biggest barriers to employer engagement in training.

5.1.2 If the aim of the Government is to truly bring together demand and supply of skills training, to meet the skills needs of the UK now and in the future, then the following needs to occur:

- Closer alignment of regional skills priorities, for now and the future, to funded training and qualifications;
- Closer alignment of school curriculum to employability needs and skills;
- Enhanced awareness of employer needs and operational constraints on the part of training and education providers; enhanced understanding of the qualifications and training available, including Skills for Life, and the benefits of these to the workforce, and to productivity and competitiveness, on the part of employers; and
- A simplification of the whole education and training, skills and economic planning infrastructure, so that the money available is used to greatest effect on tackling skills issues rather than supporting major infrastructural requirements in organisations where many roles and tasks overlap or compete.

5.1.3 We discussed in an earlier section the current concern from employers regarding the perception that providers lack an employer focus and deliver poor quality. Significant intervention has been focused on improving both delivery and presenting a more positive image. This has led to a range of “kite marks” including CoVEs and Beacon Awards which has also included some regional models such as the Action for Business award in the South East. Whilst it is clear that the action taken to achieve these awards has brought about significant improvement and has increased employer engagement, the number and relative immaturity of these kite marks means that the brands have not yet had sufficient time to fully establish themselves in the market. We understand that further measures are being developed at this time and believe that significant investment needs to be put into ensuring that the new standard becomes a recognised and valued brand.

5.1.4 It is particularly interesting to consider the success of commercial training companies when considering supply side issues. Whilst the commitment from the public purse of over £6 billion towards post 16 learning is extremely significant we believe that the amount of money spent with commercial providers by employers and individuals is in excess of 4 times this. We would wish to see a continuing programme of increased investment as part of the comprehensive spending review.

5.1.5 Therefore it is clear that it is possible to bring about greater engagement than that which is currently being achieved by the government funded supply side. We believe that the reasons for this are the commercial focus and skills of private providers, including their ability to develop and deliver their own training, based on their client needs, and to determine their own prices and work on their own cost base. It is clear that there are some great benefits to be achieved through removal of some of the barriers that prevent other funded providers from operating in such a manner. It is worthy of consideration, if the market is going to be demand-led, that the supply side should be judged not by inspection, or other quality marks, but by the customer base.

5.1.6 This clearly suggests a less regulated system which may cause significant concern with regard to the appropriate use of public funds. If this was taken to its fullest extent then it could potentially remove the need for a vast number of qualifications. This causes a further concern as to how any investment could be measured. There would be a need to develop some kind of value added measure which to date have often been as, if not more, complicated as the qualifications systems themselves. However, this is worthy of further research and if the focus on skills is genuinely aimed at employers and their needs then the current level of investment with commercial training organisations provides a clear temperature test as to the potential impact of such an approach.

5.1.7 We have significant experience of supporting employers in working with providers to establish new provision in an employer's premises. There have been a number of occasions where the provider has either not been interested or not in a financial position to be able to consider moving forward. However, there have also been examples of some extremely positive providers who have demonstrated a clear understanding of how to work with employers and have been committed to working in partnership with them.

5.1.8 The issues that these providers have faced are largely financial and based around the set up costs such as staffing and equipment. They have also faced the difficulty where the training is not being mandated by the employer and therefore gained sufficient interest from the employees to make the provision financial viable. This has often resulted in them having to deliver initial courses on a loss-leader basis with a view to developing the benefits of a longer term relationship. However, this is not a sustainable model and we have witnessed cases where this has resulted in quality problems or the provider having to withdraw.

5.1.9 None of this considers the added complication that due to operational requirements, employees may not always be able to attend training. Due to the current funding and measurement regime this not only affects viability but also the success rate of the provider.

5.1.10 The combination of these effects renders employer delivery relatively high risk for FE providers; this is without even considering any approvals for use of funding or qualifications from the appropriate bodies.

5.1.11 It is difficult to comment on the need for further change in the LSC given that the impact of the current changes has not yet the opportunity to fully take shape. They will obviously need to review their role in light of the new Commission, if implemented from the Leitch report, in order to ensure that there is no duplication.

5.1.12 We believe that the greatest successes of regional approaches and Skills partnerships have been their ability to provide funding in a flexible manner which can be focused and targeted at specific need, for example, in supporting particular industries or locations. Their ability to focus on the exact needs of the employers or individuals in the area and then apply funding in a flexible manner has achieved some significant results.

## **6. DEMAND SIDE**

6.1.1 It is difficult to define what a "demand-led" system should really look like, as it is difficult to define one system which would meet the needs of such a diverse group. This diversity is not only their size, location and industry but also their current level of knowledge and engagement in training and development.

6.1.2 We have worked with a number of clients who are engaged in training and development and are working extremely successfully in partnership with providers and the Learning and Skills Council. It is apparent that any revision or enhancement of the funding offer would be highly likely to be seized upon by these organisations and it would be difficult to discern whether this was providing funding for learning and training that would have taken place anyway.

6.1.3 The reverse of this is that there are a large number of employers who do not currently understand or engage with government funded learning and who could well be attracted to an enhanced funding offer.

6.1.4 It is also clear given the lack of investment in training and development by a number of employers, and current skills gaps, that the "skills" market is imperfect and therefore it is unlikely that it could be purely demand led and would need the added intervention of government for stimulation.

6.1.5 Given this context it is possible to see why the various approaches undertaken over the last 15–20 years have only been partially successful. In addition to this, given the development that needs to be undertaken with providers and the qualifications framework to enable them to be fully employer focussed, there seems to be a need for an interim funding model with incentives.

6.1.6 It is clear from economic data that qualifications add significant value to the nation and to the individuals that achieve them, however the case is less clear cut for employers. A model that maintains the qualification focus of the current Train to Gain model, but provides flexibility for skills purchasing that is not necessary qualification based, is worthy of further consideration. This could be offered against a business case from the employer and be only part funded, alongside a commitment from the employer to also support formal qualifications where appropriate.

6.1.7 The experience we have had with employers is that they are generally not fully engaged with their Sector Skills Councils, though a number have been able to highlight significant support and involvement on certain projects. It is clear that where Sector Skills Councils have been involved that their contribution has been valued by the employer, though their lack of resource, or a failure to market effectively to employers, mean that this is not yet achieving the full potential benefits of a dedicated sector approach.

6.1.8 It is our experience that few employers feel that they are involved in the qualifications process and often feel that qualifications do not reflect the needs of their specific organisation. However, as with our experience of Sector Skills Councils where we have found employers engaged in this process they have realised real benefits from their involvement and become strong advocates of qualifications.

6.1.9 Given the points in both of the paragraphs above it is clear that additional resource and newer approaches need to be developed in order to gain more employer engagement in these areas, as the benefit and advocacy in doing so clearly illustrate their value.

6.1.10 We have been involved with a number of organisations who have Union Learning Representatives. Where this has been the case it has had a powerful impact on the success of their learning projects. In addition, the value to the individual of the peer-to-peer support and the championing of the employer demand element adds significant value to the skills arena.

## 7. APPRENTICESHIPS

7.1.1 Currently, Apprenticeship frameworks follow a generic pattern of:

- NVQ (at level two or level three)
- Technical Certificate (to provide underpinning knowledge of the NVQ)
- Key Skills

For some sectors, such as Engineering, the shape of the framework and particularly the technical certificate are seen as being mostly appropriate for the industry. However, other sectors, such as customer services and business administration can struggle to see the relevance of what is considered to be “academic” input to vocational programmes.

We have discussed with some larger employers the possibility of developing a “bespoke” apprenticeship programme aimed at and designed to attract learners who have left full time education at 18, and that choose to not continue into Higher Education. It has been suggested that a “high level” programme could be developed to offer qualifications and learning that would produce outcomes equivalent to degree level; a possibility could be a Level 4 programme delivered over three to four years, similar to a degree course.

The vocational element of the NVQ, where learners demonstrate their practical hands on ability are still considered by employers the most valuable part of the apprenticeship framework.

Some employers are disappointed at the level of literacy and numeracy of some learners, and consider that they should not need to support Key Skills delivery. This can still be considered as a disappointment in the schooling system.

It has been reported that some providers cannot accommodate the number of learners and employers seeking Apprenticeship places. The LSC have also recognised that the increase in the completion rates of Apprenticeship programmes, and the increased funding needed to support more completions, has led to a reduction in the number of Apprenticeships starts available. An increase to the number of Apprenticeship places available would undoubtedly be welcome by employers, learners and parents.

## 8. QUALIFICATIONS

8.1.1 It is our experience that there is a reasonable level of understanding amongst employers and individuals of the NVQ approach and levels. However, this begins to diminish around issues such as key skills, Skills for Life and detail on the actual qualifications and units. There is also little understanding of the full breadth of qualifications that are available or the level of funding that they could receive.

8.1.2 This clearly supports a case for rationalisation; however this is balanced by the frequent claims from employers that they need specific skills for their operations. It is clear that a balance needs to be struck between a shorter list of generic qualifications with the ability to be focussed to the specific needs of an employer.

## Memorandum submitted by Mencap

### 1. INTRODUCTION

1.1 Mencap welcomes the opportunity to contribute to this inquiry.

1.2 Mencap is the UK's largest learning disability charity, working with people with a learning disability, their families and carers. We believe people with a learning disability should have equal access to choice, opportunity and respect with the support that they need.

1.3 Mencap supports the concept of inclusive education and training. It is vital that people with a learning disability are given the same opportunities to learn and acquire new skills as a non-disabled person.

1.4 While Mencap supports the Government's increased focus on improving skills acquisition and supporting learners into employment, we remain concerned about the support and opportunities available for post-16 learners with a learning disability in the further education system.

1.5 There are varying degrees of learning disability, ranging from moderate to severe and profound and multiple learning disability. Educational and training opportunities must recognise the range of abilities and support needs of people with a learning disability and take into account the fact that levels of progression will be different for different individuals.

1.6 Approximately 2.8% of all pupils have a learning disability. In 2003–04 there were 579,000 learners who self declared a learning difficulty and/or disability. Around 71% were adults over 19 years of age. 382,000 were in the FE sector, compared to 3,038 in specialist colleges for learners with learning difficulties and/or disabilities.<sup>13</sup>

### 2. THE LEITCH REPORT

2.1 Mencap is supportive of the report's commitment to "embedding a culture of learning" across society, "so that all groups are able to invest in the development of their skills" (page 22), as well as the recognition for better integration of employment and skills services. However, we are concerned that commitments to "increase adult skills across all levels" (page 4) are not fully inclusive and do not acknowledge the support needs or societal barriers to education and employment experienced by people with a learning disability.

2.2 The Leitch report states that the employment rate of disadvantaged groups, such as "people with health problems and disabilities" (page 8 and 35) has risen over the last decade. However, there is little evidence to suggest an improvement for people with a learning disability. This group remains the most excluded group of disabled people from the UK work force, with an estimated 90% unemployment rate among people known to social services.<sup>14</sup> Yet, 65% of people with a learning disability wish to work.<sup>15</sup>

2.3 The report recommends that community learning and funding for adults with learning difficulties and disabilities should remain with the LSC. However, while the LSC have shown commitment to this group of learners, Mencap believes that LSC/DfES funding priorities are having an adverse affect on people with a learning disability who want to access further education (see 3 below).

2.4 Mencap supports recommendations for employer engagement in skills and workplace learning. On-the-job training has often proved to be a successful way of supporting people with a learning disability into work.

2.5 Mencap recommends: a commitment by Government to raise employer awareness of learning disability and promote the employment of people with a learning disability.

2.6 This is an issue Mencap also raised in relation to the Welfare Reform Bill. While Mencap wants as many people as possible to be given the support to move towards employment (work-related component of the new Employment Support Allowance), there must be the employment opportunities available for this group of people. Similarly, there must be an understanding of the support needs of people with a learning disability by the DWP and Jobcentre Plus.

2.7 Mencap recommends: that people with a learning disability be recognised and recorded as a distinct group, separate from people with learning difficulties and other disabilities. Catchall headings currently used by the DWP, DfES and LSC mean that the progression of people with a learning disability within the education and employment sector cannot be accurately tracked. This is likely to mean that the gap between people with a learning disability and other disabled groups will continue to grow.

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<sup>13</sup> *Through Inclusion to Excellence*, LSC: November 2005.

<sup>14</sup> *Valuing People—a new strategy for the 21st century*, Department of Health 2001.

<sup>15</sup> *Adults with learning difficulties in England*, Eric Emerson, Lancaster University 2005

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### 3. GOVERNMENT PRIORITIES FOR SKILLS

3.1 Mencap is pleased that there is an open commitment by Government and the LSC (following the publication of the national strategy for learners with learning difficulties and/or disabilities) to learners with learning disabilities and/or difficulties. However, Mencap believes that Government priorities are actually having an adverse affect on people with a learning disability who want to access further education courses.

3.2 Government focus (as detailed in the Further Education White Paper) is on supporting people to gain qualifications at Level 2 and above. Mencap is concerned about what this means for those learners who are currently learning at below this level. Some people with a learning disability may never achieve a Level 2 qualification but are still quite capable of acquiring the skills to move into work with the right support and training opportunities.

3.3 Mencap recommends: that there be more emphasis on and recognition of the “wider definitions of skills”. This is a point that is fleetingly touched upon in the Leitch report. However, overall the report emphasis is on qualifications as the prime measurement of skills acquisition.

3.4 Similarly, Mencap has collected anecdotal evidence to suggest that Government funding priorities on accredited courses are negatively impacting on people with a learning disability who are accessing courses below level 1, including independent living courses, because they do not contribute to LSC key priorities. This could potentially deny many people with a learning disability the chance to progress to Level 2.

3.5 Mencap recommends: that there is a commitment by the DfES and the LSC to monitor and assess what is actually happening to courses “on the ground”. This monitoring should take into account learners with learning disabilities as distinct from other disabilities and/or learning difficulties. It should be longterm and should continue to assess adverse impact on this group of learners over time.

### 4. SUPPLY SIDE

4.1 The LSC use the catchall heading “learners with learning difficulties and/or disabilities” to incorporate a number of groups of learners. People with a learning disability are a distinct group with different support needs to learners with learning difficulties such as dyslexia.

4.2 Mencap recommends: that the LSC and DfES commit to recognising and monitoring learners with a learning disability as a distinct group so that their progression can be accurately tracked.

4.3 Supported employment is real work in an integrated setting with ongoing support provided by an agency with expertise in finding employment for people with disabilities. Direct placement into mainstream, real work places and training on the job by skilled job trainers have been its defining features. It has enabled many people with disabilities, particularly people with learning disabilities, to enter the mainstream of competitive paid employment. This is in line with government commitments to promoting greater equality and a more diverse workforce.

4.4 Mencap recommends: government investment in a supported employment programme for people with a learning disability, in line with government commitments to promoting greater equality and a more diverse workforce. The DfES and DWP should work together to include this type of employment opportunity.

*January 2007*

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### Memorandum submitted by Nacro

#### EXECUTIVE SUMMARY

1. Nacro welcomes the opportunity to give evidence to the Committee’s hearing on post-16 skills training. As a large national special-needs work-based learning provider as well as the crime reduction charity, Nacro considers all types of skills development as central to enabling people to lead constructive, law-abiding lives.

2. Our key points are:

- it is essential that the needs of all learners are taken into account when considering funding and other structures for skills training: some groups will have additional support needs;
- providers working with these groups should be enabled to provide adequate and appropriate support to learners, including addressing the full range of barriers to learning; and
- efforts need to be made to avoid creating a hierarchy of programmes which encourages/requires providers to select learners according to ability.

## INTRODUCTION TO NACRO

3. Nacro, the crime reduction charity, has been designing and delivering resettlement programmes for disadvantaged people—offenders and people at risk of offending—for 40 years, including education and training programmes and programmes to improve people's employability skills.

4. During 2005–06, Nacro helped 81,000 people through our practical services—largely education, training and employment services, youth engagement programmes, supported housing and information and advice services. During the year, we provided work-based learning programmes for 8,500 people and provided employment and training advice to many more, including 15,000 offenders. We ran alternative curriculum and other education programmes for over 2,000 young people and outreach programmes—to make contact with those not in touch with any other agency—with over 1,700 people.

## OUR SUBMISSION

5. Nacro is not submitting evidence on every area to be covered by this hearing, but would urge the Committee to take into account the needs of all learners in considering post-16 skills training structures and content. We work with people whose offending behaviour and/or risk factors make many mainstream training programme and providers unsuitable, at least in the first instance. Our experience—gained in nearly 40 years in this field—has been that funding and other structural systems have militated against achievement by those with special needs and disadvantaged those who provide training opportunities for them.

6. Do current funding structures support a more responsive skills training system? How could they be improved? There are some ways in which the funding for Entry to Employment (E2E) could be improved, but Nacro is not convinced these changes would create a more responsive skills training provision. One improvement would be for the Learning and Skills Council (LSC) to recognise that NVQ Level 1 programmes, with added key skills, do have a value to learners and employers. It is now possible for work-based learning providers to offer this sort of programme again, since the LSC has clarified that E2E can be for as long as a learner needs, but there is no real incentive to providers.

7. Does the LSC need to be the subject of any further reform? A Nacro suggests that a significant and helpful reform for work-based learning by the LSC would be to recognise “specialist providers” for Foundation Learning.

It would be equally useful for the LSC to recognise that allowing providers to deliver both the Foundation and the Apprenticeship programmes, with higher targets each year, only serves to create, by default, “E2E Plus” and an “E2E Minus” programmes. Those providers that deliver both E2E and Apprenticeships can recruit young people to E2E for a short period, prior to moving them to an apprenticeship, thereby achieving higher outcome targets from E2E and increasing funding for their programme—they, in effect, use E2E as a pre-Apprenticeship programme and select their learners accordingly. We do not want to condemn this, but it does cause problems where LSCs then think that those providers perform better than those that do not deliver both, and impose the same outcome targets on those working with the hardest to help. The providers are then left with those young people who are not taken on by the “quick-fix” providers and are then penalised for not achieving the same, high outcome targets. This has the result of making them select learners who are more likely to achieve. This has the effect of leaving more and more young people, especially those who need additional support in training, in the NEET group.

Were providers only allowed to deliver one or the other, they would achieve a more level playing field. Take Nacro as a provider which only delivered E2E, almost as a lead provider. We could identify those who may be suitable for an Apprenticeship outcome early on in their programme, and work with the Apprenticeship provider to secure an early transition. That would allow us to offer longer programme length of stay to those who need it. And were the Apprenticeship providers to be set a target of E2E graduates to recruit, that would be the icing on the cake!

8. Higher education, offenders and those at risk. Nacro is convinced that a “mixed economy” of providers is essential to meet the education and training needs of the wide range of offenders and those at risk. Nacro is keen to see the chance exist for these people to progress to education opportunities at all levels, but we know that for most of the people we work with in our education and employment projects, and for many other offenders and the at-risk, a college environment is not suitable. Care must be taken not to alienate those for whom this setting is intimidating or unappealing.

Our experience is that many young people leaving Nacro to attend college (often lured by the idea of attending a higher-status provider) often return to our programmes after a short time, having found the environment, teaching methods and lack of holistic, specialised support impossible to deal with.

9. What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment? Nacro’s experience is that a significant number of people in this group will veer between casual labour and long periods of unemployment, with the possibility of supplementing their low incomes or benefit with some criminal activity. Many of the people Nacro works with, including those contacted through outreach programmes, lack fundamental life skills. They are likely to have dropped out of school and will struggle to live independently. In many cases, they are ill-equipped to engage in vocational training, or to hold down a job, without additional and ongoing support.

10. We understand that, in theory, people in the NEET group can access a whole range of FE courses, as well as E2E. But for the latter to be effective, the situation we described in paragraph 7 needs to be resolved. The “hardest-to-help” are often wary of schools, colleges and statutory authorities; voluntary organisations can be better placed to engage very disaffected people in services. The college environment can be less attractive to people who have been out of education and out of touch with other agencies for some time, and who may be wary of “official” bodies. Any provider would need to provide an assessment and referral service in a safe and accessible setting, and be in contact with the complete range of services available in an area, so that the most appropriate referral can be made.

11. The identification of any complementary services necessary to address barriers to employment, such as problems with drug or alcohol misuse, health issues or housing difficulties needs to be incorporated into the provider’s way of working. Any efforts to improve vocational and employability skills will be futile without addressing these issues at the same time. Setting someone up in a training programme or with work for which they are not equipped is likely to be counter-productive and may embed them further into disadvantage or the criminal justice system. Providers for this group therefore need to have links with support and specialist services in the local area to enable appropriate referrals to be made.

Any system for determining a learning offer needs to recognise that there are learners who have had very negative experiences of education and learning and may, in fact, not know how to learn. There have to be ways of creating and sustaining engagement and motivation. Nacro’s experience in working with disengaged young people, including offenders and those at risk, has enabled us to develop techniques to do so. Flexible programmes; an approach to teaching and learning that caters for different learning styles; breaking learning tasks down into small manageable steps; recognising achievement, ideally with an accredited qualification, early in the process; basing learning tasks around areas of interest such as sport or music; treating participants with respect and a positive expectation of change; linking learning with real job opportunities: all these techniques will make engagement and motivation more likely.

12. We realise there are trials underway in a few pilot areas for Foundation Learning Tier courses, but do not yet have enough information to judge how well these are working and what lessons may be learned.

#### RECOMMENDATIONS

13. Nacro would make the following recommendations:

- that any funding and other structures for the provision of post-16 training allows for a “mixed economy” of providers;
- that the LSC recognises the value of NVQ Level 1 programmes and structures their funding systems in a way that encourages providers to offer them;
- that the LSC recognises that providers offering only E2E are disadvantaged compared to those offering both E2E and Apprenticeships (and that consequently their learners are also disadvantaged), and addresses this situation;
- that the Department for Education and Skills and the LSC recognise that there is currently very little provision for those in the NEET group, and little support for providers working with this group, and take this into account when considering future structures for post-16 training; and
- that the LSC makes public the experiences of the Foundation Tier pilots to allow providers to make suggestions on modifications.

*January 2007*

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**Memorandum submitted by William Devine, Chief Executive Officer, National Forum of Engineering Centres (NFEC)**

#### EXECUTIVE SUMMARY

1. On national policy, there is little evidence of joined-up working and ample evidence to the contrary: Government departments and their agencies do not sing from the same song-sheet.

The Foster Report points the way forward, calling for a simpler education system more in line with those already enjoyed by UK’s competitor—and more competitive—countries. The more complex a system, the more needed to fix it. Even by its own chaotic standards, the UK is subjecting its education system to unprecedented rates of change, so generating not less ambiguity but more. Confusion reigns throughout the sector, so it is hardly surprising that the public does not understand who is doing what and why. The existence of so many intermediaries, LSC, HEFCE, QIA, Ofsted, LSN, SSCs, National Skills Academies, RDAs and myriad award bodies, is both evidence of the UK’s lack of joined-up thinking, and a perpetrator of the system’s blurred responsibilities and accountability. To give just one example, both LSC and HEFCE fund the Higher Apprenticeship framework, while quality assurance involves both Ofsted and QAA.

*2. A “demand-led” system should look like a system that has evolved out of hard-won common ground, based upon a consensus of all the stakeholders. This consensus should be expressed in a single, brief answer to the key question of our time in FE: “What is the purpose of publicly-funded education and training?”*

On the face of it, “What is the purpose of publicly-funded education and training?” is a simple question. Yet it is freighted with assumptions, cultural differences, hidden agendas, and clashes of values. Until there is agreement on the answer, there can be no common vision, and without that vision, replies to the Committee’s question are likely to be partisan. Take the question of how closely employers feel involved in the design of qualifications. The larger Blue Chip companies do feel they’re shaping skills training, the evidence being their participation in the SSCs and National Skills Councils. But it is far from clear how many smaller concerns wish to be involved, or indeed know there is anything to be involved in, let alone know why they should be. SMEs and micro—companies remain hard to reach and there is no one-size-fits-all solution. Yet smaller companies employ more than nine in ten people in engineering and technology. It would be instructive to ask how many employers have signed up to their own SSC Sector Skills Agreement and can say what their sector priorities are.

*3. There is plenty of Information, Advice and Guidance available to potential learners, but much of it so ill-informed and -advised or so misguided as to deter more learners than it inspires.*

Much IAG does more harm than good. It is not enough, in explanation, to point to the well-documented failures of the careers service, Connexions and previous “initiatives”. Throughout IAG, the information is often dated, the advice off the mark because career opportunities are either not understood or clearly-articulated. Guidance suffers because advisors are generally far removed from industry, and are unable to pick their way through the tangle of qualifications and chart clear progression routes for the potential learner. In engineering and technology, the position is even worse. The perception that engineering and technology provide narrow career paths, that jobs are not available and that engineering is an “oily rag trade” for the less academic still prevails after 20 years and more of initiatives and government investment. There is a hugely-disappointing return on the millions of pounds spent on government “initiatives”

NFEC is a self-funding, self-help membership body of professionals in FE and HE in FE. Our members include employers, group training providers, professional training companies, specialist schools and academies, as well as over 80% of FE colleges or departments.

An independent advisory body, NEFC’s main interest is in the 14–19 agenda, the work-based 16+ sector and lifelong learning. Members across the UK share a commitment to the achievement and exchange of best practice in, and to the consistent delivery of, best-quality learning in engineering and technology.

Revenue generated from membership and commercial consultancy and other sector clients is dedicated to providing NFEC members with practical, problem-solving assistance without charge or at reduced cost.

NFEC operates through seven regional organisations, regular regional seminars and a twice-yearly national conference. A particular strength of NFEC is its close links with awarding and other bodies in the engineering industries and professions. Among these are:

- Key Sector Skills Councils such as SEMTA, the Engineering Employers Federation, and the Engineering Council UK; professional institutions.
- Organisations in the academic and vocational education infrastructure, among them QAA and QCA, HEFCE and LSC, SSDA, OFSTED.
- Awarding Bodies including EAL.
- Organisations responsible for quality improvement, such as Subject Centres and Quality Improvement Agency (QIA) and the Learning and Skills Network (LSN).

To the best of NFEC’s knowledge, no comment in this submission is made upon matters before a court of law or in respect of which court proceedings are imminent.

#### NATIONAL POLICY/ISSUES

*Are the Government’s priorities for skills broadly correct—for example, the focus on first “level 2” qualifications?*

Yes. NFEC considers the focus on “level 2” to be an appropriate initial priority, erecting a firm foundation from which to develop UK skills. One immediate benefit is to improve self esteem, especially among adults, and so encourages further learning. NFEC can cite many good examples from FE colleges and private training-providers of learners and employers benefited from this initiative.

Government, however, needs to ensure that further learning takes place and that new skills are being developed. There is a place for formalising existing knowledge and skills, but the UK’s competitive position demands a clear dynamic, and that dynamic has to be of measured progress beyond Level 2.

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If we are to tap the vast potential of FE to transform the UK's position as a knowledge-based economy in an era of increasingly severe competition, then the engineering and technology sector requires development of Levels 3 and 4. This is the next key priority and cannot begin too soon.

*How do other targets, such as the "50% into HE" fit with the wider skills agenda?*

There is clear evidence among NFEC's members—employers as well as education and training-providers that the government focus on the HE 50% target is so narrow as to constitute a barrier to skills development. Government has yet to grasp the potential inherent in the HE agenda.

There is too much pressure for full-time progression; which delays the experience of life and work that employers look for in those they employ.

Government overlooks the opportunities provided by FE, by workforce development and by the projects stimulated by the Post-Langlands "Gateways to the Professions" Report.

The Advanced Apprenticeship is a cornerstone of HE development through workforce development. For those unable to get a job, however, we need to ensure access to industry and industry-based equipment is available, including virtual access.

In general the HE system must be opened up at undergraduate level, enabling FE colleges to develop and deliver undergraduate qualifications directly funded by HEFCE. This will do much to engineer an HE system that is responsive, open, locally-available and flexible enough to allow working men and women to continue their career development without a break in employment. It will also ensure that funds are spent at the "sharp end", on the delivery of HE qualifications rather than huge sums of money continuing to be wasted on the funding bureaucracy.

*What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

Negligible.

The recent government audit of the DfES bears out NFEC members' verdict.

*Do current funding structures support a more responsive skills training system? How could they be improved?*

Funding is now so complex that it is better approached through a question-and-answer discussion rather than a short written response.

Central to any improvement, however, is:

- Removal of the age barrier to access to public funding.
- Establishment of a single funding body up to Level 5 in colleges and other providers.
- A funding system that follows the learner, and puts him or her at the centre of learning.
- Taking care that the new system is not abused as were previous arrangements.

*Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

No. The balance is skewed because the real question is ducked. This question is "What is the purpose of publicly-funded education and training?" This is the central question as we move towards a demand-led education system.

NFEC members come from all sides of FE. For the record, their common experience as both "demanders" and suppliers leads them to believe that the purpose of publicly-funded education and training is to do more than ensure the knowledge and skills base required for the knowledge economy of UK plc is met.

That purpose is also to promote an understanding of the social relevance of publicly-funded education and training in enabling individuals to exercise their right to learn and grow. This amounts to a substantial contribution to the common good.

What publicly-funded education and training is NOT about is meeting employers' short-term skills gaps. It is about building capacity and capability to meet not only the easily-identifiable skills gaps but also to ensure that there is the solid knowledge and skills base to enable further learning to be easily and cost-effectively undertaken. That responsibility requires us to spread not just knowledge, but the desire and the ability to learn. We are confronted by a whole generation that needs to "learn to learn".

Only by agreeing upon the answer to the central question of purpose will we arrive at practical answers to secondary questions such as the nature of relative contributions. As yet, there is no such agreement.

## SUPPLY SIDE

*Is there a case for a less regulated supply-side system with fewer intermediary agencies and bodies? What are the potential risks and benefits of such an approach?*

*What do national and regional agencies currently do well? How are bodies such as the Regional Skills Partnerships working?*

Foster provides the lead on a simplified education system and draws comparisons from competitor countries.

The rate of change sweeping through education at present is unprecedented and generates ambiguity. There is confusion throughout the sector, so it is hardly surprising that the public does not understand what is going on and who is doing what.

The LSC, HEFCE, QIA, Ofsted, LSN, SSCs, National Skills Academies, RDAs and a swarm of award bodies present a blurred and confused picture of who is responsible for what. There appears to be a real lack of joined-up thinking, and a blurring both of responsibilities and accountability.

*Does the LSC need to be the subject of further reform?*

Yes.

LSC or some successor agency needs to provide single funding in colleges up to and including level 5. In particular, the Advanced Apprenticeship is unlikely to achieve its desired impact unless funded by a single body. At present, some funding is from LSC but with the Foundation Degree, for example, funding is by HEFCE. There is also a quality-assurance issue as both Ofsted AND QAA are presently required, duplicating effort and perpetuating a QA system that by design is cumbersome, confusing and needlessly-expensive.

In a wider context, the role of the LSC needs to be reassessed in view of the impact on QA and funding of the responsibilities, stated or assumed, of the SSCs and the National Skills Academies for quality assurance and the funding of providers. These responsibilities clearly overlap those of LSC in its present guise. It is not clear what role the RDAs play in this development.

*What is the typical experience of a college or other provider who wants to put on new provision in response to local employer demand?*

It is not clear whether this question assumes the provision to be nationally-recognised and/or publicly-funded. There is no typical experience, the issue being obscured by the profusion of agencies and organisations that accredit and fund “local” provision. It’s time for a shakeout.

Each week brings examples from all over the country of FE colleges and other providers working together successfully to meet local demand. What is now required is a case-study approach to underline development and dissemination of best practice. NFEC is well placed to develop such an approach.

FE unfortunately suffers from “FE-ism”, or the sidelining of FE, deliberately or (more often) carelessly, in public policy or discussion of public policy. FE has been complicit in FE-ism because only recently has FE begun to speak out about the great job it does for the students, the economy and the country.

*Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning?*

No. Structural reform is not the model to pursue.

It sounds good, but in practice “structural reform” institutionalises restrictiveness and inflexibility, choking off the opportunity to grow local solutions. An FE College must be able to support its local people and businesses, and operate with a public-service ethos based on sound business principles. Fragmenting education through further structural reforms would be to damage the UK economy and the wider social good. FE colleges can be both generalist and build specialist provision on national hub-and-spoke arrangements according to demand and capability. It is not a question of either/or.

To achieve this responsiveness, flexibility must be encouraged. The task ahead is to allow generalist rather than specialist institutions to develop. That is how to meet varied and continually evolving local demand with the most cost-effective options.

Generalist colleges should be encouraged to develop in parallel with specialist hub-and-spoke facilities that span regions, their benefits being felt across a spread of localities.

Greater use of virtual environments is a cost—effective and efficient way of raising UK plc’s knowledge and skill levels. So, too, are “best-practice” networks based on vocational subject area to develop and share best practice.

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**DEMAND SIDE**

Employers:

*What should a “demand-led” system really look like?*

It should look like a system that has evolved out of hard-won common ground, a consensus built upon the reply to the key question of our time in FE: “What is the purpose of publicly-funded education and training?” NFEC members’ working definition is given in the section “Is the balance between the public, employers’ and individuals’ contribution to learning appropriate?”.

On the face of it, the question is a simple one. It is, however, freighted with assumptions, cultural differences, hidden agendas, and value-clashes. Until there is agreement on the answer, there can be no common vision, and without that vision, replies to the Committee’s question risk being partisan.

That the UK is moving towards a demand-led system in FE there is no doubt. But we—that is, everybody in FE—does so hobbled for lack of a common purpose. There are just too many organisations in the FE environment; responsibilities overlap, some given and some assumed. Why replicate today’s confusion, duplication, misinformation, self-interest, and so waste yet another opportunity?

So strongly does NFEC believe that the way to a functioning demand-led system lies through this consensus that we have begun a series in the NFEC E-Bulletin asking representative figures from FE inside and outside NFEC to give their personal definition of what a demand-led system should be about.

*Do employers feel like they are shaping skills training—for example through Sector Skills Councils?*

*Do employers feel closely involved with the design of qualifications?*

It depends upon which employers the Committee means.

The larger Blue Chip companies are involved to one degree or another, and do feel they’re shaping skills training, the evidence being their participation in the SSCs and National Skills Councils.

With SMEs and micro—companies, however, the answer is too often “No” and “No”.

It’s not clear how many smaller concerns wish to be involved . SMEs and micro—companies remain hard to reach and there is no one-size-fits-all solution. Yet this sector is a hugely-important employer. The problems are of long standing, are well-known and the solutions easily—identifiable. Implementation, however, is slow and initially expensive.

An interesting question to ask would be how many employers have signed up to their SSC Sector Skills Agreement and could say what the priorities are.

NFEC’s opinion is that, whether they have been asked or not, most SMEs and micro-companies view education and training as a supply chain. They expect a best-fit solution, within cost, understanding of the customer’s requirements and delivery as agreed.

*Should employers be further incentivised to take up training? If so, by what means?*

No, not if “incentivised” means “forced”. If it does not, then “incentivised” should mean more than “paid”—it should mean “showing how training itself pays a dividend.”

Enforced training through levy or taxation misses the point, which is that partnerships come into being and work best when there is a win-win situation and mutual respect for and between the parties. Enforcing partnerships through financial penalty is unlikely to be the best way to encourage partnerships or to encourage the development of the best solutions in training itself.

Anybody involved with FE who is not an employer should see training as enlightened employers see it, as an essential element in the supply chain, if not indeed the essential element.

The first step towards winning over unengaged employers is to demonstrate clearly the value each and every training activity adds to business performance. Just as the learner is at the heart of learning, so business improvement must be at the heart of training.

*What is the role of Union Learning Reps?*

Pivotal.

Union Learning Representatives play a pivotal role by giving a balanced view, by providing a soft systems approach to learning, and ensuring the needs of employers are matched as closely as possible with the needs and sensitivities of individuals.

UK plc won't get far if employers and unions do not work together promoting business improvement and long-term personal development. On the other hand, you cannot legislate people into learning. You can force employees to attend training sessions, but without personal buy-in the exercise is without value and wastes company time.

*What roles should employment agencies play in facilitating training?*

This is an issue upon which NFEC is still consulting.

#### LEARNERS

*What is the typical experience of someone looking for skills training?*

Patchy.

Learner-success improves year on year, and learner feedback is hugely—supportive. But there remains much to do if we are to catch up with the business performance of the UK's competitors.

In most areas in engineering and technology there are still more learner applications than available apprentice places. If apprenticeships cannot be found then we must ensure full-time education receives sufficient investment to make it relevant to current industrial practice. We need to:

- Invest in providing lecturers and trainers in the numbers and of the quality required.
- Providing real opportunities for continued employer engagement and for meaningful continual professional development.
- Investing in capital equipment and flexible delivery systems.
- Expose the learner to “learning by doing” and to learning through industrial practice.

These are the ways to ensure choice and continuing individual development are unrestricted by the employment opportunities available at any specific time.

*What information, advice and guidance is available to potential learners?*

A lot, much of it doing more harm than good. Pointing to the well-documented failures of the careers service, Connexions for example, is not enough.

The major issues within IAG are recognised. Information made available is often dated, and career opportunities neither understood nor articulated; qualifications and progression routes are not made clear and advisors in generally are far removed from industry. In engineering and technology, the position is even worse.

Despite over 20 years of government spending and initiatives, hoary perceptions remain deeply rooted: engineering and technology provide narrow career paths; at the end of education or training, there will be no job to go to; engineering is an “oily rag trade” for the less—academic. Such a poor return on the millions of pounds of taxpayers' money thrown at “initiatives” is hugely disappointing.

The quality of information, advice and guidance can be turned around. The solution requires bringing together the sector's key players: industry champions, the Engineering Council, Royal Academy of Engineering, the Engineering Technology Board, professional membership institutions (NFEC, for example), government, employers, providers and peer champions (for learners). These players can develop and articulate a narrative encapsulating what engineering and technology are really about, what opportunities they offer, and how to grasp them.

*What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?*

More and better than ever, but it's still hard going.

This is where general FE can make a huge difference in making our society more inclusive. FE colleges have the diverse staff base with the necessary knowledge and skills to equip us for this journey. The colleges also offer work-related learning in a safe environment, and friendly knowledgeable and experienced people able to help these “outsiders” who may have been starved of nurture and beneficial human contact.

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*What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

Learner Accounts and funding that follows the learner and truly puts him or her at the centre are an admirable innovation. Predecessor funding schemes have been abused, however, so LAs need to be handled with great care. Demand-led provision marks a big change, and its impact has yet to be assessed. Extensive long-term piloting is vital if LAs are to deliver their full potential, as is further consultation with stakeholders, not forgetting the learners.

#### APPRENTICESHIPS

*What should apprenticeships look like? How close are they currently to this vision?*

*What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework?*

The answers lie not in the design but the delivery.

On the one hand, employers approve of the frameworks in engineering and technology. They support the need for the development of generic softer skills as well as significant sector-specific knowledge and skills. On the other hand, employers and learners alike loathe how Key Skills are designed and assessed. The commitment of learners and employers is demonstrably poor. The current structure of key skills is dragging down apprentice success rates—yet the solution is simple: it is “Integrate key skills (Functional Skills) and life skills work fully into the vocational content”. Generic skills are best achieved through contextualisation.

Motivation is essential to success, and what will encourage success is a fully-integrated delivery model without the need for further or separate testing.

Technical Certificates and NVQ arrangements require only normal review, and no modifications or overall qualification is required.

It should be appreciated, however, that different sectors have different requirements. In engineering and technology the level of knowledge reflected by Technical Certificates is a significant and crucial part of the apprentice framework. In other sectors there is no Technical Certificate. We need to be careful how and when we measure “success” and to be sceptical of claims that there is a national standard.

As previously recommended, the Higher Apprentice Framework deserves full support.

*Are the number of places available appropriate, and in the right areas, and at the right level?*

It is doubtful whether anybody can say with authority.

National data is difficult to obtain and inconsistent from one source to another. Anecdotal evidence from FE colleges and other providers suggests there are not enough places. There is a critical shortage of apprentice places in areas such as electrical installation, even for suitable young candidates. Yet the UK prefers to import skills rather than grow its own.

We’re drifting, half-blind, into a demand-led system. There has been little long-term planning, and much to well-founded concern. On paper, we’re moving towards education and training as a means of resolving the skills shortages faced by employers today. But where, FE professionals ask, is the capacity-building to come from?

*What is the current success rate for apprenticeships?*

It depends upon who you ask. NFEC says that the success rate is improving, but nowhere near good enough.

LSC, SSCs, DfES and others all reported problems with their management information systems. What is generally accepted, however, is that there are year-on-year improvements in success rates, but declining uptake in engineering and technology. This is particularly acute at Level 3 and holds back the enlargement of the UK’s technician base.

*What can we learn from practice in other countries with apprenticeship systems—ie, Scotland and Wales?*

We can learn to step carefully.

In particular, we must be careful that we are comparing like for like. NFEC’s extensive knowledge of the Scottish and Welsh systems and cultures suggests there are marked differences from English practice.

In general, however, it seems that once over the border and into Scotland or Wales, funding models, are simpler; there are fewer award bodies, fewer quangos; flexibility is prized, and bite size learning accepted, resulting in an open FE and HE system up to undergraduate level (especially at Level 4). The vocational system is easier to understand and is accordingly held in greater esteem. In engineering and technology the

vocational routes into HE are valued by learners, employers and universities. The progression routes from Level 1 and onwards are well understood and provide the required flexibility to balance and manage personal and work issues throughout life.

#### QUALIFICATIONS

*Do the qualifications which are currently available make sense to employers and learners?*

Not to all, by any means.

The larger employers better understand the mainstream qualifications but will often refer to “ONC”—a term defunct for many years. SMEs and micro-organisations have less capacity to keep abreast of a bureaucracy-led vocational system such as ours. The unnecessary complexity of and constant change in vocational qualification types and names is a serious contributor to the low esteem in which vocational qualifications are held in our culture.

This self-defeating perception of vocational education as playing little part in personal or national development can be countered. Put the bureaucrats to work not in proliferating but paring down the number of; qualifications; in articulating progression routes; familiarising themselves with and then publicising the doors vocational qualifications have opened.

This is one initiative whose time has come. It should be aimed not only at the great and good in industry, but to the technicians and engineers to whom young people can relate.

Meanwhile, here is yet another vocational qualification—the Specialist Diploma. Ask the person on the street what it is about? Indeed ask a collection of employers and academics.

*Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalization?*

There are positive signs, and the QCA should be fully supported during this developmental and pilot stage.

*January 2007*

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#### **Memorandum submitted by the National Institute of Adult Continuing Education (NIACE)**

1. The National Institute of Adult Continuing Education (NIACE) is an independent non-governmental organisation and charity. Its corporate and individual members come from a range of places where adults learn: in further education colleges and local community settings; in universities, workplaces and prisons as well as in their homes through the media and information technology. NIACE's work is supported by a wide range of bodies including the DfES (with which it has a formal voluntary sector compact) and other departments of state, by the Local Government Association and by the Learning and Skills Council. The ends to which NIACE activities are directed can be summarised as being to secure more, different and better opportunities for adult learners, especially those who benefited least from their initial education.

2. NIACE welcomes the opportunity to contribute to this inquiry. This memorandum considers the issues posed in the committee's press notice of 30 November 2006 in order, preceded by a summary of our key points.

#### KEY POINTS

3. The analysis that NIACE applied to the 2006 white paper *Raising Skills, Improving Life Chances* (Cm 6768) remains central to this memorandum. We believe that, if only for reasons of demography, the balance of skills policy focus and resources must shift from young labour market entrants. An assessment of what work will need to be done in the UK economy, who will be available to do it and what skills they will need points clearly in this direction.

4. In the coming decade, groups consigned in the past to the margins of the labour market policy will assume a higher priority. Among these are:

- Part-time and temporary workers for whom time to study is a major issue since it will seldom if ever be in the interest of employers to prioritise their skills development;
- Those employed in businesses which are “cool to training” who will not be reached by the Train to Gain initiative;
- Workers aged 45+ who are too often neglected when it comes to training and development;
- Migrants (especially from EU accession countries) whose potential contribution may not be recognised by employers unfamiliar with a culturally and linguistically diverse workforce with skills but not qualifications recognised in the UK;

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- Women—especially from ethnic minority communities culturally resistant to high levels of female employment outside the home;
  - People currently on welfare benefits including those on Incapacity Benefits as a result of mental health problems;
  - Ex-offenders;
  - Adults with literacy levels at and below “entry level 2”.

It remains our contention that skills policies which do not work for these groups and others like them will not work for the country. If Lord Leitch’s reliance on sectoral bodies to channel employer demand is to succeed, Government and Parliament need to be assured that such bodies are fully aware of and sensitive to this demography-related argument.

5. In the UK there is a long history of mismatch between what labour market planners and education and training systems wish to happen and the actual outcomes. Evidence from overseas suggests the UK would do well to learn that countries which adapt fastest and most successfully to industrial change combine stable and well-understood structures with high levels of investment (public as well as private) in general education beyond secondary level as well as vocationally-specific training. This is echoed in last year’s Lisbon Council paper which concluded that investment in adult education and on the job training have a substantially more positive impact on human capital development than other interventions in skills.

6. Much of this was accepted either explicitly or by inference in Lord Leitch’s interim report yet the final report *Prosperity for all in the global economy—world class skills* shies off from calling for broad investment in those generic skills which produce people confident in their capacity to learn and unafraid of change.

## CONTEXT

The Committee asks: “What should we take from the Leitch Report on UK skills gaps? What are the demographic issues which need to be taken into account in skills policy? Are the measures that we have available to assess the success of skills strategy robust?”

7. Lord Leitch’s report identifies an imperative for the UK to improve its skills-base if it is not to lapse into “undistinguished mediocrity” behind its competitors. It identifies the particular challenges posed by large emerging economies as well as those of Europe and North America. It is surprising therefore that the report is curiously muted on the subject of migration (two paragraphs) and the contribution that it may make to meeting skills gaps as well as the challenges it poses. It is restrictive to think nationally about skills development when the economy and the labour market is becoming increasingly globalized.

8. Although there is a Ministerial committee on asylum and migration there appears to be little visible co-ordination across government policies about the labour market consequences of migration—including the differential distribution of migrants across the countries and regions of the UK. Some concerned with policy formation appear relaxed that market forces will find solutions to skills and labour shortages resulting from the demographic changes underway but NIACE does not share their confidence. There is evidence that in some sectors firms are responding by recruiting massively from EU accession states and by outsourcing jobs outside the UK. Although the UK may continue to benefit in the short-term from a flow of well-trained and skilled craftspeople and of low waged labour, NIACE considers that the belief in market-driven solutions may be dangerously short-sighted. After other EU members open their doors to migrant labour we may not be able to rely on the same level of supply. There is also an issue about the consequences of importing skilled labour upon migrants’ countries of origin. This is recognised in medicine and allied professions, where the consequences of poaching from developing countries is understood—but less so in other occupations and for people from the Accession countries.

9. In addition the impact of migration of people outside the labour market is a serious concern. If well-qualified and motivated migrant workers mean fewer opportunities for less well-qualified and motivated UK-born people, there is real possibility of social unrest and other socially negative consequences.

10. Emigration from the UK also requires greater attention in order to fully understand UK skill needs and education and training provision. Greater labour mobility appears to be accelerating a “brain drain” of skills from the country in some fields and although the UK remains a favoured destination for higher education students from overseas, the number of British students studying in Europe and North America is also increasing.

11. The Leitch review is also opaque in its analysis of the extent to which differences in international productivity gaps can be explained by skill levels—and the consequences of this for public policy. It appears to be the case, for example that while skills explains part of the productivity gaps between the UK and Germany and France (especially when it comes to technician, advanced craft, skilled trade and associate professional occupations requiring Level 3 qualifications), it does not explain the productivity gap with the USA. Ewart Keep, Lorna Unwin, Helen Rainbird and other researchers have noted the dangers of overstating the impact that skills may have on productivity compared to how employers organise work.

12. Furthermore, the skills gap most often described by ministers is that which exists at lower levels: one third of adults without a full Level 2 qualification; six million adults are without functional literacy; and 17 million adults are without functional numeracy. While Lord Leitch is correct in identifying Level 3 as the critical point at which the economic benefits of skills gain are felt this makes it all the more important for social inclusion to ensure routes to help adults to this level are maintained. As the balance of investment shifts to Level 3, Government must recognise the risks to blocking the progression of those currently marginalised.

13. The initial focus of the skills strategy on Level 2 was rational and right. The shift to encompass Level 3 is perhaps a consequence of the failure of employers to raise their game.

14. Alongside migration, a critical demographic consideration is the age profile of the population. Here the analysis of Lord Leitch's interim report is not followed-through into the final version with any age-sensitive or age-specific initiatives to combat skills decay and obsolescence in the older workforce and to up-skill workers to extend their engagement in the labour force.

15. The number of young people aged between 16 and 24 is projected to fall from 6.9 million in 2005 to 6.6 million in 2020 (equivalent to a fall of 4.9%). This creates a potential "demographic dividend" with implications for public spending. With 60,000 fewer people per year in the 15–24 age cohort between 2010 and 2020 there is an unusual opportunity to re-balance spending to support policies for lifelong learning, to promote an 80% employment rate and to benefit adults aged 25–65 learning for extended engagement in work. This could be done without "robbing Peter to pay Paul". It appears to be the case however that the Government intends to "goldplate" provision for children and young people, increasing per capita spending on a smaller cohort—most notably through its intention to extend initial education and training for all up to the age of 19, the announcement by Downing street of 200 extra academies and the Chancellor's announcement of extra funding for secondary schools in the 2006 pre-budget report.

16. At the same time as the absolute number of young people is set to decline, life expectancy continues to rise, thus amplifying the ageing demographic profile and making the dependency ratio more challenging. It is surprising therefore, that the Government's white paper of March 2006 (*Further Education: Raising Skills, Improving Life Chances Cm6768*) gives attention to the phenomenon in just one paragraph (2.38). The scale of the challenge does not seem to be recognised. Learning in later life is about extended working as much as it is about opportunities for pensioners to remain active.

17. There is a growing awareness that 2 in 3 of the new jobs to be created in the next decade will be filled not by new young labour market entrants but by adults. The consequences of this have, however, yet to be appreciated. The quality of labour market oversight nationally was not enhanced when Government and the Sector Skills Development Agency approved the first four of 25 Sector Skills Agreements that assumed collectively, the recruitment of more than twice as many young people as actually exist in the UK! This is a powerful demonstration of the limitations of a sector-specific focus.

18. Older people are disproportionately likely to be lower-qualified and have declining prospects of labour market mobility as they age. Training and education can help them to remain in full or part-time work or to return to work as well as being more productive. The public policy implications of this have been analysed by NIACE and Age Concern England in a recent paper (*Learning in Later Life: A Public Spending Challenge* (September 2006)). Although older workers have the potential to fill the 2.2 million new jobs that the Leitch Review has projected will be created over the next 15 years, if employment rates for over-50s do not improve, the number of workers over 50 will grow by only one million up to 2020 (the number of workers under this age will, other things being equal, remain static). This is insufficient to meet predicted demand. For a sustained growth in the proportion of older people in work to happen, they will not only need to have appropriate skills but they (and their employers) will need to have positive attitudes to working in later life. The Government's *Opportunity Age* strategy for an ageing society was launched shortly before the 2005 general election and widely welcomed—yet to date progress has been disappointing. NIACE believes that urgent consideration be given to specific programmes targeting older people that motivate and skill them to extend engagement in the labour market—or better “age proof” existing policies.

19. NIACE believes that the economics of training for older people should be seen as distinct from that of the workforce in general, with substantially higher public returns, which would justify a much higher degree of investment.

20. The economics of training for young people, or people in mid career is complex, with rates of return varying by sector, firm size, occupational role, region and timing in the economic cycle. Simple calculation is also compounded by the lack of precision in measures—what precisely do qualifications measure? How far can notions such as “level” and “progression” be used in calculation as if they represent points on a continuous scale. At what rate do the benefits of training decay (a qualification gained ten years ago is probably outdated, and will have little value if the skills learned have not been practiced in the intervening time). How does analysis value investment in learning on the job, delivered through effective management of relationships and team organisation (the commonest mode of learning in SMEs), compared to participation in formal courses?

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21. By contrast, the economics of training in later working life is very simple. If training results in an individual staying longer in the workforce, the public rate of return is almost certainly strongly positive. Unlike training at earlier ages, this public benefit is real even in the unlikely event that the training delivers no actual increase in productivity (in which case the private return to the employer, and perhaps the individual, may be limited or insignificant). This suggests a clear case for public investment.

22. The reason for this is straightforward: every individual who stays in work a year longer generates a year more of production (even if at a relatively low level), and corresponding tax revenue. Furthermore, they spend a year less of their lifespan drawing on a pension fund (unless extending working life extends life expectancy), and are unlikely to be drawing on welfare benefits. There are almost no kinds of training which could cost more than this net return.

23. However Lord Leitch did not critique how current Government policy works against this argument. Firstly the priority to 16–19 education within a constrained LSC budget diverts resources from older people to younger ones. Secondly, the expectation that after age 19–25 employers and individuals should pay an increasing proportion of the costs of training, fails to recognise that the primary return at this stage of life is public, not private. There is also an issue about the strong focus of public investment in Level 2 qualifications. While the evidence of the lifetime public and private return on a Level 2 qualification was demonstrated in the first Skills Strategy, there is little evidence on whether the same kinds of return apply to such a qualification acquired in the last decade of working life. The cost to the individual in time and effort of a full Level 2 qualification is substantial, and the likely return very uncertain. Many individuals who have acquired decades of working experience would probably benefit more (and be more likely to opt into) short updating programmes, or the opportunity to achieve accreditation for their previous uncertificated learning.

24. Research evidence of whether more training leads to longer working life is thin: until very recently there has been little academic or policy interest in workers aged over 50 although there are strong reasons to hypothesise that positive relationship exists:

- The Labour Force Survey shows that those who stay in work after 60 are more likely to have trained than those who do not. (This correlation does not, of course, prove causation, and it may reflect employers wisely only training “stayers”, rather than “stayers” being created through training).
- Findings from the Centre for Research into the Older Workforce (CROW) shows that an important motivation for staying in work for older people is the chance to use skills and knowledge. Raising the level of skills and knowledge through training confirms individuals’ sense of their own worth and contribution, and status in the workplace, all of which might be expected to lead to willingness to stay.
- CROW research also shows that older workers resent being neglected and overlooked by their employers for promotion and new challenges. However, there is evidence that participation in training is perceived by employees as a sign of trust and commitment, and they respond with increased loyalty.
- Research further shows a large proportion of older workers who would like to work longer, but wish to do so in new roles or on a part-time or flexible basis. However, they also say that they do not ask for this because they fear that drawing attention to themselves, or asking for something unusual, will endanger the security of their present job. The result is demotivated people serving time unproductively, against the wishes of their employers and themselves. If training demonstrated employee commitment to employers, and made job mobility easier it would again increase loyalty, job satisfaction and retention.
- After the age of 50, when people become unemployed, for whatever reason, their chances of returning to the labour market at a comparable level are extremely low. The result is thus a significant drop in general productivity. It is therefore desirable to keep people with their present employers wherever possible, and improving their motivation and productivity is an important element of this.

25. Overall, NIACE suggests that both the Leitch review and current government policy assumes demography to more of a static factor than is actually the case.

26. We also believe that current PSA targets have assumed too great an importance in measuring the success of policies in this area. We believe that consideration of public value might permit a more rounded approach, recognising that value is created not only through the pursuit of outputs but also through the way services are delivered and governed.

## NATIONAL POLICY/ISSUES

*The Committee asks: Are the Government's priorities for skills broadly correct—for example, the focus on first "Level 2" qualifications? How do other targets, such as the "50% into HE" fit with the wider skills agenda? What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions? Do current funding structures support a more responsive skills training system? How could they be improved? Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

27. NIACE has offered consistent public support for the skills strategy since its inception while also working to make it more effective in meeting the needs of adult learners. We support the focus on skills at Level 2 as an approach to combating social exclusion and marginalisation. We do however distinguish between this and the Learning and Skills Council's insistence that the entitlement only applies to a first full Level 2 qualification—essentially a rationing mechanism. NIACE regrets that the adult skills strategy has lacked the budget to realise its aspirations. This is too blunt an instrument. Many adults hold qualifications that are effectively obsolete, others may need to "top up" qualifications (for example those with three or four GCSEs) or be unready to commit to a full Level 2 because of other commitments in their lives. The skills strategy offers little to them at present and progress towards a unitised, credit-based qualification system through *Framework for Achievement* have been unacceptably slow in coming to fruition.

28. The concentration on first FULL Level 2 also privileges an "assess, assess, assess" model over learning-rich skills acquisition.

29. Similarly, NIACE has strongly supported the emphasis given to Skills for Life as a focus for improving levels of literacy, language and numeracy but believe that insufficient attention is paid to those at pre-entry and entry levels who would have difficulty in achieving Level 1 or Two quickly. Research by Bynner and Parsons (*New Light on Literacy and Numeracy*, NRDc, November 2006) suggests that it is at this level, rather than where the national tests are set, which would be the most effective way to break a cycle of intergenerational poverty and have greatest synergy with the provisions, such as family learning and Sure Start. Bynner and Parson's work also suggests greater attention should be given to intensive provision for those in greatest need. This is particularly important in a target-driven approach where focus, perhaps inevitably, drifts towards those people with the shortest journey to achieve the target. We believe, therefore, that Lord Leitch's recommendation that language, literacy and numeracy targets should shift from qualifications to population outcomes is welcome.

30. On the subject of English for Speakers of Other Languages, NIACE accepts that a service wholly free at the point of delivery was unsustainable but rather than introducing charges across the board, believes that an entitlement up to and including level one should be offered and that asylum seekers should not be denied access to ESOL if their application is delayed. There is evidence that intensive and early intervention to help newcomers to the UK acquire language skills is more cost effective than delay. In addition the cost of providing courses is less than the costs of securing translation services. Recent policy changes by government risk blaming foreigners for their foreignness.

31. NIACE has, since its first announcement, been uneasy about the 50% higher education target—primarily because of the arbitrary focus on 18–30-year-olds but also because it appeared to be developed in isolation. Lord Leitch's consideration of skills at all levels is very welcome in this respect and we would hope that it led to greater joining-up between initiatives coming from Department for Education and Skills (DfES). A critical issue for the future is the level to which tuition fees might rise. The greater the private contribution towards the cost of HE—from employers as well as individuals—the lower the public contribution towards the cost of HE. And the lower the public cost of HE, the greater the public resources available for other areas of education and skills.

32. It may be the case that Ministers and the most senior officials believe that there is coherence and synergy between the activities of different Department of State but this is shared neither by many external stakeholders nor by many civil servants. There have been clear tensions between the priorities of the DfES and the Department of Work and Pensions. Most noticeably this has been around the welfare to work agenda and the 16-hour rule. The PSA targets for which DWP is responsible result in systems designed overwhelmingly to get people, including those with low levels of skills, into employment of any kind. Other things being equal, this will swell the proportion of people in the workforce without qualifications. The DfES, in contrast, is tasked with raising the numbers of people in the workforce (not necessarily in employment) with Level 2 qualifications —risking the creation of a perverse incentive to keep learners economically inactive until qualified. In practice, this can result in learners being required to abandon training in mid-course for temporary work only to repeat the cycle. Other examples of tension exist between Home Office policies for refugee integration and citizenship and the policies of DWP, DfES and the Learning and Skills Council. How DTI initiatives integrate with and inform those of DfES and DWP is not always clear operationally.

33. The announcement on 11 December, that Sir Michael Lyons is to hold an extension to his inquiry into local government and its funding in order to digest the Leitch, Eddington and Barker reports suggests that more collaborative policy-making is required. Peers too have noticed, in the second reading of the Further Education and Training Bill, that there is some dislocation between how Lord Leitch's demand-led

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system, driven by employers' needs sits alongside the planning framework that is to be established through Clause 4 of the Further Education and Training Bill. The faultline between policies for the 14–19 cohort and of adult skills policy is stark.

34. Finally on the subject of joined-up working, it is worth noting that the DfES in England seems on occasion to be reluctant to admit that it might learn from alternative policies in adult learning and skills pursued in the devolved administrations.

35. Overall, current funding structures could do more to support a more responsive system. In the report *Eight in Ten: Adult Learners in Further Education* (NIACE, 2005) suggested that consideration be given to funding 80% of college budgets under current methods but to provide the remaining 20% as a block grant, which colleges could use to respond to local needs and demands.

36. NIACE has argued that if the public benefits of adult learning are to be maximised, everyone needs to invest more—Government, employers and individuals. We believe the critical focus for public debate needs to be about how the employers' contribution is best secured. While many individuals are exhorted to pay more for their learning employers are offered rather more generous support, sending out a mixed message. NIACE welcomes Lord Leitch's proposal that workers should be given a statutory right to access training if, by 2010, the bulk of employers have not made voluntary arrangements. We have urged the Government to determine explicitly and publicly where the threshold of acceptable progress will be set and how it will be monitored.

#### SUPPLY SIDE

*The Committee asked: Is there a case for a less regulated supply-side system with fewer intermediary agencies and bodies? What are the potential risks and benefits of such an approach? What do national and regional agencies currently do well? How are bodies such as the Regional Skills Partnerships working? Does the LSC need to be the subject of further reform? What is the typical experience of a college or other provider who wants to put on new provision in response to local employer demand? Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning?*

37. NIACE acknowledges the efforts the LSC has made to reduce its own levels of bureaucracy—but may providers believe there is much left to be done and the growing tendency to see all providers as contractors rather than as institutions and services embedded into their communities is unhelpful. We believe that progress should have been faster in acting on the recommendation of the National Audit Office (“Securing strategic leadership for the learning and skills sector in England”)(2005) that “The Department and the Learning and Skills Council should continue to look at options for eventual self-regulation of colleges in the longer term.” It is particularly disappointing that Clauses 17 and 18 of the Further Education and Training Bill intend to give the Learning and Skills Council new statutory authority to remove the governors and/or senior staff of a college deemed to be mismanaged, failing or underperforming. Although there have been occasional well-publicised college failures in the period since incorporation, it is not at all clear whether such statutory powers are either necessary or appropriate. The overwhelming majority of colleges are not failing—indeed learners rate their services highly. Neither schools, universities nor private training providers in receipt of public money face such intervention by a quango. If a change in the law is necessary, Parliament might expect to see a leading role written in for the Office for Standards in Education before the LSC.

38. The overall effect of the LSC reforms proposed in the Further Education and Training Bill is to make the LSC less accountable and more centralised. In particular, the reduction in the National Council's membership from 12–10 (clause 1) is unnecessary. NIACE is also concerned that the abolition of the statutory Young People's Learning Committee and Adult Learning Committee (clause 5) might lead to a diminution of the advice and scrutiny available to the Council on age-related issues.

39. Elsewhere on the supply side, many stakeholders are struggling to cut through the confusion of how regional policies and skills policies should relate. It appears at present that the big losers from the Leitch proposals are reforms are the Regional Development Agencies. If their Regional Economic Strategies which are designed to shape the Regional Skills Plans of the RDA-supported Regional Skills Partnerships. But Lord Leitch has come out against adult skills planning. This prompts the question of whether RSPs should become subsumed under proposed Employment and Skills Boards or whether they are now unnecessary.

40. The only area where regional planning of adult skills remains is still live is in the proposals for London in the Further Education and Training Bill (which prompts a further question of why, if planning is right for London, is it wrong for the other eight English regions?). The key to the London deal is less about the creation of a London Skills Commission which presumably will be licensed as an ESB and more that the Mayor will be responsible for a statutory adult skills and jobs plan—suggesting that democratic accountability trumps the demand-led principle and that the Treasury's sub-national review of governance is where local authorities will argue for the principle of new localism; supporters of elected city mayors will argue for devolution to city regions and supporters of reformed RDAs (perhaps with strengthened accountability through regional grand committees of the House of Commons) will argue for decentralisation of powers to the eight regions outside of London. In each case, the planning of adult skills may be a key battleground.

41. In other respects local authorities are not winners under the Leitch proposals. The demand-led principle undercuts their claim to using Block 4 of Local Area Agreements to plan LSC funded adult skills although it is suggested that local authorities can work with ESBs.

42. Overall, in assessing the effectiveness of Regional Strategic Partnerships, the experience of NIACE is that:

- there is a great variety of approach across the nine regions. Sometimes this may be due to different needs, in others it may be different levels of capacity and capability;
- there is little evidence of sharing of good practice across RSPs (using national agencies as intermediaries);
- there is little understanding of the soft end of the skills spectrum ,(how individual motivation is a key driver on the demand side) and an over-reliance on eye-catching showcase activity;
- the capacity of regional observatories to assist RSPs is highly differentiated;
- the link with Government Office 14–19 planning is negligible and the demise of TestBed Learning Communities was a chance thrown away to link adult planning with that for 14–19;
- current talk of cities, city-regions and regions without absolutely clear definitions is confusing and takes energy away from the job in hand; and
- support for RSPs needs to go beyond a simple devolution of responsibility for targets.

There has been little dissent from a view that sectoral approaches should have an enhanced role in skills policy yet, as the National Audit Office noted in December 2005, “The Sector Skills Councils need sufficient time and capacity to develop as genuinely employer-led bodies providing sector expertise in developing skills training and formal qualifications. Lord Leitch proposes a new role for SSCs but they are not all at the same stage of development or level of competence. It remains to be seen whether all will be able to meet the increased expectations that may be placed upon them and it is not clear what mechanisms will be in place should one fail.

#### DEMAND SIDE

*What should a “demand-led” system really look like? Do employers feel like they are shaping skills training — for example through Sector Skills Councils? Do employers feel closely involved with the design of qualifications? Should employers be further incentivised to take up training? If so, by what means? What is the role of Union Learning Reps? What roles should employment agencies play in facilitating training?*

43. Lord Leitch is clear: “The skills system must meet the needs of individuals and employers. Vocational skills must be demand-led rather than centrally planned” (Page 4). This means that adults skills must not be planned by Sector Skills Agreements and Sector Skills Councils, nor Regional Skills Plans owned by Regional Skills Partnerships and supported by RDAs, nor Local Area Agreements and Local Authorities. As a consequence, Clause 4 in the FET Bill which empowers the Secretary of State for Education and Skills to endorse planning arrangements to shape LSC funding looks as if it may be redundant already—something that raises questions about how well-prepared the DfES was in anticipating Lord Leitch.

44. NIACE believes that there are two elements to a demand-led system—employer demand and individual demand but notes that while adult learners interested in anything that is not prescribed for them by the government and their current employer are being exhorted to pay more, employers are being promised more generous support. There will be an interesting moment ahead if employers decide that what they want differs from what government PSA targets assume they should want! In many surveys employers attach less emphasis to training courses and the acquisition of qualifications than do policy-shapers. It is disappointing that Lord Leitch continues to see qualifications as the only worthwhile proxy for measuring skills gain—this is a missed opportunity.

45. In determining how employer demand should be identified, there is also an interesting issue about how sectoral bodies should balance the voices of the greater number of employers or the voices of those organisations employing the greater number of employees. NIACE notes the figures from City and Guilds that just 3% of employers account for 72% of employees and that just 2.8% of private firms account for 64% of employment. These are critical questions for Sector Skills Councils.

46. The 2005 National Audit Office report *Employers’ Perspectives on improving skills for employment* concluded that employers want a simple way of getting advice on skills training; training that meets business needs; incentives to train their staff and an opportunity to influence skills training without getting weighed down by bureaucracy. As more concise way of putting this is that “employers want to have their cake and eat it”. The UK has seen initiative after initiative to “put employers in the driving seat” on post-16 skills—from the incorporation of colleges, the establishment of Training and Enterprise Councils and LSCs, Industry Training Organisations, National Training Organisations and Sector Skills Councils. If employers fail to rise to the challenge of Lord Leitch’s proposals to route adult vocational skills funding through Train to Gain or Learner Accounts by 2010 and to invest more of their own money then a purely voluntary approach will no longer be credible and the Government should consider alternatives including statutory paid educational leave. It is hard to see what more generous incentives and encouragement could be offered.

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47. The system of Union Learning Representatives established over recent years has undoubtedly been one of the most effective post-16 education and training policies introduced by the government. Learning reps have been remarkably successful in peer motivation, confidence-building and signposting opportunities. The challenge will be to ensure that, without “mission drift” in Unionlearn, the lessons learned in unionised workplaces can be transferred to benefit people employed in non-unionised workplaces, especially small and medium enterprises. NIACE believes that further consideration be given to statutory joint workplace training committees.

#### LEARNERS

*The Committee asked: What is the typical experience of someone looking for skills training? What information, advice and guidance is available to potential learners? What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment? What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

48. NIACE believes that the experience of adults seeking skills training is becoming less satisfactory in comparison to previous years. One of the most positive proposals made by Lord Leitch was to establish a national careers service for adults in England. This, along with the current review of adult IAG, may finally succeed in providing a stronger focus for work than has been the case in recent years during which learnerdirect, locally-contracted nextstep services and Jobcentre Plus have not always worked with as much synergy and seamlessness as might be expected. We believe that learnerdirect offers the firmest foundation for the new service but have urged government to ensure that the transition of young adults from the primary responsibility of Connexions to the new adult service is given special attention, similarly, a focus on work should not disadvantage those adults further away from labour market readiness who may have complex needs. In addition, NIACE urges that more consideration be given to developing a regional focus for information, advice and guidance work. Lord Leitch’s proposals for free “Skills Health Checks” (Para 6.28) are very welcome but have capacity implications which mean their introduction should not be rushed.

49. There is also a gap in present provision to help people across the threshold into further education and training. There is considerable evidence that many adults need to develop their motivation and confidence before being ready to commit to a substantial course of study. Such work, which reached its high-point in Access to HE courses for adults but also included other outreach programmes is under threat as a result of LSC decisions about short-course funding. Arrangements to preserve some “first steps” work within Personal and Community Development Learning is not an adequate solution.

50. Once learners have identified a course of study that they wish to pursue, their experience will increasingly be one of a narrower curriculum with less choice about when and where they can learn—and increasing fees to pay.

51. It is apparent that Learning Accounts could be a sizeable element of the demand-led system of adult skills proposed by the final Leitch Report—if only in terms of tuition costs. The Government is currently committed to routing £1 billion through Train to Gain. This leaves approximately, £2 billion that might be routed through Learning Accounts. Even if this balance were to shift to 50:50 the new Accounts are likely dwarf the amount spent on Individual Learning Accounts in their first incarnation (public funding of £250 million per year). Whether, new Learning Accounts, like Train to Gain, should have an HE dimension (perhaps for part-time HE) needs urgent consideration since the type of accounts envisaged by Lord Leitch appears to differ from the model proposed in the FE white paper (the former both LSC and JCP funding, adult skills funding and welfare to work skills funding (see para 7.49 of the final Leitch report which also calls for an expansion of Career Development Loans (Para 6.55), the use of Child Trust Funds to support adult learning (Para 6.38), and the replacement of the Learner Support Fund with a Skills Development Fund (Para 6.53). Each of these elements could be integrated within Learning Accounts.

#### APPRENTICESHIPS

*The Committee asked: What should apprenticeships look like? How close are they currently to this vision? What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework? Are the number of places available appropriate, and in the right areas, and at the right level? What is the current success rate for apprenticeships? What can we learn from practice in other countries with apprenticeship systems—ie, Scotland and Wales?*

52. Progress towards the large-scale introduction of adult apprenticeships has been disappointing. Lord Leitch states that most growth in apprenticeships by 2020 will come from adults (Para 3.6) but exactly how many is unclear. A critical question is whether Lord Leitch means a mix of Apprenticeships (at Level 2) and Advanced Apprenticeships (at Level 3) or just adult Advanced Apprenticeships. It is difficult to assess the relative contribution between Adult Advanced Apprenticeships and Adult Level 3 qualifications in achieving the Leitch ambition of 1.9m extra adult first Level 3 achievements by 2020 in the UK.

## QUALIFICATIONS

*The Committee asked: Do the qualifications which are currently available make sense to employers and learners? Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalization?*

53. NIACE has observed (above) that progress towards a unitised, credit-based qualification system through *Framework for Achievement* has been unacceptably slow.

## CONCLUSION

54. NIACE would be pleased to provide the Committee with further information about anything in this memorandum.

*January 2007*

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## **Memorandum submitted by the National Union of Teachers (NUT)**

### INTRODUCTION

#### *Post-16 Skills Training*

1. The National Union of Teachers welcomes the opportunity to contribute to this call for evidence into Skills and the 14–19 Specialised Diplomas.
2. The NUT supports flexible training in the workplace as a way of tackling the low skills shortage. All young people need to be given the opportunities to develop a full range of skills beyond the statutory school leaving age and into their adult lives.
3. Secondary education has the capacity to provide young people with more general skills which can then provide a basis for the development of more specific occupational skills at work. Knowledge, skills and understanding which have a vocational application can be developed across a range of subjects and included within courses currently defined as “academic”.
4. All young people should have an entitlement to develop skills which will be of benefit to them in their adult lives and upon which they can continue to build, whether in the workplace or in the wider world.

5. The new Specialised Diplomas should have embedded in them wider skills that can provide a basis for the development of specific occupational skills at work. Indeed, all young people should have an entitlement to develop skills which are of benefit to their adult lives. Leitch has said in his final report that the new “14–19 Diplomas must succeed” in order to improve learner engagement and improve the staying-on rate for young people in education or in workplace training up to the age of 18. It is vital, therefore, that these Diplomas provide real progression routes to post-16 programmes of study.

#### *Functional Maths and English*

6. Incorporating functional maths and English into the Diplomas, and new GCSE specifications and as a separate qualification, will not automatically secure participation and attainment beyond age 16. The view of the NUT is that the Intermediate Level will remain an important step on the “ladder” of progression for the vast majority of students.
7. Any new system of curriculum and qualifications should not create a system which separates “basic” mathematical and communication skills from “academic” math and English studies. Developments which can motivate and enable more young people to achieve their potential in applied mathematical and communication skills would be welcome, but such developments should still enable them to progress to higher levels of achievement in maths and English.
8. The functional skills pilot, therefore, must be evaluated thoroughly to ascertain their impact on all learners.

### THE ROLE OF THE NATIONAL LEARNING AND SKILLS COUNCILS

9. The NUT had serious reservations about the proposals for the structures and responsibilities of the national and local Learning and Skills Councils when they were set up. The balance in membership of the national Learning and Skills Council has always been skewed towards employer representation. The decisions made concerning 14–19 education and training has not secured, therefore, the confidence of teachers and their organisations.

10. The establishment of the LSC has added to a confusing and bureaucratic assembly of Government quangos. The interim report, published by Lord Leitch, shows that more than one third of adults in the UK lack a basic school leaver qualification and five millions adults have no qualifications at all. The £10 billion a year funding given to the LSC could be better used to fund the development of adult basic skills, therefore.

11. With the demise of the 47 Local Learning and Skills Councils and the setting up of nine LSC Regional Councils, it is important that the LSC establishes local forums where schools and colleges can effectively discuss issues such as local strategic plans, 14–19 initiatives, the quality and organisation of post-16 provision in schools and colleges, local authority involvement in the co-ordination of post-16 provision, funding inspection and Strategic Area of Reviews and the Annual Grant Letter issued to the Chair of the Learning and Skills Council from the Secretary for Education.

12. The NUT has received evidence from its Regional Offices that the Local Learning and Skills Councils have not been pro-active in seeking consultative forums at local level with teacher organisations. This needs to be remedied in any new strategy.

13. While the National and Regional Learning and Skills Councils have a duty to provide quantity, quality and value for money in post-16 provision, it is essential that the evaluation of post-16 provision in a particular area should take into account all the factors that relate to social and economic disadvantage.

14. In addition, there is a tension between the LSC's statutory duties to encourage participation in education and training which places individual learners at the heart of the system, while simultaneously seeking to ensure that the skill needs of the economy and society to be fully met. These objectives will not necessarily be the same. School sixth form provision, for example, might be the most appropriate form of provision for less confident students, although it might not be the most direct way of addressing the country's skill needs.

15. The NUT questions whether the LSCs have had the experience and availability of staffing and time to evaluate Key Stage 4 provision through the 14–19 area inspections. Inclusion of 14–16 provision in Area Inspections has led to schools experiencing overlapping inspections. The impact of this development has placed additional burdens on schools resulting in the over-duplication of documentation as well as bureaucratic overload.

#### THE ROLE OF UNION LEARNING REPRESENTATIVES

16. The NUT, as part of the trade union movement, sees the engagement and support of employees through workplace training as a fundamental right. Union Learning Representatives have made a significant contribution by working strategically with employers to improve workforce development. They have an increasingly important role to play in encouraging employers to engage in learning and training.

17. The role of Union Learning Representatives has been a major initiative in the NUT. In 2004, the Union Learning Fund (ULF) awarded the National Union of Teachers £41,120 for a project to develop a network of school-based learning representatives within the NUT. The NUT's aim was to pilot a school-based learning representative role in targeted areas to complement the network of NUT local level learning representatives.

18. During the period 2002 and 2004, with the ULF funding, the NUT launched and developed the learning representative role at local authority level within the Union. The NUT recruited and trained 91 NUT members from 67 different NUT divisions.

19. The initial project was funded until July 2005. In spring 2005, the NUT successfully applied for an extension of the project until July 2006 and was awarded an additional £16,490. The key aims of the extension were to recruit and train more learning representatives and to organise a national Learning Representatives' Forum in 2006.

20. The NUT recognises the importance and need to sustain the NUT learning representative role by developing effective support for members undertaking the role. Holding annual forums was considered an important part of that learning process. It was hoped that the forums would provide the opportunity for learning representatives to meet and network with other learning representatives from across England and Wales.

21. The learning representative role has continued to be embedded within the structures and policies of the NUT. NUT learning representatives have helped to increase teachers' perceptions of the NUT and the trade union movement as learning organisations and as places to turn to with regard to matters related to training and development. Their help proved that, "learning is union business".

#### SKILLS ACADEMIES

22. The NUT has concerns about the establishment of new Skills Academies.

23. The recommendation of the Education and Skills Select Committee that the Academies initiative should be evaluated before any further developments are made, should be extended to the first Skills Academies.

24. As privately sponsored independent schools they will be able to jettison pupils' entitlement to a broad and balanced curriculum in favour of a narrow, solely employer led curriculum. Training in specific, current, skills cannot prepare or equip young people with general learning and skills for the challenging working environment in the 21st Century.

25. The NUT is represented at the Lifelong Learning Sector Skills Trade Union meetings. Useful discussion has taken place at these meetings on the remit of this particular Sector Skills Council and its structures. Issues such as workplace learning, 14–19 education, the role of frontline and support staff in education, development of workforce planning and higher and further education are debated at these meetings and reported back to the Lifelong Sector Skills Council. The role of the Sector Skills Councils (SSCs) will only be strengthened by the active involvement of trade unions, which includes Sector Skills Council Board representation.

26. Currently, trade unions are represented on the Sector Skills Councils on a voluntary basis. This voluntary approach may need to be converted into a requirement in order to strengthen the trade union involvement in the work of the SSCs.

#### CAREERS INFORMATION, ADVICE AND GUIDANCE

27. The Government identifies rightly that it is facing a challenge in providing better support to young people as they take decisions about their careers and other choices.

28. When the Connexions service was launched, the NUT emphasised that the funding for it would be a critical aspect of the provision to be provided. The level of funding required to allow local providers to reach young people at risk has not been sufficient.

29. Careers advice has been patchy in schools and colleges, due to a lack of funding and a lack of strategic planning. It is important, therefore, that new arrangements are made with specific goals to aim for in a universal Information Advice and Guidance (IAG) system when funds have been transferred to Children's Trusts and to schools.

30. It is crucial, for example, that high quality and effective advice and guidance is in place if the proposed 14–19 reforms are to be implemented properly. The evaluation of the DfES 14–19 Pathfinders revealed that there is no clear distinction between the responsibilities of schools' career staff and those of Connexions advisers. If the new arrangements for IAG are to be shared between local authorities, Children's Trusts and schools and colleges, then the co-ordination of such work must be made transparent to all the providers named. Local partnership arrangements set up by Children's Trusts must effectively incorporate schools' work on children's well being and pastoral care, as well as individual advice and guidance for pupils.

31. The NUT welcomes the flexibility that will allow schools and colleges to commission IAG services directly. Local authorities will have a key brokering role in establishing local collaborative arrangements. It is crucial that in the context of local authority 14–19 planning, for example, collaborative arrangements are made clear to young people, their parents and the wider school community.

#### THE NEW FRAMEWORK FOR ACHIEVEMENT

32. The NUT believes that the new Framework for Achievement will help to achieve a greater degree of simplicity for learners, providers and "end users". It is important that learners are given the flexibility to choose the particular units they recognise as being necessary for them to achieve a full qualification. The NUT supports a system whereby the Government closely monitors the new framework, so that any conflict of interest which may arise between employers and learners can be dealt with. The widest range of achievements must be recognised in any framework.

33. The concept of a framework which is unit and credit-based is one which the NUT would broadly support. It is to be hoped that such a framework will recognise the wider achievements of learners aged 14–19 within any wider diploma framework. For some 14–19 learners, we envisage that this might include credits and units of larger qualifications which are recognised within the Framework for Achievement, especially when young people are receiving part of their 14–19 provision in the workplace, FE colleges or are involved in activities in the community which are recognised within the Framework for Achievement structure.

#### THE FIFTY PER CENT TARGET INTO HIGHER EDUCATION

34. The NUT has consistently maintained that social class is one of the chief determinants of entry to higher education. If the 50% target is to be reached, then particular attention should be paid to encouraging young people from lower income families to continue to study beyond 16. The NUT welcomes, therefore, the roll-out of education maintenance allowances to all young people who need financial help.

35. The NUT believes that if the target is to be met, there must be a focus on enabling more 14–19 young people to achieve Level 2 qualifications, as well as Level 3 qualifications. If the new Specialised Diplomas are to succeed, then progression routes from pre-entry level onwards must be transparent and the Diplomas themselves recognised and acknowledged by Higher Education Admission Tutors.

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36. The NUT would emphasise that one the main barriers to participation of under-representative groups is the current Government policy in regard to higher education student finance. This results in the perception that higher education study will mean an accumulation of a heavy burden of debt that many young people from under-representative groups are unwilling to take on.

37. There needs to be a concerted effort to encourage young people of under-representative groups to enter higher education. There should be more advice and guidance on exactly what higher education entails and its economic and social benefits. Advice and guidance on the financial implications of higher education study, how much it will cost and how it can be financed must be aimed at young people from low income families.

*December 2006*

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### **Memorandum submitted by The Open University (OU)**

#### **INTRODUCTION**

1. The Open University is pleased to contribute to this inquiry into post-16 Skills Training. The OU is already making a significant contribution to skills development and employer-led learning, and we believe we have a key role to play in delivering the recommendations of the Leitch Report for a significant increase in higher level skills.

2. The Open University (OU) is Europe's largest university. With our wide range of professional and vocational courses and renowned open learning methods, we offer flexible and accessible courses to the individual learner and provide tailored courses to corporate clients. Every course is based on our ability to blend learning delivery according to personal or organisational situations rather than requiring regular classroom attendance. Most can be studied by those in full-time employment, and are flexible enough for even the most time-challenged of employees. Many are immediately applicable to the workplace.

3. In the submission that follows, we have focussed our attention on the current and potential role of higher education in developing higher level skills within the workforce. We have taken as headings the descriptors used in the Committee's call for evidence.

#### **CONTEXT**

4. It is now generally accepted that the knowledge and skills acquired by young people during an initial period of further and higher education can no longer prepare them for a lifetime of work. The pace of economic and technological change is now so rapid, and the move towards knowledge and skills-based jobs so pervasive, that everyone will need to update and extend their skills and knowledge, and adapt to change, throughout their working lives. This is especially the case in an ageing work force where skills cannot be replenished solely from intakes of newly-qualified young persons and where the task of re-skilling will consume a lengthening period of the lifecourse.

5. The demand for upskilling and updating will be felt as much in higher education as in other levels of education and training. Greater numbers of graduates will wish to re-enter higher education for updating, broadening, and specialist courses and will do so more frequently. Many non-graduates will wish to enter higher education late in life, often with support from employers, in order to develop their skills and experience and acquire recognised qualifications. This is already happening. Just over half of all entrants to higher education are now mature students and more than half of all students study part-time. The Leitch report, in shifting the higher education target away from the participation rate of 18–30-year-olds to the level of qualifications possessed by the workforce as a whole, marks a decisive shift of emphasis towards the education over the working life.

#### **NATIONAL POLICY/ISSUES**

##### *Priorities and Targets*

6. Government has a significant role to play in setting a policy framework for skills-based, lifelong learning and for articulating a role for higher education. Throughout the lifetime of the present Administration there has been an overriding target of achieving higher education participation rates of 50% amongst those aged 18–30. But this is only half the story. There is a need, beyond that, to create capacity to update and reskill our existing "stock" of graduates and to offer HE opportunities to a larger proportion of non-graduates who are already in the workforce. The Government needs to take the steer from Leitch and formally embrace targets that seek to increase attainment levels across the whole of the adult population.

7. In addition, Government should seek not only to increase participation but also to widen participation. The removal of the social class gap amongst those entering higher education is as much a challenge for the over 30-year-olds as the under 30-year-olds. Traditional access courses have not proved

universally attractive in attracting older students and there remains a need for good quality and accessible second chance routes to higher education, such as those provided by the Open University. Equally, much more could be done to meet the varied needs of different workplace learners. It is, for example, a failing of the Leitch report that it makes scant reference to the different learning needs of the disabled, the elderly, and migrants, amongst others.

#### *Funding Structures*

8. We welcome the steps that Government is taking to overhaul the system of funding for teaching and student support so that additional funds can be generated to support the enhancement and further development of higher education. We are very disappointed, however, that the new arrangements are concerned principally with the funding of full-time undergraduate study. They do very little to help learners wishing to study on a part-time basis, or institutions seeking resources to provide the sort of flexible, accessible and innovative programmes that part-time students require.

9. If lifelong skills-based learning is to become a reality, it is essential that we construct a funding framework that supports structured learning in all its forms. This means that we need to recognise that the distinction between initial and continuing education, between full-time and part-time study, and between campus, home and work-based learning is fast disappearing. A funding system that perpetuates these outdated and irrelevant distinctions is inappropriate to the needs of a learning society. It inhibits participation, constrains choice and precludes the creation of innovative programmes that combine part-time and full-time elements. Demand-led solutions, such as the learning accounts advocated in the Leitch Report, are worthy of further consideration in this respect because their uses need not be proscribed by person, place, time or mode of study.

#### *The Balance of Contributions*

10. Equally, it is essential that all those who benefit from higher level learning—students, employers, and society at large—make a contribution towards its costs. So far the burden has fallen disproportionately on students and the public purse. It is important that employers make a greater contribution towards the financing of higher level skills. Currently, for example, only 17% of OU students receive any help from employers towards course fees.

11. Nevertheless, it is essential to keep a proper balance. The recommendation of the Leitch Report that “at Level 4 and above, individuals and employers should pay the bulk of the cost as they will benefit most” (p 59) may go too far in the other direction. Recent research by UUK has demonstrated that employer support helps mainly full-time workers from the wealthiest households. Unaffordable costs remain a barrier to participation for nearly half of all students, and particularly for part-time workers, low income students, lone parents and women.

12. Moreover, providers of high-cost education and training need funding mechanisms that will generate a security of income which will permit institutional investment. The current travails with the NHS are a timely reminder of the danger of relying on uncontrolled and inconsistent demand.

### SUPPLY SIDE

#### *Sectoral Issues*

13. The new emphasis on lifelong learning and training gives a vital added dimension to university teaching. It is important that this new role is recognised and built into the core activities of HE institutions and that university provision is made more accessible and flexible. We accept the strictures of the Leitch Report that “Growth of this order is unlikely to be achievable by trying to expand further the current model of HE” (p 68).

14. In future, universities will need to cater for a broader, more diverse student body. Many students will not have the traditional qualifications for entry. They will want access to local provision at times which cause minimum disruption to their life and work. They will seize on the new knowledge media as a means by which they can construct their own learning programmes at times and in places that best suit them, using resources from across the globe. They will look for flexible, modular programmes of study which offer opportunities to enter and leave at different points with credits that can be transferred between different modes and between institutions in different places. They will place greater emphasis on skills development, vocational relevance, and value for money. Certificate, diploma and short course opportunities are likely to be as sought after as degree courses. In short, there will be a blurring of the boundaries between education and training, between full-time and part-time study, and between institution, home and work-based learning.

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*The Contribution of the Open University*

15. The Open University is ready to play a leading role in the continuing growth and development of lifelong and skills-based learning. It is already equipped to deal with large numbers of learners. With 160,000 home students, it is the largest university in the UK, teaching 35% of all part-time undergraduates every year. Moreover, the OU's traditional concern for adult students, including those previously disadvantaged in the pursuit of higher education, enables it to make a particularly significant contribution to widening and increasing access for all students, not just those aged 18–21. Nearly all of its students are aged 21 or over—the median age of new students is 32; three-quarters are in employment; one-third have educational qualifications below A level standard on entry; 17% qualify for financial assistance; and 10% are from minority ethnic backgrounds.

16. The University's distinctive provision of supported, open learning, now incorporating new learning technologies as integral elements of the learning experience, enable it to respond flexibly and effectively to the demands of an increasingly diverse studentship. The University offers courses across the full range of academic subject areas (other than medicine and the built environment): it is currently expanding its provision in continuing professional development and it is developing new pathways for work-related learning. Moreover, the University's modular approach to teaching means not only that it can develop qualification routes and awards (certificates, diplomas, foundation degrees etc) to match employer demand but also that students and employers can create their own learning programmes from the University's broad and changing curriculum range.

17. An Appendix to this paper describes five areas in which the OU is already making a significant contribution to skills development and employer led learning, vizt:

- (a) Foundation Degrees;
- (b) Credit Rating Employer Learning;
- (c) Continuous Professional Development;
- (d) Lifelong Learning Networks;
- (e) Working with sub-degree providers.

18. Research and scholarship are vitally important in fulfilling the academic and educational objectives of the Open University. Research outputs not only make a major contribution to the intellectual currency of a discipline but also focus upon key issues affecting the social, political and economic well-being of individuals, communities, cultures and nations. In this respect, the OU is able to make a unique contribution to the transfer of knowledge and innovation to the wider community because leading researchers are able to reach much larger numbers of people through The Open University, and through its partnership with the BBC, than would be possible in more conventional institutions.

19. In addition, The Open University offers a particular contribution as a provider of part-time routes into postgraduate research both here in the UK and overseas. Many of these students would not have been able to access research opportunities without the unique framework provided by the Open University, either because they wished to combine work with study—many part-time students work in government laboratories, specialist industrial centres and/or small and medium sized enterprises—or because they do not have access to local centres of research excellence. It is imperative that these nationally accessible routes into part-time postgraduate study, and the research capacity that underpins them, are recognised, protected and nurtured as key instruments in widening educational opportunity, building research capacity, and contributing to research, enterprise and wealth creation.

#### DEMAND SIDE

*Raising Aspirations*

20. Demand-led change will only work if employers and employees raise their aspirations. As the Leitch Report correctly argues: "Individuals must play their part in a shared mission for world class skills. This will require a culture of learning to be fully embedded across society, so that all groups are able to invest in the development of their skills, driving a step change in participation in skills improvements. Changing culture will be a generational task, but a change in behaviour can start today." (p 22)

21. Leitch suggests that the principle prescription here is the institution of a comprehensive national adult careers service. This, of course, is extremely important and it is what the OU has always existed to achieve. But there is more that could be done, for example in using Open Educational Resources, in conjunction with electronic media, for awakening the appetite for learning.

22. The Open University has just launched "Openlearn", the first of the second-generation open educational resource projects, funded by the William and Flora Hewlett Foundation. This will make available a broad sample of curriculum and learning support tools free of charge to national and worldwide learners. This experiment has the capacity to make a profound impact on raising aspirations for learning amongst the socially excluded, and amongst the large under-skilled population identified in the Leitch Report.

### *Management of skills*

23. Work to raise the skills levels of the UK workforce will only be effective if managers have the ability to make use of their employees' new skills. It is by no means clear that managers have these competences at present. There may therefore be a need and opportunity for training to be given to managers by organisations such as the OU Business School in the development and application of new learning and skills.

### CONCLUSION

24. The Open University is pleased to have this opportunity to contribute to the Committee's deliberations. We feel we have a unique contribution to make to developing and supporting the skills agenda in Britain and we stand ready to play our part.

## APPENDIX

### THE OPEN UNIVERSITY'S CONTRIBUTION TO SKILLS-BASED LEARNING: AN EXTRACT FROM ITS RESPONSE TO THE INITIAL REPORT OF THE LEITCH REVIEW

#### INTRODUCTION

1. The following note describe five areas in which the OU is already making a significant contribution to skills development and employer led learning, vizt:

- (a) Foundation Degrees;
- (b) Credit Rating Employer Learning;
- (c) Continuous Professional Development;
- (d) Lifelong Learning Networks;
- (e) Working with sub-degree providers.

2. It outlines current activity, draws attention to future plans and suggests a number of issues that merit further consideration by Government and the Funding Councils. The paper was written primarily as a response to the interim report of the Leitch Review of Skills (*Skills in the UK: The long-term challenge*, December 2005).

#### A: *Foundation Degrees*

3. Foundation Degrees seek to combine university- and work-based learning and to develop a competency-based approach to teaching and learning. They were designed to cater for those who neither needed nor were attracted by a three year academic degree, and also to provide a cost-effective route to the 50% participation threshold. The OU has been active in foundation degrees since 2000. Its involvement takes several forms.

4. Validation: Open University Validation Services (OUVS) validates the foundation degrees offered by other providers. OUVS was validating 16 foundation degrees by 2003, but all were small and vulnerable to employer attitudes.

5. National Provision. The OU itself has developed a number of national programmes meeting the needs of large-scale professional bodies or employer organisation/sector skills councils. Demand has been identified in sectors where there are perceived national shortages of qualified staff or worrying low standards/lack of regulation.

6. Making Foundation Degrees work. Our experience suggests that foundation degrees work best when institutions: work with customers (employers); meet national standards/competencies; frame them in terms of competencies rather than "academic learning"; gear assessment to meet occupational outcomes; provide mentorship through workplace; enable application of learning to practice and reflection on learning in practice; pay attention to key and transferable skills (cf Geoff Mulgan speech to LSDA on 25/1/06). There is recent evidence that taking entrants through to completion of the full degree programme may be more difficult than the model envisages.

7. Industry Generated Curriculum. The OU is working with Microsoft to embed employer-generated curriculum in Foundation Degrees in Computing. There is gain in offering a degree with direct industry written and recognised curriculum, but experience has shown that when such partnerships also have to engage with professional bodies they can delay rather than accelerate the process of curriculum development.

8. Progression Routes from Foundation Degrees to Honours Degrees. The OU is considering a proposal to respond to approaches from FE Colleges to establish progression routes from their Foundation Degrees to OU awards. Steps have been taken within the OU to scope the market demand and explore specific issues raised by Foundation Degree progression routes.

*Issues and Recommendations:*

9. Scale. Programmes designed to meet the needs of local employers can attract too few students, or too little employer support, to justify the high transactions costs. The market for nationwide foundation degrees, which can gain security of funding and quality, needs much more aggressive support by HEFCE.

10. Progression. There is little evidence that foundation degrees are yet pulling into the HE arena significant numbers of students who have followed the vocational route at Level 3. The construction of progression routes requires an integrated programme of action between curriculum development, credit rating and transfer and student support services. Lifelong Learning Networks are a response to this challenge, but at this stage their delivery is still limited and fragmented. The OU is one of the few institutions capable of supporting the construction of such routes on a national scale.

11. Quality. Partly because of their limited financial viability, there is some evidence of inadequate quality, with a number of universities (most recently Coventry—see *Higher*, 17.02.06) failing QAA inspections. The OU has developed a system of part-time flexible learning that depends for its success on the quality of its teaching materials and its student support and has been able to extend this approach to the design of foundation degrees.

12. Employer support. Employer involvement has been inconsistent and often insubstantial. Further encouragement and funding should be supplied to employers willing to write elements of foundation degree curriculum, recognising that this aspiration requires further learning by both employers and universities. There is a potential role here for Sector Skills Councils as well.

*B: Credit rating employer and company university supplied learning.*

13. The Opportunity. Private sector training, estimated to be as high as £23.5 billion a year (3.6% of payroll), dwarfs university-supplied training. There is enormous potential for the HE sector to provide a learning framework service to employer learning, and a credit recognition service which enables learners to move to formal HE programmes.

14. Additional Investment. The OU is already active in this area. Providing a pathway from informal learning to formal HE is co-extensive with the OU's mission and it has long experience in credit rating and accreditation of prior learning. Indeed, the OU is the sector leader in this field. However, it recognises that it will need to make significant additional investment to realise its market opportunities. The potential for developing this area is significant but the unit costs are high and not easily reduced by operating at scale.

15. Credit Rating. The current credit rating process identifies what has been learned, how the learning has been assessed, and how the quality and consistency of the learning and assessment has been maintained and controlled. It compares the delivery, outcomes and quality assurance procedures of learning programmes with those in higher education awards and, following the nationally-recognised principles of the Higher Education Credit Accumulation and Transfer Frameworks, assigns a credit value. The work is diverse, with the bulk coming from the public sector. It is also capable of significant expansion, especially as greater numbers of migrant workers enter the UK from the EU Accession States and elsewhere. The university is exploring how best the business can be developed.

16. Independent Learning Course. The Open University's Centre for Outcomes Based Education (COBE) is completing work on an independent learning course type, which builds on foundation degree experience and will enable any appropriate learning to be assessed against expressed learning outcomes.

17. E-Portfolio. In conjunction with the University's new Virtual Learning Environment, an e-portfolio is being developed, for delivery in May 2006, which builds on the concept of the "Skills Passport". It will enable individuals or groups of employees working in a company to enter learning activities into the portfolio. They will critically review and appraise their learning and submit assessment which will demonstrate attainment of set learning outcomes.

18. Populating Credit Frameworks. The OU has pioneered a service, in the form of a partnership between OU Validation Services (OUVS) and City and Guilds, of enabling large-scale employers to map their provision on a national credit framework. The failure of NHSU prevented implementation of the initial model, but other business is being explored, including the armed forces and Unionlearn.

19. Accrediting learning in private and non-academic organisations. OUVS accredits private organisations and non-academic organisations such as the Nottinghamshire NHS Trust which is now an associated institution of the OU. It also accredits professional associations such as the Architectural Association and AURIL. Expansion of this service is possible where organisations have the capacity to manage their own quality assurance.

### *Issues and Recommendations*

20. Accreditation: Accrediting employer learning represents the largest single opportunity for engaging with employer-led learning. Yet employer delivered funding is too diverse and fragmented for this work to be managed from within the sector. The HE Funding Councils should provide project funding to enable those universities with the expertise and resource to make a major investment in this area. This will enable universities to determine whether this is fundamentally a service to be sold by HE to employers, or a self-funding activity which ultimately will generate demand for more conventional HE programmes.

21. Independent Learning Courses: Conventional forms of credit-rating, which deal with the existing learning of individuals, are insufficient to meet the needs of employees. If they are to mobilise their achievements and discover pathways to higher forms of learning, they require the provision of tailored independent learning courses, and a much more imaginative use of web-based resources.

22. Credit Frameworks: Populating learning frameworks is a crucial service for large-scale employers and for employees moving between categories and levels of learning. It can only be done on a national basis, and by HE providers with effective working relationships with the sub-degree sector.

### *C: Provision of Continuous Professional Development*

23. The Market. At one level there is a natural synergy between employers and higher education providers, with universities providing higher level, professionally accredited learning, and employers supplying customised, in-house short courses. At another level there is direct competition, with universities largely marginalised by employer provision and by the aggressive growth of company universities and specialised training companies. Higher education institutions are attracted to a field which can leverage their investment in curriculum and their expertise in learning support and which is free of funding and QAA regulations. However many universities are uncertain about their market position, about their ability to respond in the timescales employers demand, and about the level of investment which can be justified.

24. The Opportunity. From its foundation, when it supplied professional upskilling to a generation of unqualified teachers, the OU has played a key role in aspects of this market, and it will continue to develop and deploy areas of its curriculum for this purpose. However it is now aggressively exploring new forms of activity in pursuit of the strategic objective of reducing dependency on Funding Council income.

25. The Centre for Continuing Professional Development (CCPD). CCPD was launched in May 2005, as a cost centre dedicated to the provision of certified but non-credit bearing short courses customised to the needs of learners in industry, the professions, OU alumni and any interested individuals. It seeks to repackage OU curriculum in a rapid and responsive fashion for delivery at a time and pace to suit the learner. Its claim to market is the provision of material derived from high quality HE programmes combined with the sophisticated use of asynchronous communication media. The work of the Centre is complemented by COROUS, part of the University's commercial arm, which creates online learning materials and services for in-house training and development programmes.

26. Programmes for corporate customers. CCPD, working in conjunction with COROUS, has achieved recent success in attracting world-class customers in competition with major international HE providers. It has won a contract to run an international management development programme for IKEA store managers and other staff. The programme will develop skills in marketing that will enable franchisees to develop and implement more responsive autonomous marketing plans, within a common framework, as IKEA continues its international expansion. It is a fully blended, non credit-bearing programme featuring plenary workshops, workbooks and a learning guide, co-coached learning teams, the output of draft marketing plans, local team workshops and e-learning and conferencing on a virtual learning environment.

27. Customised accredited programmes. Since 2003 the OU has been rolling out a customised accredited leadership development programme for up to 500 team leaders for the Nottinghamshire NHS Healthcare Trust, and it is now investigating how to extend the initiative to other NHS organisations. The Trust sought a structured programme rather than buying in elements from various providers because it felt that sponsoring individuals on different courses and one-off seminars was not connecting organisation-wide leadership development to the business objectives of the Trust.

### *Issues and Recommendations*

28. Inconsistency of government policy. Government not only has responsibility for encouraging skills development across the economy but is itself a major employer and a major purchaser of training. Yet it is undecided about whether to exercise full control over all aspects of training provision, as in the failed NHSU experiment, and whether and in what form and at what level to act as a purchaser of university services. The problems encountered by universities in responding to the changing training demands of the NHS in recent years is an extreme form of a general problem. Government needs to work with the higher education system to develop a consistent framework of demand in order that universities may make the appropriate long-term investment in provision.

29. Coherence of Policy. Similarly, Government could do more to create a coherent lifelong learning policy that informs cross-departmental working and helps to join up initiatives within Departments. For example, Train to Gain, the Government's initiative for SMEs, helped to fund training need analyses and brokering to suitable provision at Levels 2 and 3 but fell short of providing support to those able to move on to higher levels.

30. Value of University provision. Universities need to demonstrate to employers the value added by their forms of provision and their ability to respond quickly and flexibly to employer needs. The funding councils, in turn, need to help the sector develop modes of CPD which possess a competitive advantage in the market. These must stress two characteristics: the strength of curriculum derived from quality assured higher education provision; and the quality of learner support based on virtual learning environments.

31. Roles of universities. Universities need to learn to work in partnership with, as well as in competition against, private provision. In addition to incorporating industry training programmes into their own accredited programmes, Universities should be prepared to partner with the private sector—either specialised providers of specific services required by CCPD, or larger scale training companies with complementary market strengths.

#### *D: Lifelong Learning Networks*

32. The Initiative. HEFCE's principal engagement with the skills agenda has taken the form of Lifelong Learning Networks, an initiative closely associated with the former Chief Executive. These are being developed as a joint venture with the Learning and Skills Councils and are primarily designed to draw into higher education students engaged in vocational modes of study. The OU has sought to engage in the initiative in two ways.

33. OU Membership of Networks. The OU is a member of one of the first of networks to be funded, the Sussex LLN, and is currently involved in the planning stages of 14 further networks out of an envisaged total provision of some 28 networks. In Sussex it is supplying a staff training service. In a proposed South West LLN it may use the services of COBE to develop an NVQ Level 3 conversion course framework.

34. Service Level Agreement. As part of the discussions around developing a larger national role for the OU, HEFCE has suggested that the OU enter into a Service Level Agreement with the Funding Council to supply a suite of services across all the Lifelong Learning Networks. The OU is currently working to identify possible elements of such an SLA. They are likely to include staff training, provision of advice and guidance, credit transfer and populating credit frameworks. Curriculum development is unlikely to be involved, except in specialised cases such as COBE's independent learning course. Until negotiations commence with HEFCE it is unclear what resources will be offered to the OU in return for committing to an SLA.

#### *Issues and Recommendations*

35. Strategic approach. If the skills challenge is as urgent as the Leitch report claims, the slow, permissive, localised approach adopted by HEFCE is untenable. Under the current plans there is no timetable for completing the LLNs, and no guarantee that in their entirety they will provide a consistent and cost-efficient response. HEFCE has to allow opportunity for networks to reflect local needs and has to respect institutional autonomy. Nonetheless it must show greater urgency, and more determination to ensure a full national service is generated. The putative SLA with the OU may be a means of dealing with some of these difficulties within the framework of the LLN initiative, and we look forward to further discussions with HEFCE.

36. Meeting the "lifelong agenda". Although some LLNs are beginning to address the needs of adult learners, the main focus of the initiative has been 15–18 year-old vocational learners. There is an urgent need to connect government's skills agenda with its engagement with ageing workforce as evidenced by the first and second reports of the Turner Commission. Longer working lives will pose a new challenge of continuous reskilling if the economy is not to be saddled with a workforce too old to learn and too young to retire. Government must develop a set of policies, in conjunction with the Funding Councils that re-invigorates the long-standing official commitment to lifelong learning.

#### *E: Working with sub-degree providers*

37. The Leitch report is largely concerned with sub-degree level skills. In one sense it is a contribution to the continuing debate about the distribution of investment within the totality of the Government's education budget. The OU has always taken the view that whilst it is open to those with all kinds of non-degree level learning, and whilst it will provide access programmes such as Openings, as a higher education institution it should not itself engage directly in sub-degree provision. However, it is keen to engage with the sub-degree agenda in other ways.

38. Partnerships with national sub-degree providers. The OU has been developing a series of partnerships with sub-degree providers. The most mature partnership is with Unison which was initially focussed on provision in health and social care but is now being broadened to include education and management. The

OU also has a wide-ranging partnership with the National Extension College with joint endeavours in cross-marketing and branding, information exchange and service development. It is involved in the launch of the Trade Union Academy (now entitled "Union Learn"). It is piloting the delivery of Openings courses through the WEA tutor network and is working with City and Guilds to develop cross-marketing and branding. It has joint student referral activity with Learndirect and is collaborating on the Learning Through Work initiative. And it is discussing a partnership with the University of the Third Age.

39. Sector Skills Councils. The OU works with the Sector Skills Councils (SSCs) in several ways. COBE runs employer advisory forum which is in touch with all SSCs. CCPD has an advisory board which includes a Skills for Health representative. All professional programmes have links to SSCs. We have used SSCs rather than individual employers in many cases for foundation degrees.

40. Open Education Resources. The University is developing a £6 million Open Content programme with funding from the William and Flora Hewlett Foundation. This funding will enable the adaptation and distribution of nuggets of OU learning materials and offers the prospect of a new dimension of interaction with sub-degree providers. The OU is committed to working with its partners to promote and publicise the service it proposes to provide. And the material and learning support structures it will make available can be used by learners at many levels and in many occupational contexts without the OU itself being responsible for delivering, managing or accrediting this learning.

#### *Issues and Recommendations*

41. Working with partners. Universities can best respond to the basic skills agenda by working indirectly, forming partnerships with national sub-degree providers and engaging with the sector skills councils. Experience indicates that the most effective partnerships depends on cross-investment. Whilst there is direct gain to universities in opening additional lines of widening participation recruitment and foregoing recruitment costs, partners must also identify gain and actively work to promote it.

42. Training the Trainers. Universities, as well as further education colleges and private providers, also have a responsibility to train (and develop) the trainers.

43. Working with the Sector Skills Councils. Universities interact with some success with the sector skills councils, but there remains the opportunity for more systematic engagement, which in turn requires the councils to develop a coherent strategy for working with higher education.

44. Working across boundaries. The use of information technology, whether through relatively conventional activity such as inter-operative web-sites, or more radical initiatives such as Open Content, has the potential to recast the boundaries between higher education and the basic and intermediary skills agendas.

*January 2007*

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#### **Memorandum submitted by the Public and Commercial Services Union (PCS)**

##### **INTRODUCTION AND SUMMARY**

1. The Public and Commercial Services union (PCS) is the largest civil service trade union with over 325,000 members working in the civil service and related areas. PCS represent the majority of staff working in the Department for Education and Skills (DFES), the Department of Work and Pensions (DWP), the Higher Education Funding Council England (HEFCE), the Learning and Skills Council (LSC) and other education Non-Departmental Public Bodies (NDPBs) that provide policy, funding and transactional services and support to the wider education and skills sector.

2. PCS welcome the opportunity to respond to this inquiry and is happy to supplement this written submission with oral or further written evidence.

3. In relation to Post 16 skills training, there are a number of issues raised by this inquiry which directly affect PCS members and on which we will comment further in our submission:

- The impact of job cuts and the threat of further job cuts to the LSC's and DfES's capacity to deliver the Leitch agenda;
- The need for an effective local interface between Government, employers, individuals and unions to generate engagement with the skills agenda;
- The need to ensure that the Commission for Employment and Skills (CES) does not become a rival policy making body to Government Departments and the need to maintain Parliamentary and wider accountability for post-16 skills policy;
- The potential for the Leitch recommendations to add more bodies and further confuse post-16 skills policy, funding and delivery arrangements.

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4. The need to consider carefully whether the demand-led, market based approach to funding post-16 skills provision advocated by Leitch will lead to instability across the Further Education (FE) sector and for other post-16 skills providers.

## CONTEXT

### *What should we take from the Leitch Report on UK skills gaps?*

5. PCS members working in the DfES and LSC and other skills bodies are committed to improving the UK's skills base, we therefore do not wish to see the Leitch Review leading to further cuts in capacity of these bodies to lead and shape the post 16 skills agenda.

6. The Government's plans for skills and education have already been put at risk by massive job cuts in the Department for Education and Skills (DfES) and the Learning and Skills Council (LSC). Currently DfES is facing job losses of at least one third of the workforce. The LSC has recently undergone substantial change resulting in over 1000 redundancies (approx 25% of the workforce). The Qualification and Curriculum Authority (QCA) have to deliver appropriate standards and qualifications on a reduced workforce. Already significantly fewer staff are coping with unacceptably high workloads. Understaffing has lead to excessive use and over reliance on consultants, agency staff and contractors in all government agencies tasked with the delivery of the government skills agenda.

7. In addition, we have over 100,000 members within the DWP and Job Centre plus who deliver the government's agenda on employability and associated access to Basic Skills training and welfare support. These departments are themselves currently undergoing substantial efficiency reductions and facing a crisis of resources.

8. PCS is concerned that Leitch not only endorses LSC's so-called "stream-lining programme" that has resulted in the 1000 redundancies and a current staff vacancy rate of over 500 posts but also effectively calls for further job cuts. We believe any further loss of staff from the LSC or DfES' Lifelong Learning and Skills Directorate (LLSD) will damage their capacity to meet the challenges posed by the Leitch Report.

9. PCS believe that the ambition of the Leitch review does not match the resources that have been identified in terms of delivery. If the task is "daunting" then there needs to be a professional, dedicated and well resourced infrastructure to support delivery. Instead the Chancellors pre-Budget Report stipulates further cuts across government agencies damaging the capacity of these organisations to produce and implement policies to meet the challenges set down in the Leitch report. The scale of the ambition of Leitch could be damaged by poorly defined efficiency targets imposed by the Treasury.

### *Are the measures that we have available to assess the success of skills strategy robust?*

10. In PCS's view it is imperative for the government to have clear indicators of success in meeting the 2010 target for employer training laid out in the Leitch Report. There should be mechanisms in place to provide for employers failing to engage with this agenda.

11. It is also crucial that there is clarity about the role of the Commission for Employment and Skills (CES) in recommending policy, operational improvements and innovations. There is a considerable risk of duplication of effort and turf wars between the CES and DfES in particular, but also with the DWP and the DTI, which would be counter-productive and threaten to undermine the role of Government departments as the lead policy organisations for skills, employment and related provision.

12. Whatever form the proposed local Employer and Skills Boards take they should be properly accountable, not only upwards to government, but also through local mechanisms. PCS believes there is no case for using their establishment to further privatisate the skills policy, funding and delivery sector. It is vital that training remains rooted in public provision and is not divided amongst a myriad of private, charitable and voluntary sector providers which would lead to a deterioration in quality.

## NATIONAL POLICY

13. The administration of the further education and skills sector is already crowded with a significant number of Non-Departmental Public Bodies (NDPBs): which at present have a total annual running cost of over £500million. Whilst Leitch advocates the creation of a more streamlined system this should not be simply seen as an opportunity to cut staff numbers but instead as an opportunity to develop greater coherence. The danger is that the Commission and the Employer and Skills Boards threaten to add to the confusion of organisations without adding any value. It is also a risk and that damaging staff reorganisations will take place in existing bodies without proper clarity about the remit of the new organisations.

14. PCS is concerned that a market led system of supply and demand as advocated by Leitch will make planning and human resource management inside delivery organisations extremely difficult. Year on year targets and course provision could be unclear and employer demands poorly articulated.

15. It is a high risk assumption that very little planning is required. Leitch places a great deal of faith in the unevaluated delivery mechanism of “Train To Gain” which is also substantially under resourced. It is unclear the extent to which employers will actually engage with these structures and planning must continue to play an important role.

16. There is significant and overwhelming evidence of discrimination in training provision that not addressed by Leitch. The Women And Work Commission highlighted the entrenched problem of gender segregation that commences in school age children and is institutionalized throughout life. It is disappointing that Leitch remains silent on issues of inequality and it is vital that the Government ensures some mechanism for statutory control over equality in provision and outcomes from training.

17. Disability and special needs provision are also hardly considered. Recently the LSC cut provision to the most severely disabled adults explaining that education for this group of staff is not economically beneficial. It is imperative that some training is delivered as a result of analysis of social needs and not a simple reflection of employer demands.

18. A system of ring fenced funding would prevent the most vulnerable groups from falling out of provision as it is possible that provision will target groups that are not so difficult to reach.

19. Similarly a national strategy for ESOL and Basic Skills provision is of high importance. ESOL provision has recently been cut by LSC despite that fact that English language is a fundamental skill for employment, again may not be a skill that employers want to invest time in.

#### SUPPLY SIDE

##### *Does the LSC need to be the subject of further reform?*

20. The Leitch Report and the Further Education and Training Bill make clear reference to further restructuring of the LSC. PCS do not believe that this would lead to improvements in the performance of the FE Sector. It is crucial that the LSC is allowed to stabilise as much as possible and focus on the demanding challenges it faces.

21. PCS would like to see an end to LSC job cuts and a joint evaluation undertaken with the employer into the changes to the LSC's role proposed in the Leitch Report. Continuing with a flawed change programme that is producing redundancies at a cost to the tax payer does not lead to better policy development or implementation and weakens the LSC's own skills base in a way that contradicts the aims of the review.

22. If further staff reductions are made and transfers to the Commission or the Sector Skills Councils become necessary it is imperative that the change is managed well, over a period of time, with clearly defined transitional arrangements, and with adequate assurances given to staff in genuine partnership with PCS.

23. The most worrying aspect of the Further Education and Training Bill is that it removes local LSCs in a way that appears to move the LSC back towards being essentially a funding body. The experience of PCS members working on post 16 skills provision since the time of the Manpower Services Commission has confirmed the need for an effective sub-regional interface between “Government”, employers, unions and individuals. Local LSCs would be capable of providing this interface effectively, and we believe that in the context of ensuring greater stability for the LSC, its management should focus on ensuring an effective local presence.

24. PCS welcome the Leitch Review's recognition of the need for monitoring of local labour markets and effective local provision to ensure that employers are engaged in improving skills provision. However the Leitch Review's focus on the importance of local skills provision suggests that the LSC's move to regionalisation is fundamentally flawed and will lead to new bodies being created when local LSCs provide an already existing basis for delivering employer engagement with skills provision at a local level.

25. PCS believe that the creation of another set of local delivery bodies creates the potential to undermine coherence further in the skills sector, adding to users' confusion. Whatever forms the proposed local Employment and Skills Boards they should be accountable. Their establishment should not be used as an opportunity to privatisate further the sector. Privatisation would inevitably lead to resources being diverted into profits rather than being used to enhance skills delivery.

#### DEMAND SIDE

##### *What should a “demand-led” system really look like?*

26. PCS welcome the Leitch Report's recognition that employers cannot continue to downplay the economic and social importance of training. We welcome the call for a statutory entitlement to skills training and the identification of the pressing need to achieve greater coherence and stability in how publicly funded training is delivered. We don't believe however that the Report's demand led solution will deliver this.

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27. The Leitch Review has strengthened an employer led model of skills delivery at the expense of an industry wide approach to identifying and developing sector skills. The role of the trade union movement in the statutory framework of skills development could be further strengthened including implementation of statutory rights to collective bargaining on workforce development and greater levels of trade union representation on the newly formed bodies. Union learning representatives have a proven track record in engaging learners and will have a key role in raising the demand for learning.

28. PCS remain sceptical of developing a “market place” for skills delivery that is mostly responsive to employer demand. Experience demonstrates that employers do not always train their workforce to an appropriate level of skill fearing that staff will not be retained or that wages will rise. Leitch relies upon a benign view of employers acting in their own best interests and the interests of employees, once the system is changed, which is simply not supported by the evidence.

29. PCS support the TUC view that the Government must commence preparations for regulations in 2010 in order to ensure workers will have the right to time off for Level 2 training in the event of a poor response from employers. Cynicism will grow about the intended depth of real change if we drift to 2010 without proper review of progress towards targets and responsive measures where there are shortfalls.

30. PCS welcome the Leitch recommendation of an increase in public investment in training. However we would like to see more investment required from employers. The Leitch Review prioritises employer incentives whilst again failing to provide any mechanisms for compelling employers to engage in training and we would urge the government to keep progress on employer investment under review with plans for intervention identified should it become necessary.

31. A system of employer demand will not necessarily ensure that the needs of all sections of our community are met. It is imperative that there is a government obligation placed on the Employment Skills Boards and the Sector Skills Councils to promote equality of opportunity in all government funded training provision and for mechanisms to be identified for monitoring success rates.

32. PCS is concerned that the Leitch Report may lead to institutionalised instability across the FE and wider skills sector as colleges and other providers compete for funding through learning accounts. While Leitch states that the majority of adult skills funding should be through Train to Gain, PCS is not convinced about the effectiveness of personal learning accounts or other mechanisms that have their origins in the failed idea of education vouchers. The well known abuse of Individual Learning Accounts should give rise to great caution about routing skills provision funding through virtual Learner Accounts until they can be shown to be protected against fraud.

33. The Leitch Report’s enthusiasm for a market solution is not balanced against consideration of the risk of market failure. The approach to FE and skills funding in general risks becoming too complex and bureaucratic as funding follows employers or individual “purchasers” of training. We therefore ask that the Committee look in detail at the funding implications of the Leitch Report. An inadequate funding model poses a significant threat to the stability of the FE sector and will have consequences for the PCS members working in the sector.

## LEARNERS

34. PCS welcomes the emphasis on improving literacy, numeracy and language skills for the unemployed on a voluntary basis. However any new pathfinder provision should not form the basis of outsourcing arrangements. We urge the government to consult directly through its employers with PCS over the detail of any proposed changes to JC+ that will directly impact on the staff of DWP, DfES and the LSC.

35. The Leitch Report is an opportunity for the Government to start to practice what it preaches about skills. Government departments and NDPB’s are far from being the ideal employers in terms of providing training for all their staff. Our experience is that comprehensive and effective skills training is too often reserved for “high fliers” while other civil servants and government staff are expected to learn on the job. Government departments also seek to recruit staff with particular skills from outside rather than train existing staff to take on new roles. PCS believe that Government has much to learn from Leitch about adopting a culture of training that will enhance job security and lessen the need to use expensive consultants to deliver public services.

36. A significant first step in implementation of “The Pledge” proposed in the Leitch Review would be a clear expectation from government that all public sector employers implement “the pledge.” If Train to Gain is to be the main delivery mechanism for level 2 qualifications then it must be broadened to include public sector employees. The public sector should lead the way in increasing level two attainment by allowing staff an entitlement to paid leave.

37. PCS is represented on the board of Government Skills—the SSC for central government and will continue to lobby for effective workforce development strategies within government, its agencies and NDPB’s as well as supporting “the pledge” as a general entitlement.

#### QUALIFICATIONS

38. A plethora of qualifications (most unaccredited and unregulated) already exist. A distinction needs to be made between:

- (a) sector-wide qualifications which benefit employee as well as employer
- (a) bespoke company focused qualifications which develop precise skills and know-how but tend to be untransferable.

39. PCS believe these need to be better regulated. Rationalisation should aim to bring all these into the framework. The fact that there are so many bespoke company qualifications speaks volumes about a need for more than the employers' voice in developments. Sector wide qualifications will improve skill levels across a sector and also encourage movement within it.

40. The more a culture shifts to valuing sector wide qualifications the greater the need for effective regulation and thus for an organization like QCA. Hence the need to include QCA staff wherever there is a discussion of the relationship between any new commission and the DfES.

#### CONCLUSION

41. In conclusion PCS believe that in order to fulfill the Government's ambitions for Post 16 training, as laid out in the Leitch review and the Further Education bill, there needs to be a professional, dedicated and well resourced infrastructure supporting delivery.

42. PCS believe that the impact of the continuing job cuts programme to those bodies delivering the agenda, in particular the LSC and DfES, already damages the government's capacity to deliver the government agenda on Post 16 Education.

43. There is the danger within the Leitch recommendations of adding more bodies and further cluttering and confusing post-16 skills policy, funding and delivery arrangements. There is considerable risk of duplication of effort and possible rivalry between the CES, DFES, DTI and DWP. This would be counter productive and undermine post 16 policy implementation. It is essential to ensure Parliamentary and wider accountability for post-16 skills policy remains.

44. There is also a need to consider carefully whether the demand-led, market based approach to funding post-16 skills provision advocated by Leitch will lead to instability across the FE sector and for other post-16 skills providers. The Leitch report's enthusiasm for a market solution is not balanced against any consideration of the risk of market failure.

45. The Leitch Review prioritises employer led training but fails to provide mechanisms for compelling employers to engage in training. PCS urge the government to keep progress under review with plans for intervention identified should it become necessary.

46. The proposed system also risks becoming too complex and bureaucratic as funding follows employers and individual purchasers of training. It is important that the funding implications of the Leitch Report are carefully analysed. An inadequate funding model poses a threat to FE sector stability and therefore PCS members.

*January 2007*

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#### Memorandum submitted by the Qualifications and Curriculum Authority (QCA)

#### BACKGROUND

1. The Leitch Review of Skills, *Prosperity for all in the global economy—world class skills*, was published in December 2006. The Review urges the UK to commit to becoming a world leader in skills by 2020 against the benchmarks set by the OECD league tables.

2. The report calls for a seismic shift in skill levels. Table 1 shows the targets and what they mean in terms of new achievements by 2020.

**Table 1**

	<i>Existing Target (% population)</i>	<i>New "Leitch" 2020 Target</i>	<i>New attainments by 2020</i>
Literacy & numeracy	85%	95%	7.4 million
Level 2 skills	69%	90%	5.7 million
Shift from Level 2 to Level 3			1.9 million
Level 4 skills	29%	40%	5.5 million
Apprenticeships			500,000

*Source:* Leitch review; DfES.

3. Leitch echoes previous policy calls for a shift from supply-side to demand-led skills based on the needs of individuals and employers. He emphasises economically valuable skills that provide real returns for individuals, employers and society, and calls for shared responsibility between government and employers.

4. The Review also proposes a change in the law so that all young people remain in full or part-time education or training up to the age of 18.

5. The radical uplift in targets called for in the report requires a shift in pace and ambition for the UK skills agenda. QCA believes there are five key elements to a strategy which will support the Leitch targets:

- The implementation of the Qualifications & Credit Framework (QCF)
- The successful roll out of the new 14–19 Diplomas
- The development of a “curriculum guarantee”, verified by higher education and employers, for post-16 learners
- A market-led approach which ensures that employers and their employees can have quality-assured learning achievements recognised within the national skills profile
- A flexible regulatory regime which facilitates desired outcomes while securing standards

#### THE QUALIFICATIONS & CREDIT FRAMEWORK (QCF)

6. The Qualifications & Credit Framework provides the opportunity to create a unified, integrated system of recognising achievement which will encourage lifelong learning and support the Leitch vision of a flexible, responsive and demand-led approach to skills acquisition.

7. With its partner regulators in Wales (DELLS) and Northern Ireland (CCEA), QCA has developed a new regulatory framework which can define learning achievements in terms of challenge (level) and volume (credit) —hence the Qualifications and Credit Framework or QCF.

8. By building up qualifications from a coherent and defined cluster of “units” of learning, each of which has a known credit value, learners can take more flexible approach to acquiring skills at school, college, in the workplace and throughout their lives and careers. The design allows credit to be accumulated in small blocks and transferred between qualifications and awarding bodies.

9. A fully integrated system of qualifications means that, for example, a young person might gain credit for units of their maths GCSE knowing that this will also contribute to acquiring a Level 2 Diploma in Construction and the Built Environment. Units from the Diploma could transfer across to an Apprenticeship or another related occupational qualification.

10. Such a system has the potential to articulate with credit systems in Higher Education Institutions so that learning achievements and qualifications could have a recognised value and currency for progression to further learning or employment, regardless of who funds the learning, who accredits it, which agency quality assures it or where the learning takes place.

11. For people who move jobs, locations or whose family circumstances change, this flexible system means that no learning is lost: credit for an achievement can be “banked” and used later when training is resumed.

12. Employers who might not need the full skills portfolio offered by a particular qualification, can offer relevant units to their employees who can gain credit in a nationally recognised system and contribute to their “learner achievement record”.

13. 2006 saw the first qualifications accredited to a trial version of the new Qualifications and Credit Framework (QCF). Learners participating in a series of tests and trials all over the UK are first registered with a Unique Learner Number. Each time a unit is completed and assessed successfully, that achievement is logged against the unique learner number, building up an individual “learner achievement record”.

14. The learner achievement record is linked to a powerful database of available units and qualifications so learners can check their progress towards a chosen qualification, or they can see what other qualifications the units contribute to if they want to progress to a new goal. At any time, a learner can log on to a website, using a PIN number, and check their own personal, validated record of achievement or show it to a potential employer.

15. The sheer scale of the targets proposed by Leitch is such that nothing short of a radical new approach to the way in which we recognise skills is needed. The QCF has the potential to make skills achievements more accessible to more people and to provide a cost-effective and simple way to allow organisations to train their employees against a national skills profile.

16. This more flexible system will not only attract new learners into quality skills training but will also mean that much more of the high quality training that companies are already doing can be counted towards a national skills profile.

17. The Leitch vision for 2020 cannot be achieved without the new Qualifications and Credit Framework.

#### 14–19 DIPLOMAS

18. The first five diplomas will be piloted at three levels from 2008, followed by another five lines of learning in 2009 and four more in 2010. These new composite qualifications are designed to offer a bold new curriculum designed by, and commanding the respect of, both employers and educationalists.

19. They provide a contemporary, vocational context for learning and mix both general and applied content. Diplomas are positioned as education not training and represent the key strategy in the 14–19 phase to secure increased rates of participation and achievement.

20. Although the Leitch agenda is largely about adult skills acquisition, it must be remembered that around 30% of the workforce of 2020 has yet to complete its full-time education.

21. By significantly increasing the number of young people achieving qualifications at Level 2 and above, by increasing participation rates in full-time education post 16, and by securing greater levels of progression to higher education, the Diplomas build a sound platform for further skills development in the workforce. The success of Diplomas will play a critical role in achieving the Leitch vision for 2020.

#### A CURRICULUM GUARANTEE POST 16

22. The Leitch Review proposes extending the period of compulsory education and/or training from 16 to 18 years of age. Although there will need to be a national debate and wide consultation about the merits and demerits of compulsion for this age group, QCA nevertheless believes that it would be beneficial to develop the concept of a “curriculum guarantee” for 16–18-year-olds.

23. A “curriculum guarantee” would define key elements of curriculum, verified by industry and educationalists (including HE), which should underpin any education or training programme—whether full or part-time; academic, occupational or vocational—for this age group.

24. It should guarantee functional skills, wider personal, learning and social skills to underpin employability, alongside the core sector, occupational or subject content.

25. Leaving aside the issue of compulsion, a curriculum guarantee is a powerful concept to support increased participation post 16 and will provide a much more secure platform for adult skills development.

#### A MARKET-LED APPROACH

26. The Leitch Review uses the term “demand-led”, a term which has been trailed in many previous skills policies including, most recently, the 2003 Skills Strategy, the 2005 Skills White Paper and the 2006 FE White Paper. In spite of its widespread acceptance as a desirable policy position, the demand-led revolution in skills has largely failed to take root.

27. We believe this is due to a lack of understanding of the real implications of a demand-led system and a continuation of policies which have tried to “plan” a demand-led system—conceptually, a contradiction in terms.

28. QCA prefers the term “market-led” because it embraces the concept not only of meeting demand but also of stimulating the market and creating demand.

29. A fundamental problem has been that while governments use qualifications as a proxy for skills, employers on the whole do not. With a few notable exceptions, employers train their employees to meet specific skills needs—to use a till, to assemble components, to sell-up to customers, to understand products, to use new technologies. The training they provide is efficient, outcome focussed, highly targeted and cost-effective.

30. Qualifications have had limited success in skills training in many sectors because they may be too large, insufficiently targeted, and are seen as representing a common standard rather than being best in class.

31. Exceptions are professional qualifications, some licences to practise and some vendor certificates (eg Microsoft).

32. Figure 1 illustrates a new approach to the market for qualifications and skills acquisition. On the one-hand is what we have called the “managed market” which embraces those skills which the government chooses to buy (fund) on behalf of the nation, the economy and society. This includes mainstream qualifications for compulsory education and key occupational qualifications likely to be popular for young people after the age of 16.

33. Given that public funding is the single most powerful lever in skills acquisition, it follows that providing funding creates a “managed” market.

34. Figure 1 also introduces the concept of a “non-managed” market for qualifications and skills. This is a market which both exists and can be stimulated. It includes the skills training that employers want or need to do, and the skills which individual learners might want, need or choose to acquire. The non-managed market is a world of targeted, cost-effective, outcome-based skills training. It is flexible, market-led and not constrained by pre-conceived notions of size or format or content. It is delivered in the size, format and content that its users demand not those defined by the narrow confines of a qualification.

35. The non-managed market cannot be conveniently shoehorned into the traditional managed model using whole qualifications. A truly market-led approach calls for a revolution in the way we create and stimulate a market place for quality assured skills acquisition which adds value for employers and learners. It requires a commitment to finding flexible, non-bureaucratic, cost-effective ways in which we can recognise and record skills acquisition and an approach to funding which is focussed on stimulating the market for skills acquisition.

36. The managed and non-managed sectors of the market are not mutually exclusive and the Qualifications and Credit Framework is designed to accommodate both and provide a regulatory framework for both. The QCF defines and recognises both whole qualifications and smaller units of learning which might contribute to a whole qualification.

37. QCA now needs to work with employers (as well as providers and awarding bodies) to develop ways in which employer skills training can be brought into the “recognised” system. This will call for an approach to regulation which enables common principles to be applied in different ways to managed and non-managed markets—“right touch” regulation based on risk and market factors.

38. We believe that a Quality Mark for recognised and/or accredited learning outcomes (including qualifications) should be developed to distinguish high quality provision. The use of such a quality mark could be coupled with developments in the Investors in People initiative and used as a pre-requisite for training funded through Train to Gain or the new Learner Accounts.

39. Only Quality Marked training should be funded, although the quality mark itself carries no presumption of funding. Sector Skills Councils must play a more prominent role in identifying skills gaps and needs which should have priority for funding. The traditional model of funding a learner on a specific training course leading to a named qualification outcome may no longer be the best way to fund learning in a demand-led market. Funding should be used strategically to stimulate the market for training.

40. QCA is working closely with the Skills for Business Network which has a critical role to play in verifying the content (through National Occupational Standards where appropriate) of key qualifications. As the regulator (alongside DELS in Wales and CCEA in Northern Ireland), QCA has a statutory role to regulate and accredit qualifications but it should do so with the advice and endorsement of the relevant SSCs, professional bodies or other sector organisations.

41. The targets outlined in the Leitch Review cannot be met unless employers can participate more easily in high quality training which can be recognised and counted against the national skills profile.

#### A FLEXIBLE REGULATORY REGIME

42. The Leitch report repeatedly endorses the need for a regulatory system to underpin its recommendations. There is a clear case that all evidence of learning that “counts” in the QCF should be regulated—an assurance that it can command confidence and is fit for purpose in supplying the skills needs of the nation. We shall need to show that we can be sufficiently flexible to adapt regulatory mechanisms to support, rather than hamper, the range of provision envisaged by Leitch. This includes working more closely with the higher education sector to ensure that there are no barriers to progression to and from HE.

43. Turning a genuinely market-led system into a reality means placing the initiative as close to the user as possible. Sector bodies, employers, training providers and colleges will all be key players. The regulatory regime needs to empower these organisations to stimulate and respond to the market whether through partnership with recognised awarding bodies or through the award of credit for achievements which may be recognised by, for example, employers and colleges themselves. Some of these new models are already being tested through the QCF trials being carried out by QCA at present.

44. We envisage further rationalisation of qualifications in the “managed” market while a flexible regulatory system should embrace a much wider range of achievements across the “non-managed” market.

45. The aim is to ensure that those who have their learning achievements recognised by the national system can be confident that the skills they acquire will count towards further learning or qualifications and will have currency for progression in learning and/or employment. In addition to the quality mark proposed in paragraph 38, QCA proposes an enhanced version of the existing National Database of Accredited Qualifications (NDAQ) which will include details of the credits that can be awarded at unit level to stand alone as achievements of note or be used to accumulate towards a whole qualification. The enhanced NDAQ will ensure that learners can quickly access information about qualifications and the ways in which their achievements can contribute towards them.

46. The world of business is increasingly global in its dimensions. This means that qualifications and achievements need to be recognised at national, European and international levels. Qualifications are already jointly regulated across Wales and Northern Ireland and, increasingly, this principle is being extended to Scotland which also works in close partnership with QCA and other regulators. Work is in hand to ensure that our frameworks for recognising achievements and qualifications align with European and international frameworks.

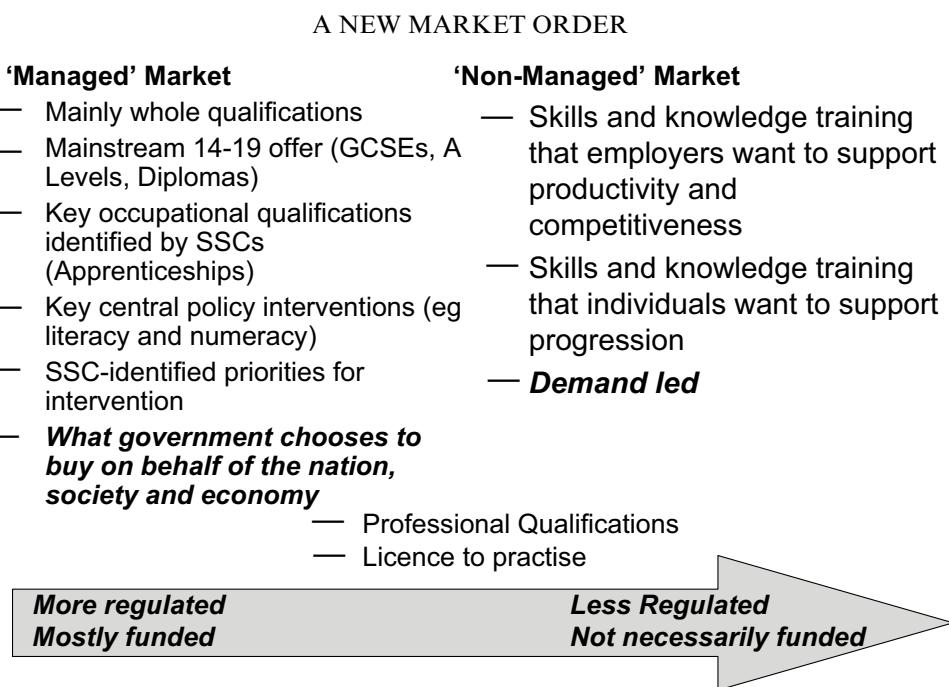
47. A flexible, “right-touch” regulatory regime can add value to skills training for employers and individuals as well as ensuring that more high quality training can be counted against national skills targets.

## CONCLUSION

48. The Leitch vision of skills acquisition is highly ambitious and is only achievable if those organisations working on the supply-side lift their sights and embrace a radically different, customer focussed approach to the market for skills training. It is a market that needs to be stimulated, not managed. The Qualifications and Credit Framework is a key enabler to achieve this vision since it supports a market-led, flexible and responsive approach to recognising achievement and qualifications.

*February 2007*

**Figure 1**



**Memorandum submitted by the Royal Society of Chemistry (RSC)**

The Royal Society of Chemistry is the largest organisation in Europe for advancing the chemical sciences. Supported by a network of over 43,000 members worldwide and an internationally acclaimed publishing business, our activities span education and training, conferences and science policy, and the promotion of the chemical sciences to the public.

The main points we wish to make in respect of chemistry based occupations are:

1. There is a need to raise skills to a minimum standard, Level 2, to underpin the UK economy.
2. For the chemicals using industries (broadly defined) Level 2 in science, IT and related technical areas is too low. The minimum to allow a technician or operative to function at a basic level is Level 3.
3. The Government's target of 50% of the population to enter HE (which we support) inevitably means that there is severe competition for young people qualified at Level 3 (university entrance level) with very few choosing employment. There needs to be a substantial improvement in the careers advice provided to young people in order that they can make well informed choices.
4. There is now little provision in the FE sector for science based training even to Level 3 and almost none beyond that level. Consequently the universities are and will need to be the source of education and training for skilled technicians and scientists.
5. The Skills Network Group of the Chemistry Leadership Council identified that "... the chemicals industry has significant skills gaps at both plant operative and graduate levels" (*Skills for the 21st Century*, Chemical Industry, July 2004).
6. There are examples of good practice. The shortage of skilled technicians, in both laboratories and manufacturing plants is being addressed in part by apprenticeship schemes in the North West (Chemical) and in the Yorkshire and Humber region (CATCH). These schemes are best done regionally in partnership with industry and more of these schemes should be made available to FE

- students and those in employment. The number of these schemes is limited and this good practice should be replicated regionally across the UK but progress is likely to be severely restricted by lack of provision in FE (4 above).
7. From 3 and 4 above, it follows that employers have difficulty in recruiting, training and upskilling operatives. In part this has to be addressed by employers themselves in making technician and operative jobs attractive, well rewarded and providing scope for progression. The latter requires external support which the education and training system struggles to provide.
  8. The demographic profile within the chemicals using industries means that upskilling the existing workforce is at least as important as future recruitment. Opportunities for upskilling are similarly hampered by lack of provision in FE and by an over-regulated approach that inhibits training providers from accessing funds. There are too many external bodies and hurdles to overcome in securing approval for course provision and qualifications that meet the needs of employers, their staff and fit national qualifications frameworks.
  9. It is likely that in ten years the chemical using industries will require employees to be more highly skilled, and technologically literate to enable them to work more flexibly.
  10. In respect of graduate level skills the current situation with regard to university chemistry provision is a cause for concern. The recent closure of a number of university chemistry departments will mean that if demand for chemistry courses is raised through initiatives such as the Chemistry: The Next Generation (part of the HEFCE funded Chemistry for our Future programme being managed by the RSC) sufficient places may not be available. This initiative targets students who are currently underrepresented in HE and the opportunity for local access and part time provision will be very important for some of these students. Of particular concern is the geographic location of chemistry provision and the type of courses available. Part time provision and technically orientated courses in the chemical sciences have been significantly reduced in recent years.
  11. The need to ensure that key skills are developed through the subject has been recognised and addressed in many university courses. The need for key skills, as articulated by employers, has in many cases now generally been incorporated into courses. The RSC has produced an Undergraduate Skills Record (USR) and a Postgraduate Skills Record (PSR) for the chemical sciences. The USR and PSR assist students in identifying the key skills they have developed during their studies. The USR and PSR are now widely used in chemical science courses (indeed other disciplines have also been keen to use the USR and PSR).
  12. The Government's skills agenda pays insufficient regard to the education and skills required for innovation in the science based industries. Our response to the Committee's Inquiry into the Bologna process, and in particular Masters level education is relevant here.

#### POST-16 SKILLS TRAINING

##### *Evidence from the Royal Society of Chemistry to the Education and Skills Committee*

We have the following additional general comments relating to the terms of reference of the Inquiry.

1. In respect of a demand led system of education and skills training, employers have not, historically been very good at predicting needs and it may be unreasonable to expect them to do so. The primary purpose of the education system is to develop capability (which necessarily includes employability) and secondarily to be enabled to be responsive to immediate needs, which may be short term.
2. The design of qualifications is a technical matter and they must also satisfy the needs of learners for transferability when moving between employers and employment sectors. The role of employers is to ensure the requirements for employment are clearly articulated and met by the assessment process, rather than in designing the qualification.
3. There is a need for rationalisation of credit and qualifications frameworks which are poorly understood. Unfortunately current efforts are too inward looking within the UK and are being carried out by organisations with vested interests. The UK is part of a global market place. Credits, qualifications and the requirements on which they are based must be internationally recognised and compatible with systems elsewhere.
4. Additionally, lessons need to be drawn internationally on how employers, and other staff, can be incentivised to develop a learning and training culture.

## Memorandum submitted by Skill: National Bureau for Students with Disabilities

### INTRODUCTION

Skill: National Bureau for Students with Disabilities is a national voluntary organisation that promotes opportunities to empower young people and adults with any kind of disability to realise their potential in further, continuing and higher education, training and employment throughout the United Kingdom. Skill works by providing information and advice to individuals, promoting good practice and influencing policy in partnership with disabled people, service providers and policy makers.

Skill welcomes the opportunity to respond to the Education and Skills Committee's Inquiry into Post-16 Skills Training. We are pleased that the inquiry comes at a time when positive steps are being taken to create a more accessible, inclusive and equitable further education system for learners with learning difficulties and/or disabilities.

The recent publication of the LSC's first ever, national strategy for learners with learning difficulties and/or disabilities, *Learning for Living and Work*, sets out its commitment to creating a world-class educational experience for disabled people in the post-16 learning sector.

The LSC's national strategy for learners with learning difficulties and/or disabilities is a key document for the planning, funding and delivery of post-16 training for this group of learners. Skill would urge the Select Committee to read this document in the preliminary stages of the Inquiry and will send copies of the strategy to the Committee office for information.

The availability of better learning opportunities and skills training should also contribute to the DWP's welfare reform agenda aims to support one million disabled people off Incapacity Benefit and into work. Skill has outlined its support for the respective agendas in previous consultation responses and we will use this opportunity to emphasise areas of concern, where disabled people's needs may not have been taken into account. We would recommend that the Select Committee use the Inquiry to cross-examine the Government on the following issues:

- How existing Government policy can be built upon and changed where necessary to ensure that disabled people who have low skills and/or who are out of work are given the opportunity to participate in further education, higher education and vocational training?
- How will the Government ensure that they meet their priorities for learners with learning difficulties and/or disabilities particularly in terms of ensuring that those who are learning at and below Level 1 and/or who are over the age of 25 are able to access appropriate, affordable learning opportunities locally?
- How will the Government ensure that Connexions advisers, academic tutors and FE tutors are trained and educated to give disabled learners the equality of opportunity to choose the training route where their preferences lie and not the route that is easiest for the system?
- What is the Government doing to ensure closer working between the Higher Education Funding Council for England and FE providers so that FE providers better understand what support is available to learners who are studying HE in FE and that they have the systems in place to deliver the support required?
- Will DWP Ministers make a statement to reflect the commitment to joint working with the DfES? Particularly in terms of how they will work to jointly develop quality supported employment opportunities and how collaborative working can help to alleviate the financial barriers that can prevent people on incapacity benefit from participating in post-16 training?
- What work the LSC is undertaking to develop more flexible funding mechanisms to support the development of more accessible and inclusive provision? What are the timescales for completion of this work?
- How will the LSC develop E2E opportunities for learners with learning difficulties and/or disabilities as part of its development of the Foundation Learning Tier so that more disabled people can access Apprenticeship programmes?

### 1. CONTEXT

#### a. *What should we take from the Leitch Report on UK skills gaps?*

The final report from Lord Leitch gives a somewhat grave analysis of the UK skills landscape. Even if existing Government targets are met, the UK will rank no higher than the 13th in the OECD on the key indicators for skills. Leitch proposes more ambitious targets for the Government to meet so that by 2020, the UK can rank in the top quartile of the OECD.

The Review covers a large range of issues that Skill wishes to comment on and there is overlap between some of the subsequent questions posed by the Select Committee. Skill will therefore address some of the issues raised in the Review in the relevant sections, rather than confining it all in our response to this initial question.

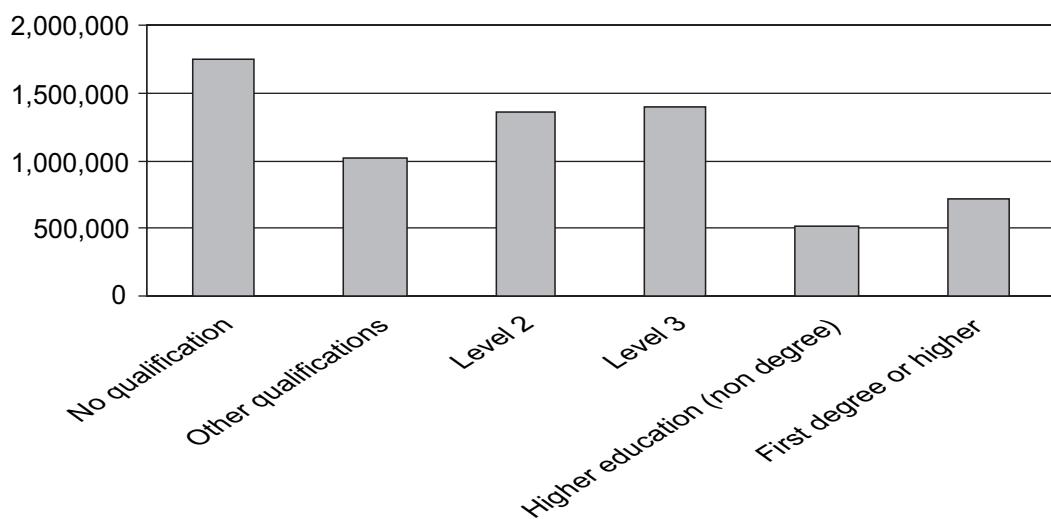
Skill welcomes Lord Leitch's report and the emphasis it puts on the unequivocal relationship between education and sustainable labour market participation. It restates the figures from the Interim Report that 40% of disabled people have no qualifications; 2.7 million people with a health condition or disability are currently economically inactive and one million in this group want to work. The fact that there are one million people with a health condition out of work who want a job suggests that more needs to be done to support this group to find and sustain employment in a competitive labour market.

Skill would suggest that this data implies strongly that the Government must consider how the Skills Agenda for post-16 learners and the Welfare Reform Agenda can be more closely linked. Skill supports the development of a more coherent approach to helping economically inactive people with disabilities into the labour market.

The inequalities that are evident between disabled people who are economically inactive compared to non-disabled people in the same group is also reflected in the workplace with disabled people who are in employment being more likely to have lower qualifications, work in manual and lower occupations and their average earnings (£9.88 per hour) are about 10% less than that of non-disabled employees (£10.65 per hour<sup>16</sup>).

Disabled people are only half as likely as the general population to be qualified to degree level. At the other end of the scale, 26% of disabled people have no qualifications at all, compared to 11% of non-disabled people.

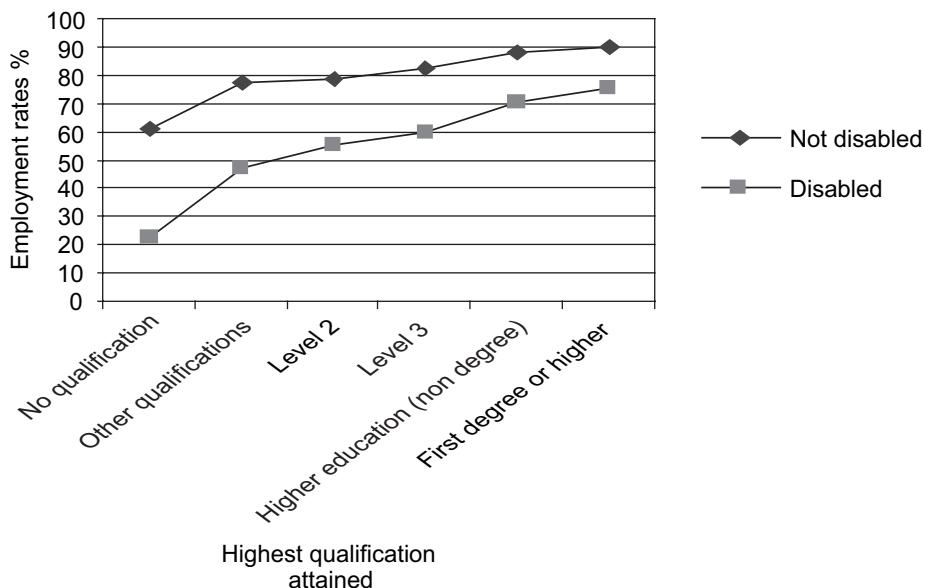
**Numbers of disabled people by highest qualification attained**



Although all adults of working age attain higher rates of employment the more highly qualified they become, there is an especially strong link between qualifications and employment rates for disabled people.

Skill have extracted the DRC briefing data to show how the gains for disabled people are more dramatic the further they progress with their education. The gap in progression rates narrows at every qualification stage:

<sup>16</sup> Disability Rights Commission, (2006) Disability Briefing.



This data illustrates that in order to tackle the economic and social impact of skill shortages, the Government should invest to save. Leitch estimates a possible net benefit of at least £80 billion over 30 years if the recommendations of the report are taken on board. In order to meet the aims of recommendations of the Leitch Review, this will clearly require a substantial increase in the availability and quality of learning opportunities; of information, advice and guidance; of transitional support and of retention and progression strategies to ensure that low-skilled and economically inactive disabled people have the same opportunities to find and sustain skilled work.

At present, disabled people who are on benefits and want to learn may face a number of barriers to doing so. This may be because anomalies in the benefit system that make it difficult for people to study and claim benefits, it may be because they cannot afford the fees, or because they are unable to access suitable courses locally. We will address these issues in greater detail in the subsequent questions of the inquiry.

On the basis of the findings of the Leitch Review, Skills would recommend that the Education and Skills Committee investigates how existing Government policy can be built upon and changed where necessary to ensure that disabled people who have low skills and/or who are out of work are given the opportunity to participate in further education, higher education and vocational training.

## 2. NATIONAL POLICY/ISSUES

### a. Are the Government's priorities for skills broadly correct—for example, the focus on first "level 2" qualifications?

Skill supports the prioritisation of first Level 2 qualifications but does so with the caveat that this focus should not deflect from the importance of other priorities, particularly people with learning difficulties and/or disabilities learning at all levels.

In recent years, there has been a welcome shift in Government policy towards improving the life chances of disabled people. The Prime Minister's Strategy Unit report<sup>17</sup> has been followed by the establishment of the Office of Disability Issues and the Disability Discrimination Act 2005. In Further Education, the LSC have emphasised their commitment to learners with learning difficulties and/or disabilities in their Annual Statement of Priorities 2006–07 and have launched their National Strategy, *Learning for Living and Work*. The Secretary of State's Grant Letter to the LSC has reinforced this commitment for 2006–07. It is crucial that this momentum is sustained and whilst the focus on first Level 2 qualifications is important, this should not overshadow the priorities for skills for people with learning difficulties and/or disabilities. There is evidence across the post-16 sector that this cohort of learners are facing the unintended consequences of Government prioritisation, with funding for some courses being cut particularly courses that are aimed learners at Level 1 and below and learners over the age of 25. Skill has listened to the concerns of a number of colleges that inclusive teaching is becoming more difficult because disabled learners learning below Level 1 do not contribute to the key teaching priorities. Some disability managers feel that this could disadvantage those disabled learners whose approach to learning does not fit the course structure, for example in terms of timescales for completion.

<sup>17</sup> Prime Minister's Strategy Unit, (2005) Improving the Life Chances of Disabled People.

The recent FE White Paper announced that young under the age of 25 will be entitled to free training up to Level 3. Skill has raised concerns that this development will be offset by the fact that learners who are over 25 and/or studying on and below Level 1 courses face cuts to provision. This is partly because the commitment to funding up to Level 3 reduces the money available for colleges to provide basic skills and foundation courses, which are so valuable to many disabled learners. This conflict demonstrates little understanding of the fact that for many disabled learners, Level 1 courses provide an opportunity for them to develop the confidence, self-esteem and other life skills they need to progress onto Level 2 courses. The reduced funding for Level 1 and non-accredited courses and their subsequent discontinuation will deny many disabled learners the opportunity to progress to Level 2. Forty-five per cent of disabled learners are studying at Level 1 or below and around 20% are participating in provision classed as “unknown”,<sup>18</sup> which is likely to include non-accredited programmes. As funding is directed away from provision at Level 1 and below, the effect this will have on this significant proportion of learners with learning difficulties and/or disabilities is substantial

#### CASE STUDY EXAMPLE

A life skills course in Salisbury College’s Foundation Studies department will be discontinued in September because of a lack of funding. The Pathways course was developed over ten years to give learners essential life skills and to foundation knowledge in maths, IT and English. The college, which was praised for its policy of inclusion and range of courses for disabled learners in a recent Ofsted inspection, said that they had no choice but to stop the course—in line with national guidelines, courses could only be funded for learners who are able to achieve a qualification recognised by the LSC and this did not include the Pathways course.

Parents of some learners commented on the speed of the decision and the severe loss that would be felt by the learners on the course,

“There was no warning at all, going to college has given [my son] a sense of purpose and his self confidence has improved immeasurably. We hoped that after another year he might be ready to get a job he is -keen to learn and work and wants to put something back into society. But when this course ends he will be at home all day and just dropped by the system because there is no equivalent.”<sup>19</sup>

The importance of learning for living has been recognised in the LSC national strategy *Learning for Living and Work*, which sets out how the aims of the Foundation Learning Tier. Courses at Level 1 and below can give some learners the first step on the ladder to progressive learning and employment. There is a substantial minority of young people who may never achieve a Level 2 qualification yet for whom work is still a reality. It is therefore important that appropriate vocational training should be available for them without always having to have the requirement that it must lead to a Level 2 programme. Skill would recommend that the Select Committee reinforce the considerable value in non-accredited learning as a means of lateral progression for some learners, particularly those with severe learning difficulties in their final report.

Skill recommends that the select committee examine the extent to which the Government are meeting their priorities for learners with learning difficulties and/or disabilities particularly in terms of ensuring that those who are learning at and below Level 1 and/or who are over the age of 25 are able to access appropriate, affordable learning opportunities locally.

#### b. How do other targets, such as the “50% into HE” fit with the wider skills agenda?

Widening participation and the Government’s “50% in HE” target is significant to the wider skills agenda. In order to achieve the aims of Leitch, Skill would suggest that it is crucial that disabled people in school and FE are encouraged and supported to make the transition into HE. However, there are a number of issues surrounding this, not least the fact that too many disabled people still face barriers to participating in HE and progression beyond. Skill would suggest a number of key areas that the Government must address in order to create more opportunities for participation and progression in HE for disabled learners and ensure value in 50% target.

#### *Information, Advice and Guidance*

Skill is concerned that often disabled learners are discouraged from making choices based on their preferences and encouraged to make choices based on where learning will be quickest, easiest and cheapest. For example, a deaf student may be discouraged from studying a modern language because it will be more difficult to teach him or her.

In *Hurting into a Void: Transition to adulthood for young disabled people with complex health and support needs*, Morris (1999) found that a lack of information was one of the key issues identified by young disabled people as being a barrier to the transitions process. Both Heslop et al (2001) and a study by the Department of Health (1999) found that there was a lack of easily accessible information for parents and young people, especially those who did not have English as a first language.

<sup>18</sup> Figures taken from *Through Inclusion to Excellence*.

<sup>19</sup> Source: *Salisbury Journal* Wednesday 21 June 2006.

However, it is not only the provision of traditional forms of information that can cause barriers to the transition process. Nomensa (2003) found that an estimated 46% of students made first contact with a university via its website. They scored university websites for accessibility on a scale of 0–15 (0 low and 15 high) and found that almost half (43%) failed to achieve even the minimum level of conformance to the W3C web accessibility guidelines. 19% of university sites failed to score above 5 and 72% fell into the 6–10 category. Only 9% of sites scored highly at 11 or above.

#### *Improving the delivery of FE in HE*

In order to ensure that HE provision is delivered well, the Higher Education Funding Council for England (HEFCE) must work with FE providers to raise their awareness of HE structures, particularly in relation to support for HE learners with learning difficulties and/or disabilities who are studying in the post-16 sector. Many FE providers do not have sufficient knowledge about Disabled Student's Allowance (DSA) and there is often poor transition from the receipt of Additional Learning Support (ALS) in FE to DSA when a learner moves onto HE in FE provision. There needs to be better planning in disabled learners' last year of FE so that a smooth transition can take place between ALS and DSA. There are further issues surrounding the franchise agreements that post-16 providers have in place with the higher education institutions (HEIs) they work with. A lack of understanding of franchise agreements, frequently leads to confusion over who is responsible for elements such as disabled student support for learners studying at HE level in FE institutions and often there is an expectation that the HEI will provide this for HE learners in an FE college. Where this is in fact the responsibility of the college, there are instances where learners have not received appropriate support because colleges FE providers have been ill-prepared to deliver the disability support that the learner requires.

Skill would recommend that the Government ensure Connexions advisers, academic tutors and FE tutors—are trained and educated to give disabled learners the equality of opportunity to choose the route where their preferences lie and not the route that is easiest for the system.

Skill would also recommend that HEFCE work closely with FE providers to ensure that they understand what support is available to learners who are studying HE in FE and have the systems in place to deliver the support required.

#### *Work experience*

Work experience is arguably even more valuable for disabled students in HE than for their non-disabled peers. They may have attended certain schools for children with special educational needs which do not offer work experience; been previously unable to take part because of medical reasons or past negative experiences of attempting to secure work experience may have had an adverse effect.

However, many disabled students are not given the same opportunity to access meaningful, relevant work experience. This is often due to the shortage of staff time making it difficult for staff to seek out positive employers, to provide adequate guidance and advice, and organise any additional support that a student needs. Disabled students too, often lack work experience because many of the traditional routes to gaining work experience such as holiday or part-time work are not accessible or feasible for disabled students.

The authors of a 2006 report looking at employability skills<sup>20</sup> analysed three mechanisms to improve graduates' labour market performance including; employer involvement in course design and delivery, the teaching and assessment of employability skills by departments and student participation in work experience through sandwich courses and related programmes. Their findings suggested that, overall, structured work experience has the clearest positive effects on the ability of graduates to find suitable employment.

#### *Progression from HE into employment*

Disabled graduates as a whole are still more likely to be unemployed (9%) than non-disabled graduates (6.3%). Disabled graduates are also less likely to be in full-time work (48.9% compared with 54.9%) and are marginally more likely to be engaged in voluntary work or part-time work and further study.<sup>21</sup>

Although most of the gaps in progression are quite narrow, there are some wider differences in employment outcomes of people with specific impairments. Those with dyslexia, hearing impairments or hidden impairments are more likely to be equal to non-disabled graduates in making the transition into employment.<sup>22</sup>

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<sup>20</sup> National Institute of Economic and Social Research (2006) Employability Skills Initiatives in Higher Education: What Effects Do They Have On Graduate Labour Market Outcomes?

<sup>21</sup> What Happens Next? A Report on the First Destinations of 2004 Graduates with Disabilities' (2006) Association of Graduate Careers Advisory Services.

<sup>22</sup> Ibid.

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The breakdown of the statistics by industry and type of employer showed that disabled graduates were entering many different sectors and had overall parity. Divergence occurred in the financial sector and in certain health professional roles, where there are lower levels of disabled people working.

Many dedicated services already exist to support disabled students on their course and to enable them to progress into suitable employment. Some gaps remain and potentially more could be done to encourage disabled people to enter professions, where they are still underrepresented.

c. *What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

Recent policy documents have suggested a commitment between Government departments to work more closely together to achieve joint aims. The DfES white paper, *Further Education: Raising Skills, Improving Life Chances* highlights the key role that further education can play in giving welfare recipients better support to gain skills and in providing a route out of benefit dependency. Raising qualification and skill levels of the UK workforce is the key focus of this document, which will in turn support the aims of welfare reform. Skill welcomed the link between improving skill levels and labour market participation in the FE White Paper but was disappointed that a similar commitment had not been made in the earlier welfare reform Green Paper from the DWP.

The Green Paper did not make any explicit reference to education and the need for many people who are currently claiming Incapacity Benefit to improve their skills if they are to be able to compete in competitive labour market.

Skill has outlined below areas where greater collaborative working between DfES and DWP could significantly improve the availability and accessibility of opportunities for disabled people to participate in post-16 training.

#### *Supported Employment*

The LSC National Strategy for Learners with Learning Difficulties and/or Disabilities commits to working closely with DWP to develop a joint-approach for supported employment. Skill welcomes this commitment and would value a statement from Minister for Welfare reform confirming an equivalent assurance from DWP. Supported employment has always been a fringe rather than mainstream activity often existing only on short-term pilot project resources. Yet many practitioners, particularly those working with people with learning difficulties, say it is one of the most effective ways of supporting young people and adults into work.

Skill recommends that the Select Committee requests a statement from DWP Ministers to show a real commitment to building up and sustaining supported employment opportunities and improves access to Department for Work and Pensions (DWP) funding to consolidate and expand the landscape of provision.

#### *Fee Waivers*

At present, disabled people who wish to participate in further education and who are in receipt of incapacity benefit (IB) are not eligible for financial assistance to cover their fees. This support is currently only available for people in receipt of means-tested benefits. As incapacity benefit is non-means tested and also (after 28 weeks) a taxable benefit, it does not fall into this category. Students in receipt of IB who also receive means-tested benefits, such as income support or housing benefit, should be eligible for a fee waiver. However, not all students will be on these additional benefits, perhaps because of their partner's income or simply because they are unaware of their entitlement. Colleges can of course use their discretion to enable students on IB to receive a fee waiver, but with funding constraints across the further education sector, this is rarely available in practice. To resolve this, the LSC would have to amend the regulations that they currently set on behalf of the DfES.

Skill would suggest that as part of this inquiry, the Select Committee should investigate how people on incapacity benefit can access fee waivers that would alleviate the financial barriers that can prevent them from participating in post-16 training.

Skill supports the development of a more coherent approach to helping economically inactive disabled people into the labour market but we would suggest that there needs to be a more explicit reference to education as work-related activity that can improve a person's chances of finding, sustaining and progressing in employment. Under the current rules of Incapacity Benefit, there is no regulation to say to that an individual cannot claim incapacity benefit whilst studying and these rules are not changing. Nonetheless, Skill has been advised that some people, including Jobcentre Plus staff assume that studying proves that a person is capable of work. This is not true; in many instances studying offers greater flexibility in terms of hours, study methods, and learning support arrangements that allow a person who may not be able to work to participate in learning. In order to effectively address this uncertainty, there must greater liaison between the DfES and DWP at both departmental and executive agency levels.

### 3. DEMAND SIDE

#### a. Do current funding structures support a more responsive skills training system? How could they be improved?

Skill welcomed the proposals in *Learning for Living and Work* to develop funding structures that support the development of more inclusive and accessible learning programmes in the FE system. However, there are a number of outstanding issues that must be addressed before the LSC can convincingly deliver a “fit for purpose, equitable”<sup>23</sup> funding system to support post-16 skills training.

##### *Measured guiding learning hours (glh)*

Skill would not dispute that glh provides a systematic means to determine sizes of qualifications, the degree of structured learning time attached to those qualifications and subsequently the funding that is allocated to a course. However, whilst this is frequently used to estimate funding distribution, this can directly disadvantage learners with learning difficulties and/or disabilities who require more time to complete a course. This is because where learners cannot achieve the qualification in the time allocated by glh estimates, providers are not able to draw down core funding for these learners and have to rely on Additional Learning Support (ALS).

The basic principle of glh can therefore discriminate against disabled learners who are capable of passing but require reasonable adjustments to timescales in order to successfully complete the course.

Skill recommends that the Select Committee discuss with the LSC the development of a mechanism within glh to account for the needs of those learners who take longer to complete courses.

##### *Additional Learning Support*

Skill is concerned by anecdotal evidence from colleges suggesting that the perception of ALS as a mechanism for providing individual support related primarily to learning difficulties and/or disabilities has been to a greater or lesser extent replaced by a broader vision of ALS as a funding stream to help groups of learners who are, for one reason or another “struggling”. The implications of this for learners who have higher support needs is of particular concern, as a redirection of ALS away from them will create significant barriers to their participation in further education.

In light of this, the funding model must be fit for purpose and therefore there needs to be a new flexible system that includes the elements that suits all different types of post-16 provision.

Skill has also raised concerns in the past about evidence that suggests colleges do not appear to have a strategic approach to ALS and the fact that ALS is rarely featured in college development plans for example; while colleges were supportive of ALS its use was not seen as aligned with strategic priorities.

Skill would recommend that the Select Committee explore with the LSC and the role of ALS and the requirement for colleges to identify their strategy for supporting all learners with learning difficulties and/or disabilities through ALS.

#### b. Is the balance between the public, employers' and individuals' contribution to learning appropriate?

The Disability Rights Commission, the LSC and the DWP recognise that more needs to be done to provide a quality post-16 training for disabled people. Subsequently, more public investment would be appropriate for disabled people, as potential and current learners. Skill welcomes the LSC national strategy as a starting point and the commitment to spend an additional £35 million across the regions by 2008 on this cohort of learners. However, this money will cover nine regions over two years, amounting to an additional investment of less £ 2million per annum in each region. Skill is aware that budgets are stretched but it is important that funding is spent judiciously so that disabled learners have access to the same opportunities as their non-disabled peers. In some areas, this will undoubtedly mean spending more to create equity of opportunity for disabled learners.

Skill would also suggest that more investment is required by employers into providing work experience and work placement opportunities for disabled learners. Skill has been involved in a number of research projects on behalf of different regional LSCs which have highlighted the fact that the paucity of work experience options can be a significant barrier to learners both in terms of supporting them to refine their aspirations for work in the future and also for gaining practical skills in the workplace that help them find a job once they have completed their course. It was clear that where work experience was available, it was valued by learners but it was often under-resourced with limited commitment from local employers.

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<sup>23</sup> LSC, October 2006. *Learning for Living and Work: Improving Education and Training Opportunities for People with Learning Difficulties and/or Disabilities Going Forward—Implementing the vision of Through Inclusion to Excellence*. The national strategy for LSC-funded provision for learners with learning difficulties across the FE system: 2006–06 to 2009–10.

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#### 4. LEARNERS

##### a. *What is the typical experience of someone looking for skills training?*

Skill has undertaken a large amount of research with disabled learners in post-16 education and training. We have interviewed many learners with learning difficulties and/or disabilities as part of this research and a key finding was that experiences of learners range widely depending on the type of provision and programme they were on, the teaching and learning expertise on the programme, their previous educational experiences, their age, the ethnic background, type of impairment, the support they received—this list is not exhaustive. Skill would value the Select Committee's scrutiny of anomalies that have a negative effect on a learners' experience but would support the overall development of a person-centred approach to the development of skills training that suits the needs of the individual learner.

##### b. *What information, advice and guidance (IAG) is available to potential learners?*

Potential disabled learners can access IAG from Connexions, School Staff, Next Steps and voluntary providers.

- The Connexions service is available to young disabled people up to the age of 25. In some areas, Connexions provides excellent services and collaborates well with schools, post-16 training providers and other relevant agencies to support young disabled people into training. However, Skill is concerned that the Government response to the Youth Matters Paper, *Next Steps*, did not clear up the uncertainty surrounding the Connexions service and this has implications for the Learning and Skills Act Section 140 assessment of disabled young people and for the delivery of IAG.

This is further complicated by the recent draft quality standards for IAG, which suggest it will be possible for providers to choose IAG that is not in the scope of the quality standards. Skill is deeply concerned about the consequences of this. If it is possible for providers to opt and commission IAG that is not regulated by the quality standards, this could result in disabled young people in some areas receiving substandard IAG, which would be totally unacceptable.

- School staff can also offer IAG to young disabled people. It is appropriate that pupils should have easy access to advice from schools regarding future choices but it is important that this is delivered by professionals who are impartial, who are disability, who are post-16 training experts and who support disabled young people to achieve their aspirations.
- Next Steps offers useful online IAG and a telephone service to young people but does not provide a face-to-face IAG.
- The voluntary sector can also provide IAG, but often provision is under-funded or funded on a short-term basis.
- For potential adult learners there appears to be a paucity of comparable IAG provision. Adults can access Learn Direct or seek advice from Disability Advisers at Jobcentre Plus, but there is scope for the expansion of IAG for older learners.

##### c. *What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?*

One of the biggest issues in terms of developing targeted provision to help re-engage disabled people who are not in education, employment or training (NEET) is that they are not systematically monitored and often appear to fall out of the system when they leave school.

Red Box report found that that pupils with Special Educational Needs were three times less likely to stay on at school, twice as likely to become unemployed and almost three times more likely to be classed as “Not in Education, Employment or Training” (NEET).

Skill would suggest that Connexions and the LSC work more closely together through Children’s Trusts to develop better monitor systems and subsequently targeted outreach and re-engagement programmes aimed and capturing disabled people who are NEET and encouraging them to undertake skills training.

##### d. *What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

Under the proposed system of learner accounts, Skill is concerned that the 41% of learners on courses at Level 1 and below are likely to be disadvantaged. The new system aims to give those learners who use it greater choice and control over their learning and encourage a sense of empowerment. The Government proposes that individual learning accounts can only be accessed by adult learners who are studying for a Level 3 qualification on the premise that learners at this level are an “informed and demanding customer group, able and motivated to exercise real choice”. Learners who have an individual account will be entitled to discount if they undertake courses with any LSC sponsored provider.

Skill is concerned that given the target group, disabled learners at Level 1 and below will not only have less courses on offer to suit their needs, but those over 25 will be discriminated against as they cannot access individual learning accounts and the flexibility and discounts that are attached to these. Given that the Government has undertaken an international analysis or similar account systems, it is unclear why learners at Level 3 have been selected for trial. Both Switzerland and the Netherlands successfully targeted learners learning below level 3. In the Netherlands, where the programme has been successful, almost 90% of those had an education level of “at the most intermediate vocational level”.<sup>24</sup> It is disappointing that these proposals are so contradictory to the central principles of the Independent Living agenda that calls for disabled people to be given the same choice, dignity, freedom and control as every other citizen.

## 5. APPRENTICESHIPS

- a. *What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework?*

There must a thorough monitoring system that ensures the LSC Apprenticeship Programmes are inclusive and that all groups of disabled people are getting access to this kind of training. This should involve a review of the kind of support is available for learners and the sort of training is available for staff etc.

The E2E programme was set up to support the transition of greater number of learners from entry-level learning onto Apprenticeship programmes. The Adult Learning Inspectorate's Chief Executive's report confirmed the success of earlier E2E programmes and clearly there is demand. However, the entry point for E2E has been increased in order to ration provision and this has led to the exclusion of the very learners E2E provision was designed for, those at entry-level. It also means that providers have been over compensated for many of the learners who have made it on to E2E at the higher entry point.

Skill recommends that the Select Committee investigate how the LSC can develop E2E opportunities for learners with learning difficulties and/or disabilities as part of its development of the Foundation Learning Tier so that more disabled people can access Apprenticeship programmes.

## 6. QUALIFICATIONS

Skill would make the general comment that it is crucial for vocational pathways to qualifications to be clear and that disabled people should not be alienated by qualification design. In order to prevent this from happening, it is important that the competence standards of all vocational qualifications are appropriate and do not unlawfully discriminate against disabled people under the DDA Part 2.

Furthermore, once the competence standards are set qualification bodies, must work closely with awarding agencies and with training providers to ensure that reasonable adjustments are made where necessary so that disabled people are not disadvantaged by inaccessible teaching, learning and/or assessment procedures.

January 2007

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## **Memorandum submitted by the Skills for Business Network of Sector Skills Councils (SSCs) and the Sector Skills Development Agency (SSDA)**

### 1. EXECUTIVE SUMMARY

1.1 The Leitch Review sets out a new ambitious agenda for raising the standard of the UK's performance on skills to levels enjoyed by other leading nations. The Education and Skills Select Committee's Inquiry comes at an important point as the Government decides how to respond the Leitch Review recommendations.

1.2 The Skills for Business network of Sector Skills Councils (SSCs) and the Sector Skills Development Agency (SSDA) strongly endorses the Leitch Review and the direction it sets out. Employer leadership and a demand-led approach to the supply of skills are critical to the success of the Leitch ambition. It is important to remember, however, that demand is derived from a series of business and labour market factors that signal the need for skills development and influence investment decisions by employers and individuals. Policies must influence these factors as well as addressing the supply of skills directly.

1.3 The UK's performance on employment is world-class, while our performance on productivity is poor. Between 15% and 25% of the productivity gap with leading countries can be attributed to skills. Our performance by 2020 will barely improve even if we meet all current Government targets for skills. The demand for higher level skills is increasing while jobs needing lower level skills will decrease. The UK

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<sup>24</sup> Mechanisms for the Co-finance of Lifelong Learning Second International Seminar: Taking Stock of Experience with Co-finance Mechanisms OECD, Learning and Skills Council and the European Learning Account Network (2002).

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workforce is also getting older. More than 70% of the UK workforce in 2020 is already in work. The focus on skills must shift from 14–19-year-olds, where progress is being made, to meeting the skills needs of older workers where the main problem rests. The pattern of need is complex and varies considerably between industry sectors, reflecting the product and labour markets, traditions and other factors found in different parts of the economy. Regional workforce disparities affect all sectors, but have a disproportionate effect on sectors predominantly based in lower performing regions.

1.4 The skills system in England is driven by Public Service Agreement (PSA) targets. The targets are largely designed to drive the volume of training and levels of attainment. These output measures do not focus on the outcomes needed by the UK economy and business; outcomes such as closing actual sector skills gaps and the distribution of training according to need. Greater flexibility is needed to reflect the different skills needs of sectors and the increased demand for “bite sized” learning rather than full qualifications. The Leitch Review’s proposal to “depoliticise” the skills agenda is welcome, if hard to achieve. To achieve this, the Commission for Employment and Skills (CES) will require substantial and consensual political commitment between Government Departments and the devolved administrations to operate at the UK level and bring coherence to employment and skills delivery.

1.5 The significant changes in the funding and delivery for skills proposed by the Leitch Review are needed to deliver a demand-led system. The changes will require careful management. Putting funding in the hands of employers and individuals (through Train to Gain (suitably reformed to deliver employer requirements) and Learner Accounts) to buy the products and services they need is right but changes the balance of risk for providers. It is essential that the balance of risk and reward is right for the market to work effectively. Some providers already respond well to demand. We propose an open market for providers to promote innovation, specialisation and quality.

1.6 SSCs have an important role in providing high quality intelligence to employers, individuals and providers to support decision-making. The Learning and Skills Council (LSC) must change from planning volumes to planning capacity within the system to respond to demand. It must also take responsibility for “market shaping” and stimulating the learning agenda. The system for vocational qualifications must also change to reduce lead times for new qualifications and units of learning and to give employers, through SSCs, responsibility for qualifications approval. We propose that Government institutes a “whole-systems” review to engineer a demand-led system focussed on providing the “economically valuable” skills that employers and the economy need. Only once this is done, and roles and responsibilities between organisations are clarified, should any necessary institutional changes be attempted.

1.7 SSCs also have an important role in specifying standards for products and services provided to employers in a sector. Sector Skills Agreements and Sector Qualifications Strategies are key tools used by SSCs to engage with employers. Sector Skills Agreements will develop to not just deliver improvements in supply, but also to promote stronger and more focussed skills investment “deals” between employers and Government. These “deals” could incorporate new incentives for training and sector-based solutions designed to fit the culture and business model of the sector. Customisation is critical to success. Universal “solutions” do not work. This principle underpins the new “Blueprint” approach being adopted for Apprenticeships. This should improve relevance of Apprenticeships to specific sector employment needs and raise completion levels. SSC responsibility for vocational qualifications, proposed by the Leitch Review, would also improve their relevance to employers and provide a more flexible and demand-led approach through the supply of accredited “bite sized” learning units that employers want.

## 2. SKILLS FOR BUSINESS

2.1 The Skills for Business vision is for a workforce with world-class skills contributing to the highest levels of business performance in all sectors of the UK economy. The Skills for Business network provides employer leadership to improve UK productivity by promoting private and public investment in skills and improving the supply and use of skills of the UK workforce.

2.2 The Skills for Business network comprises 25 Sector Skills Councils (SSCs) and the Sector Skills Development Agency (SSDA) operating across the UK. SSCs are independent, employer-led bodies representing key business and public service sectors across the UK economy, covering around 85% of the UK workforce. The SSDA is a Non-Departmental Public Body that underpins the work of SSCs and ensures the delivery of skills information and services for those sectors not covered by SSCs.

## 3. GENERAL REMARKS

3.1 The Skills for Business network welcomes this inquiry by the House of Commons Select Committee on Education and Skills. It comes at a critical point for decisions about the long term direction of UK policy on skills following the important Leitch Review of skills published in December 2006.

3.2 The Skills for Business network strongly endorses the Leitch Review and the direction it sets out. Skills are a major contributor to national productivity and performance and to the success of businesses and public service organisations. The UK faces major challenges to meet the standards of performance on skills set by other leading nations.

3.3 A key issue often overlooked in this debate is that the demand for skills by employers and individuals is derived from a series of external factors. These include factors such as the market and competitive environment, technological developments, service innovations and legislation and regulation. We welcome the Leitch Review's conclusion that the supply of skills must be demand-led. However, it is vital that the signals that both create demand and shape supply are grounded in the genuine needs of business and the public services. Only under these conditions will skills development make a significant contribution to improvements in business performance and sustainable employment.

3.4 Wider Government policies therefore play a critical role in creating the conditions in which businesses and our public services can thrive, seeking out new opportunities and providing better services. This will raise demand for the skills that employers require to take advantage of the opportunities available to them.

3.5 The role of skills policy must be to create a skills system (supply) that responds efficiently and effectively to this demand. To succeed, skills policy and the skills market must be underpinned by high quality information and intelligence about demand and how skills must be developed to meet the specific needs of different business and occupational sectors. Empowering employers to tackle skills issues in their sectors, and to improve delivery by providing leadership of the employment and skills system and national and local levels are fundamental to meeting the skills ambition set out by the Leitch Review.

3.6 Our comments in response to this inquiry are therefore framed in the context of creating an efficient and effective "demand-led" system for skills. We have also framed our response in the context of skills policy and institutional arrangements in England to reflect the scope of the Committee's responsibilities.

3.7 Our comments are compiled in sections, using the headings from the Committee's call for evidence, as follows:

- Section 4—The Post-16 Skills Training Policy Context.
- Section 5—National Policy.
- Section 6—Improving Supply.
- Section 7—Raising Demand.
- Section 8—Apprenticeships.
- Section 9—Qualifications.

#### 4. THE POST-16 SKILLS TRAINING POLICY CONTEXT

We conclude that:

- We need to improve our productivity performance compared with other leading countries (of which between 15% and 25% of the gap can be attributed to skills depending on the country and sector being compared).
- We need to encourage more effective working practices alongside a high skills workforce to increase the productivity of firms by up to 50%.
- We need a much stronger focus on the adult, employed workforce.
- We need to focus on building the skills of the long-term unemployed, economically inactive and migrants to enhance sustainable employment.
- We need greater attention on sectoral differences and needs to produce more effective skills solutions.
- We need improved measures of performance that focus on economic and business outcomes and skills levels (not just qualifications).

##### 4.1 *What should we take from the Leitch Report on UK skills gaps?*

4.1.1 The Leitch Review provides a detailed assessment of the challenges for skills policy in the UK and the economic and social prize if we meet these challenges successfully. The UK is the fourth largest economy in the world and the ninth in the global competitiveness league. Yet the UK is only ranked 18th when measured by GDP per head.

4.1.2 While our performance on the level of employment is world class, our performance on productivity (what we produce while at work) is poor. The UK has one of the lowest levels of productivity among the EU15 countries. Matching the average level of productivity among the EU15 would generate around £80 billion for the UK economy. Matching the performance of France or Ireland would generate up to £200 billion.

4.1.3 One key reason for this alarming gap in productivity is the relatively poor skills levels in the UK. Between 15% and 25% of the gap can be accounted for in this way depending on the country and business sector we are comparing.<sup>25</sup> Secondary education attainment amongst adults places the UK 17th among OECD countries and below other countries such as South Korea, the Czech Republic and Japan. Critically,

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<sup>25</sup> Jagger N et al (2005), Sectors Matter: an International Study of Sector Skills and Productivity, RR14, SSDA.

the Leitch Review shows that even if the UK were to hit all Government targets for skills by 2020, our skills position would barely improve relative to other OECD countries. The UK would remain far from world class.

4.1.4 While the UK economy would clearly benefit from tackling the skills and productivity gap, so too would companies and individuals. High training firms and those with a better educated workforce are high productivity firms. Combined with more effective working practices a high skilled workforce can increase a firm's productivity by up to 50%.<sup>26</sup> For individuals, there is clear evidence that increasing skills at all levels, from the most basic to the highest, increases wage prospects and employability.

4.1.5 Further information on the skills issues facing the UK can be found in "Skills and Economic Performance" published by the SSDA in 2006.

#### *4.2 What are the demographic issues which need to be taken into account in skills policy?*

4.2.1 The UK is part of the global economy. We must continue to adapt both to close the skills and productivity gaps and to keep pace with other leading nations as the global economy grows. We must become a more highly skilled economy. By 2020, two thirds of the current workforce who are not qualified to Level 2<sup>27</sup> will not be required—some four million people. On the other hand, the UK will need a further two million people with qualifications at Level 3 and above.<sup>28</sup>

4.2.2 Our workforce is also getting older. As the Leitch Review points out, more than 70% of the 2020 workforce is already over the age of 16. By 2020 the number in the potential workforce aged over 50 will grow by three million accompanied by a decline in "prime age" workers. While education and skills policy for the 14–19 age group remains an important priority (and, for example, the Skills for Business network is working closely with Government on developing Specialised Diplomas), the greatest challenge lies in addressing the skills needs of those over the age of 16, whether UK nationals or migrant workers, who have left full-time education and are in employment or seeking work.

4.2.3 It is worth noting that even if current Government targets are met (and current progress is below the required trajectory), the UK will barely improve its relative position to comparator nations by 2020. Furthermore, we will continue to have four million people who lack functional literacy skills and over six million who lack functional numeracy skills.

4.2.4 The UK's productivity gap has a strong sectoral dimension and requires sectoral solutions. Many UK sectors perform less well and others significantly better than their counterparts in other countries.<sup>29</sup> Future success depends on promoting high performance in all sectors.

4.2.5 Around one quarter of companies recruiting workers experience skills shortages (unavailability of workers with the right skills) and one in six of all companies experience skills gaps (skills deficiencies within the company's workforce). Skills shortages and skills gaps vary, often considerably, both in scale and depth between sectors and occupations.

4.2.6 Low skill workers are concentrated in a range of sectors and the challenges of the aging workforce also have a strong sectoral pattern. The potential for job growth in different sectors also varies considerably, both in volume and the qualifications required, as do training levels, including for management which is critical for high performance working. Raising employer and individual investment in skills development requires gaining commitment in highly differentiated sector conditions. Commitment levels vary between sectors, and even in apparently high commitment sectors investment in skills may be unevenly distributed between occupations and workers. Those who are least qualified and the least well paid tend to receive the least training.

4.2.7 Workforce composition varies significantly between sectors in terms of gender, age and ethnicity. For progress to be made it will be necessary for all employers in all sectors to develop and make full use of the skills of the workforce, breaking down historical employment patterns where these restrict access to people's talents.

4.2.8 It is worth noting too, that there are serious regional imbalances in both productivity and skills. These underlying imbalances affect the performance of all sectors. However, this can have a disproportionate effect on sector performance for sectors with a high concentration in lower performing regions.<sup>30</sup> A variety of reasons for these regional imbalances have been put forward but the evidence supporting these explanations remains inconclusive at present.

<sup>26</sup> For further evidence on this see Skills Pay: The Contribution of Skills to Business Success, Research Report 5, SSDA, September 2005 and "Smarter Ways of Working", SSDA Catalyst Issue 3.

<sup>27</sup> Qualifications levels used in this evidence refer to the National Qualifications Framework in England, Wales and Northern Ireland.

<sup>28</sup> Research for the SSDA.

<sup>29</sup> Jagger N et al (2005), Sectors Matter: an International Study of Sector Skills and Productivity, RR14, SSDA.

<sup>30</sup> Dickerson A (2005), Sectoral Productivity Differences Across the UK, RR9, SSDA.

**4.3 Are the measures that we have available to assess the success of skills strategy robust?**

4.3.1 In general we do not believe that the measures used by Government provide the best picture of whether the skills strategy is being successful.

4.3.2 The skills system in England is driven by the Public Service Agreements (PSA) targets set by Treasury with DfES. The targets are largely designed to raise the volume of participants and level of education attainment of young people and adults. The premise is that a more qualified and highly educated and skilled workforce will naturally lead to more productive and successful businesses and public service organisations, a more flexible labour market and increased employability. While raising attainment levels will undoubtedly help with some of these objectives it does not automatically follow that the skills developed are those that employers need for developing their businesses, taking advantage of new markets or meeting new service standards.

4.3.3 The Skills for Business network prefers outcome rather than output measures that have a more direct relationship with the performance of the economy and business. These provide a better indication of whether workforce skills match the skills needs of employers and their aspirations for developing their businesses. Outcome measures of performance provide a better signal to the skills system about whether it is delivering what employers and the economy require (ie unmet demand). These are more relevant to the “demand-led” system recommended by the Leitch Review.

4.3.4 As an example, the Skills for Business network have a suite of outcome measures which is used to inform its own work on behalf of employers and sectors. In summary these measures are:

- Productivity—measured by gross value added per worker and international comparisons of GDP per hour worked. These measures chart UK progress towards higher levels of productivity both in absolute terms and relative to other countries.
- Labour Market—measured by skills gaps (workforce proficiency) and skills shortage vacancies (job vacancies that are hard to fill through a lack of suitably skilled applicants). These measures can help identify weaknesses in current skills in the employed workforce and wider labour market. Emerging skills gaps can also be an indicator of sector innovation requiring additional investment in skills to take advantage of new market opportunities or a new external pressure such as legislation.
- Workplace training—measured by the proportion and composition of employees receiving job-related training. This provides a measure of the overall level of training taking place and the extent to which this training is distributed between workers.
- Availability of learning opportunities—measured by employers reporting barriers to training arising from a lack of knowledge about available provision or provision being unavailable when needed. This provides a measure of responsiveness by learning suppliers.

4.3.5 SSCs are now also producing more intelligence about the demand for skills in each sector of the economy. This intelligence is used to develop Sector Skills Agreements that are designed to help shape the supply of skills to a sector. We expect the quality of this intelligence to increase over time as SSCs develop the information base for their sectors. Through this work it is possible to specify demand more accurately to help the Learning and Skills Council (LSC) specifically, and Higher Education Funding Council for England (HEFCE) more generally, to plan capacity (rather than output) and improve the quality of supply in response to current and projected demand.

4.3.6 Furthermore, the targets and measures set by Government and its agencies for the large number of different organisations are not designed or co-ordinated well, sometimes leading to conflicting objectives. An example of this is in the creative industries. The Government’s own Creative Economy Programme recommended that the Government should balance the critical issue of raising basic skills in the workforce with the need to encourage growth in the knowledge economy.<sup>31</sup> It made a range of recommendations including incentives for SMEs to develop high level skills and HE funding criteria to promote courses that address industry needs. The LSC, too, is driven by targets to provide volumes of training, irrespective of whether there is demand by employers or the likelihood of sustainable employment once trained. Also, there are key measurement gaps to monitor Government policy objectives. For example, the LSC currently does not have a system to measure its investment in skills by business sector to underpin the Government’s sector approach.

## 5. NATIONAL POLICY

We conclude that:

- Policy priorities need to reflect all skill levels and the new Leitch ambition for “economically valuable” skills.
- We should focus our priorities for action that meet the evolving skill needs of the economy.

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<sup>31</sup> Creative Economy Programme Education and Skills Working Group Final Report (pp26–27), DCMS, 21 November 2006.

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- Greater flexibility is needed in funding to support accredited “bite sized” learning at all levels and not just full qualifications.
  - There needs to be a much closer relationship between employment and skills policy, addressing sector needs and building sustainable employment.
  - Changes in funding must be handled carefully to manage the balance of risk and reward between employers, individuals and providers to ensure the market works effectively.

*5.1 Are the Government’s priorities for skills broadly correct—for example, the focus on first “Level 2” qualifications?*

5.1.1 No. The Leitch Review emphasis, with which the Skills for Business network agree, is on “economically valuable skills”. The primary aim of skills policy should be to meet the current and future economic skill needs of the country. Current policy on skills delivery attempts to deliver more than one policy objective, whereby meeting economic skill needs is conflated with increasing social inclusion and employability. This issue was addressed by the Foster Review of Further Education, which we endorse, and accepted by Government in its subsequent White Paper.

5.1.2 The Level 2 target (and its associated funding regime) is based on the premise that this is the level which provides a basic level of employability. However, the reality is very different as separate sectors of the economy have differing skill needs for their workforce. Whilst Level 2 skills do form the basis for employability in some sectors, this is not the case for others, where skills needs are at Level 3 or above. Government should also avoid using funding incentives for providers that produce high volumes of qualifications for occupations that are not fit-for-purpose and where there is no employment demand. We would like to see targets more closely aligned with the actual needs of each sector and measures designed to assess outcomes related to the Leitch ambition.

5.1.3 A second, but related, issue concerns the concentration on first full Level 2 qualifications. This ignores the content of the learning and whether it has economic value in the context of employment in a sector. For example, funding rules in Train to Gain exclude full support for employees who have already achieved a Level 2 qualification, even if this adds considerable knowledge or skill which is relevant to their current role in the company or other sector requirements for employment. Furthermore, this policy must be adapted to take account of the growing demand from employers and individuals in work for “bite size” learning (ie less than a full qualification). Credits from accredited “bite size” learning could be accumulated over time towards a full qualification if that is beneficial.

5.1.4 Sector Skills Agreements, operating in a “demand-led” system, can help shape policy and capacity planning to overcome some of these deficiencies.

*5.2 How do other targets, such as the “50% into HE” fit with the wider skills agenda?*

5.2.1 The delivery of “economically valuable” higher level skills is crucial to the ambition set out by the Leitch Review. We have already commented that we do not agree that output targets are the best way to deliver increased productivity and business success unless grounded in the needs of a sector to deliver a specified outcome. The HE sector must also give greater thought to how it meets the higher level skills needs not just of young people, but also of older workers.

5.2.2 The Higher Education sector is a significant provider of higher level education and skills. However, its usefulness as a provider in supporting the UK skills ambition will be limited unless the learning provided is contextualised to specific occupations, business and sectors. We recognise that only some HE learning is designed as a preparation for employment and therefore strongly welcome the Leitch Review recommendation that a proportion of HEFCE funding is used for “demand-led” vocational qualifications. However, it is important that the size of this budget matches the volume of demand for higher level employment-related courses.

5.2.3 The HE sector must also rapidly develop to better service employers’ needs and those of the workforce. Greater flexibility must be encouraged both in the design of courses (including “bite size” learning), how and where the learning is delivered. HEFCE funding also favours learning delivered in higher education rather than work-based routes. For example, HEFCE funding cannot currently be used for Level 4 and 5 NVQs thereby artificially restricting the range of provision that the HE sector can offer. Changes here will be vital to help stimulate demand for relevant higher level learning by older workers, who often have other commitments and to help employers offer financial support and employee time off for learning. We also believe that the HE sector has a much greater role to play in supporting continuous professional development.

5.2.4 Sector Skills Agreements can help in planning capacity and in structuring delivery for specific sector needs. SSCs already work with the HE sector in the design of Foundation Degrees and e-skills UK SSC has developed an IT Management for Business bachelors degree with leading employers and the HE sector to meet a specific requirement of UK business. We would strongly welcome HEFCE being given powers to introduce more incentives for HE institutions to work with employers in this way.

*5.3 What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

5.3.1 The different roles and priorities of Government departments can lead to unintended consequences when policies are designed. This is something that the Skills for Business network experiences at first hand as the network is co-sponsored by DfES, DTI and the devolved administrations. The emphasis by the Leitch Review on employment and skills is likely to mean that DWP will also have a role in sponsoring the network.

5.3.2 The network can find it difficult to obtain a consistent Government view on issues where the policy emphasis may be different between Departments and countries. Particular policy tensions can arise between the DTI's emphasis on business and employment relations, the DfES emphasis on education and the supply of skills and DWP's emphasis on placing people in jobs (but not necessarily with the right skills or with a view to sustained employment). The split of UK level reserved and devolved responsibilities for employment policy on the one hand and education and training policy on the other also has the effect of placing "skills" in a political vice making a UK approach to skills solutions from the employer's perspective difficult to achieve.

5.3.3 The Leitch Review's proposal to "de-politicise" the skills agenda is a welcome ambition, but potentially hard to achieve. The proposed Commission for Employment and Skills will require substantial and consensual political commitment between Departments and the devolved administrations if it is to work effectively to bridge the complex skills policy landscape in the UK. Subject to this, placing full responsibility for sponsoring the Skills for Business network with the employer-led Commission would also help to "de-politicise" the network. The network, being accountable to the Commission, would not be seen as the preserve of any one Department or the devolved administrations and would help it to deliver its UK role, as proposed by the Leitch Review, as impartially as possible according to employers' needs.

*5.4 Do current funding structures support a more responsive skills training system? How could they be improved?*

5.4.1 No. The current funding structures do not support a "demand-led" system as proposed by the Leitch Review. LSC funding is currently allocated directly to providers to deliver planned volumes of training. HEFCE funding is similarly provided for planned student numbers. Neither system is designed to directly and effectively provide flexible learning for sector employment requirements in response to employer and individual demand.

5.4.2 We support the Leitch Review recommendation to channel funding for vocational qualifications through Train to Gain (for employers) and Learner Accounts (for individuals). We also welcome the recommendation that a proportion of HEFCE funding is also channelled in this way to support higher level vocational qualifications. However, we strongly recommend that Train to Gain (which requires further development to provide an effective and comprehensive service for all levels of skills development and learning) and Learner Accounts are used for this purpose and that a separate system is not introduced.

5.4.3 We also propose that other funding streams, such as student accounts, are incorporated in these products to produce a simple-to-understand system. Over time, it is conceivable that the level of public and other subsidy provided through the Learner Account could be adjusted using Commission and SSC intelligence to help signal where there are skills gaps and shortages in order to stimulate individuals to meet the demand for skills in these areas.

5.4.4 Placing funding in the hands of the user will help to stimulate the market for learning provision that meets the needs for employment in a sector. Sector Skills Agreements would provide the intelligence required to help plan capacity within the system to respond to demand. Occupational standards and other sector-based information provided by SSCs would also help employers and individuals make informed choices about the learning on offer and how it will best meet their needs.

5.4.5 We recognise that changes in the way funding is delivered will increase the risks to providers in designing provision which may not be taken up by the market. Sector intelligence and co-operation with SSCs will help to mitigate this risk. However, we would propose that further work is necessary to assess more fully how this would work and to ensure the balance of risk and reward is right for the market to work effectively.

## 6. IMPROVING SUPPLY

We conclude that:

- The role of Sector Skills Agreements will need to change within a "demand-led" system.
- The Learning and Skills Council (LSC) will have to adapt from planning volume to planning capacity to meet demand, also developing a role in shaping the market for learning and stimulating individuals to learn.
- The lead time for vocational qualifications development must be substantially shortened and qualifications and units of learning made directly relevant to employer needs.
- Government should conduct a "whole systems" (end-to-end) review of the skills supply system to focus on how this can respond directly and effectively to demand by employers and individuals.

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- Roles and responsibilities between delivery organisations should be clarified, and only then should necessary institutional changes be attempted.
  - A clear role for Employment and Skills Boards must be established to hold delivery partners to account for working together effectively in meeting demand, working closely with SSCs.
  - Providers at all levels must have an appropriate balance for risk and reward to develop new provision, and have the means to develop teachers with relevant industry or commercial experience to deliver this effectively.
  - There should be a more open market for providers at all skill levels to encourage innovation and specialisation to improve quality and service.

*6.1 Is there a case for a less regulated supply-side system with fewer intermediary agencies and bodies? What are the potential risk and benefits of such an approach?*

6.1.1 Yes. The skills supply system in England is very complex with a large number of organisations involved. The National Audit Office report “Employers’ perspectives on improving skills and employment” (2005) and the Leitch Review both pointed to this complexity. The DfES Capability Review (2006) also referred to this issue and the Department is now committed to simplifying the system. This must be carried through.

6.1.2 Care should be taken in doing this however. The Leitch Review rightly points out that wholesale change should be avoided as this could be an unnecessary distraction from getting on with delivering the skills ambition with no guarantee that re-organisation would result in improvements. Experience of some previous re-organisations supports this view.

6.1.3 The focus for work should be on implementing the change to a demand-led system from the current supply-led approach. This will have implications for the role of SSCs in providing employer leadership and intelligence to support capacity planning and improved supply-side services, including how employer-led Sector Skills Agreements are given force within the supply system. The LSC will need to change its approach from planning volumes to meet output targets, to planning capacity of the system to respond effectively to demand to achieve outcomes more relevant to business and the public services. The LSC must also develop its role in shaping the market to stimulate learning by individuals, with SSCs responsible for stimulating demand by employers.

6.1.4 The system for the design and accreditation of vocational qualifications currently administered by the Qualifications and Curriculum Authority (QCA) also needs urgent attention as it is currently over-engineered. For example, some countries, such as France and Germany, produce fit-for-purpose qualifications in response to employer demand within 3–4 months compared to one year or more in the UK. Another area worth building upon is the Quality Improvement Strategy (QIS) introduced to help with navigating the complex FE sector in England. The FE Bill also introduces some useful measures to integrate this sector and to improve quality.

6.1.5 In summary, we believe there is an urgent need to review how the skills and employment system works from the employer’s and individual’s perspective. The supply system has developed piecemeal, often led at Department or sub-Departmental level, to meet specific policy and supply priorities. A “whole systems” review, jointly led by DTI, DfES and DWP, is required to identify appropriate service standards and those parts of the system which require re-engineering to provide a seamless demand-led service to employers and individuals. Only once this is done, and roles and responsibilities between organisations are clarified, should further organisational changes be attempted.

*6.2 What do the national and regional agencies currently do well? How are bodies such as the Regional Skills Partnerships working?*

6.2.1 The Leitch Review has concluded that the current system for the supply of skills is not sufficient to meet the challenge of raising our national performance to the level of other leading countries. The change to a demand-led system for skills proposed by the Leitch Review will have profound implications for national and regional agencies.

6.2.2 Regional Skills Partnerships (RSPs), designed to articulate the skills needs of the regions, provide a platform for “regionalizing” Sector Skills Agreements and are a mechanism for supporting economies of scale. They are also helpful in bringing together FE and HE across the regions (and, in some regions, also schools). They can also ensure that other funds—such as European funding and lottery—purchase the skills needed by employers and communities (such as in London). In practice, it is the experience of the Skills for Business network that the balance of power in RSPs rests with the Regional Development Agency and the LSC and that other “partners” have lesser roles. The danger is that this leads to a strong supply-driven agenda.

6.2.3 Local Strategic Partnerships provide a mechanism for schools, colleges and providers to work with other services and employers to deliver what local communities and employers want. They are providing the framework on which the 14–19 partnerships are being built to deliver the Specialized Diplomas.

6.2.4 The Commission for Employment and Skills (a Leitch Review recommendation accepted by Government to replace the SSDA, National Employment Panel (NEP) and Skills Alliance in England) will play an important role in holding those organisations in the employment and skills system to account for delivering skills in response to demand from employers and individuals. SSCs will have a vital role to play, as described by the Leitch Review, to raise demand for skills in the context of each sector's business and operating environment. SSCs will also provide key intelligence and information to help the LSC and other agencies to plan capacity to meet demand, to innovate products and services employers and individuals need and to improve the quality of provision.

6.2.5 The Leitch Review also recommends that employer-led Employment and Skills Boards (ESBs) are established where employers want them. Our understanding is that ESBs are intended to act as regional, city-based or local arms of the Commission (which would "license" them) to provide a strategic role in holding to account Government and other key agencies and providers in how well services are delivered to meet demand. This is a crucial role, providing employers with their own outlet for resolving problems they face in dealing with the local skills system.

6.2.6 The Lyons Inquiry is now considering the implications of the Leitch Review in the context of the future role and financing of local government in England. This includes consideration of the role of local authorities in funding provision for young people between the ages of 14 and 19 and the potential rationalisation of other budgets. This could have further implications for the LSC's role in managing its current budget for the skills development of 16–19-year-olds. This means that the LSC could be a more strategic body focused on funding and capacity planning for adult skills and shaping the market for learning.

6.2.7 In summary, the Skills for Business network would welcome a simplification of the current national, regional and local arrangements to support a strong demand-led strategy. ESBs and SSCs would provide employer leadership and work together to ensure a more joined up approach to delivering sector skills needs effectively at local level.

### *6.3 Does the LSC need to be the subject of further reform?*

6.3.1 Yes. The Leitch Review has important implications for the LSC by re-focusing its role on responding to employer and individual demand by planning capacity rather than delivering output targets. The LSC must also develop a new role in shaping the learning market and focus on stimulating learning by individuals (with SSCs responsible for engaging with employers to raise demand). The FE Bill includes provision for reforming the LSC. This is entirely consistent with the Leitch review recommendations for supply to respond more quickly and flexibly to demand from employers and individual learners.

6.3.2 The LSC is at the heart of this reform and can exert considerable influence through its large budget and leverage on the provider network. It has been less successful in responding quickly and effectively to employer requirements, in part through its obligation to deliver the Government's PSA target for Level 2 qualifications.

6.3.3 The Leitch Review recommendations should help to address some of the deficiencies of the current system by changing the LSC's role and putting responsibility for defining skills needs and specifying the nature and quality of products and services in the hands of employers working through SSCs and ESBs.

6.3.4 A key question, still to be resolved, will be how to move from a system in which the LSC is responsible for "centrally planning" the allocation and rationing of funds to deliver output targets, to one where its responsibility is for planning capacity and capability in the provider network to meet demand defined by the market.

### *6.4 What is the typical experience of a college or other provider who wants to put on new provision in response to local employer demand?*

6.4.1 There is no "typical" experience as it depends on the relationship with the employer, the senior management team (their attitude to risk and the resources they have to support the initial start up phase), the skills of the lead person in securing the right funding and the skills of staff to deliver the type of training required.

6.4.2 Where a college has the systems in place to develop bespoke training for an employer and that employer is willing to buy the expert consultancy services of the college at cost (for example Newham College, London) then the process can be smooth. It can be particularly successful with short courses, and is very common around IT courses, reflecting employer demand for this type of provision.

6.4.3 However, if it is for training that attracts a subsidy, HE institutions, colleges and other providers will not put on courses until the funding package is in place. As businesses running on very tight margins a college or other provider cannot afford to make a loss. The main danger for unsubsidised demand-led provision is that the numbers can be small and so the training will be prohibitively expensive.

6.4.4 The funding system in England does not, as yet, support providers in building the capacity to offer flexible provision to employers and individuals. In many areas there is little training on offer to support partnership provision or to ensure that teaching staff have relevant recent industry or commercial

experience. This is being addressed in 14–19 education through the workforce programme. The Centres for Excellence in Teacher Training (CETTs) will support this activity in the future provided that they can source funding or sponsorship.

#### *6.5 Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning?*

6.5.1 There is a strong argument for opening up the market in which public funds can be used to providers who are capable of meeting demand effectively, efficiently and economically. The skills system must be stimulated to increase the relevance and quality of its provision that employers and learners will be prepared to buy if we are to have any chance of delivering the ambitions set out by the Leitch Review.

6.5.2 We believe that there should be an open market in which providers (from private providers to HE Institutions) decide the type of training they want to offer, from basic to the highest level vocational skills. The criteria for success should be relevance to employer and individual skills needs, quality of provision, flexibility of delivery and price charged by the provider. We do not believe that an open market would lead to a “free for all” as providers would most likely choose to specialise in serving specific markets according to their strengths. However, it would remove some of the comfort and constraints on innovation imposed by the current system of public funding and would be more suited to a demand-led system in which the customer buys products and services through Train to Gain and Learner Accounts.

6.5.3 Furthermore, we believe that the new employer-led sector Skills Academies, with which SSCs are fully engaged, offer a major opportunity to support providers in developing and delivering curricula that employers require. This will reduce the risk to providers in developing provision that may not meet industry needs and help reduce the costs of development and time to market for delivery.

## 7. RAISING DEMAND

We conclude that:

- A number of key components must be put in place to develop an effective “demand-led” system.
- Employers, through SSCs (or ESBs) must have the authority to develop packages of financial support and other incentives to stimulate demand where there is market failure.
- Sector Skills Agreements must be reshaped to provide stronger “deals” between employers and Government to promote investment in skills for sector priorities.
- Public funding support must be used flexibly to stimulate demand for skills at all levels according to sector needs.
- Information, advice and guidance must be provided by highly skilled advisors able to provide high quality advice to individuals based on sectoral knowledge.
- Learner Accounts should be used for all publicly supported learning, including higher level skills.

#### *7.1 What should a “demand-led” system really look like?*

7.1.1 In summary, an effective “demand-led” system is one in which employers and individuals understand the importance of skills development to business success, employability and career development. Through this understanding they will feel confident to invest in skills knowing that they will receive a benefit and that those supplying training are delivering high quality flexible learning specified and endorsed by the sector in which they work.

7.1.2 This would help to address the two highest barriers to training reported by around half of employers: disruption to work patterns and financial cost.<sup>32</sup> In some cases, where a sector (through its SSC) or ESB identifies a need that the market is not meeting, a package of financial support and other incentives<sup>33</sup> can be developed, endorsed by the Commission for Employment and Skills, to stimulate demand using Train to Gain brokers and Learner Accounts until the need is satisfied. Investors in People should be reviewed to ensure it provides a strong link between business development and skills, contextualised to each sector. Over time, the Standard could become a means for quality assurance of public investment with employers, ensuring investment is linked to a business strategy for performance improvement.

7.1.3 There are a number of key components in an effective “demand-led” system:

- High quality and readily available information to inform employers and individuals in order to stimulate demand and signpost effective solutions, and to help the LSC and other regulators plan capacity to meet demand;
- An effective means of putting purchasing power in the hands of the consumer (Train to Gain and Learner Accounts) that is both simple to understand and to use;

<sup>32</sup> Ipsos MORI Social Research Institute (2006)/Skills for Business network, 2005 Survey of Employers, RR18, SSDA.

<sup>33</sup> A range of incentives, identified from international research, can be found in Sung J, Raddon A, Ashton D (2006), Skills Abroad: A Comparative Assessment of International Policy Approaches to Skills, RR16, SSDA.

- A powerful means to raise employer commitment to investing in skills, through SSC-led industry-level Sector Skills Agreements;
- An effective market for providers, promoting high quality and responsive provision;
- Clear specifications of occupational requirements and learning units that can be studied alone or combined to offer a qualification at any level as necessary (with public funding only supporting those units or qualifications that have been approved by SSCs);
- Effective regulation of providers, products and services as necessary, working to standards agreed with employers (through their SSCs);
- Flexible and effective use of public investment to address market failures, based on sound intelligence of need; and
- Much greater flexibility for “public” providers to raise private capital for capital investment.

7.1.4 The respective roles and responsibilities of organisations for delivering each of these functions must be clear. It is also vital that in designing the “demand-led” system that innovation and creativity are more strongly encouraged and not stifled. However, the Committee will recognise that much further urgent work is required to think through the implications and necessary changes required to make the “demand-led” system work well in practice.

## 7.2 *Do employers feel like they are shaping skills training—for example through the Sector Skills Councils?*

7.2.1 The National Audit Office report *Employers’ Perspectives on Improving Skills for Employment* (2005) highlighted the problems that employers face in trying to influence the skills system in England. The report also highlighted the role of SSCs as a key means for employers to influence the type and quality of training provided to their sector.

7.2.2 The Skills for Business network has made considerable progress in representing employers and influencing skills provision since the network was completed in December 2005. Evaluation data from 2005 shows that in this short time the network was already achieving good performance ratings. Nearly two thirds of employers who dealt with their SSC were satisfied. 82% thought the SSC had changed skills development in their sector for the better. SSCs also have a broad range of employer representation on their Boards. Seventeen SSCs have representation from companies on the FTSE100/250. Of the remaining SSCs, only two SSCs have just one or two companies in the FTSE350. More than 20 SSCs have employer representation from small and medium sized businesses. The SSDA is working to further strengthen the capacity and capability of SSCs to deliver their new role set out by the Leitch Review.

7.2.3 The Leitch Review has made recommendations that give employers much greater control over training, including that provided from public funding. The creation of a stronger “demand-led” system is a major plank in meeting the skills ambition set out in the report. SSCs, as the “voice of employers” on skills in each sector, have a central role in both promoting employer investment in skills and in ensuring that public provision is meeting sector development needs effectively.

7.2.4 Sector Skills Agreements and Sector Qualification Strategies are two key tools used by SSCs to engage employers at the sectoral level. Sector Skills Agreements are based on in-depth analysis of the skills needs in each sector, consultation with employers and agreement with Government and skills providers of key action to deliver skills priorities. Sector Skills Agreements need to develop further to support the Leitch Review recommendations to create a demand-led system. This will include stronger “deals” between employers (at the sectoral level) and Government for skills investment in the sector. Sector Qualifications Strategies, which SSCs have just begun to develop, will provide the basis delivering the vocational qualifications and units of learning that employers want.

## 7.3 *Do employers feel closely involved with the design of qualifications?*

7.3.1 Not enough at present. Employers, through their SSCs, have the opportunity to develop the content of qualifications (for example, through Specialised Diploma lines of learning or national occupational standards). If employers are to get qualifications that deliver the skills they need their influence must continue through the design of qualifications and into delivery.

7.3.2 There are some examples of good practice from SSCs that demonstrate that close involvement with employers on qualifications does work: Skills Passports (SkillsActive), Gold Standards, “licences to practise” (People 1st), accreditation of HE courses, Screen Academies (Skillset)—all these are initiatives from Sector Skills Agreements.

7.3.3 Sector Qualifications Strategies developed by SSCs will help further with employer engagement. We also strongly welcome the new emphasis in the Leitch Review on SSCs as a conduit for qualification approval as this too will increase employer’s involvement in the design of future qualifications and units of learning.

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7.3.4 However, there is a lengthy chain from identification of skills need to the delivery of skills, and unnecessary bureaucracy in quality assurance systems. The National Qualifications Framework needs to evolve into a credit framework with shared funding to support accumulation of credits towards full competence. Employer demand is for more learners in work to have “bite-sized” learning but this must fit into a structure to support career development and the transferability of skills within the labour market.

#### *7.4 Should employers be further incentivised to take up training? If so, by what means?*

7.4.1 UK employers currently spend around £33 billion<sup>34</sup> a year on training (often on induction, health and safety and other statutory requirements), but around one-third of employers do little or no training at all. This clearly needs to be addressed as an increase in training would result in increased productivity.

7.4.2 The degree of employer investment also varies between sectors. For example:

- A high proportion of employers in the active leisure and learning sector already invest in training. The National Employer Skills Survey 2005 shows that 72% arranged or provided training for staff in the last 12 months compared to 65% for all sectors.
- In the Audio Visual industries employers recognise the value of skills training and how this impacts on their productivity:
- The Film Skills Fund is a shared investment of public funds (lottery distributed through the UK Film Council) and private/industry investment (through the industry’s contribution to the Skills Investment Fund).
- The Freelance Training Fund is a co-regulatory arrangement amongst major broadcasters/employers for the training of freelancers to secure a high quality workforce in a project-based industry.
- 25% of the employers who do not train in the hospitality sector say that nothing would ever induce them to train even though 66% of them recognise it would improve their business performance. These employers may need some form of “regulation” (such as a “licence to practice”) to participate for wider economic benefits or simply meet acceptable public health and hygiene requirements.

7.4.3 Improvements to supply will incentivise some employers to invest as they see greater value in return. However, some employers will need further incentives to take up training, particularly in SMEs (the more hard-to-reach in each sector), where better access to increased levels of training for managers will have greater relevance, as both management skills and profits will improve. We would also welcome initiatives that expand funded provision to Level 3 training and beyond through the Higher Level Skills Pathfinder pilots in Train to Gain, in addition to Level 2 provision (the current focus of publicly funded provision).

7.4.4 Empowering SSCs to deliver the objectives of their Sector Skills Agreements is a strong incentive for employers to invest and engage in skills development. When Sector Skills Agreements appear to deliver tangible outcomes in terms of quality, flexibility and affordable training, employers are able to see the clear benefit to their business. Sector Skills Agreements encourage employers to look beyond the limited view of their own business into an informed wider picture of their sector, demonstrating the interrelation of skills development with productivity and competitiveness.

7.4.5 However, Sector Skills Agreements must adapt. The Leitch Review sets out a new vision in which there is an explicit “deal” whereby employers invest in return for public funding support to Levels 2 and 3 and greater control in specifying what is delivered to the sector. SSCs will be leading this change by stimulating employer awareness and setting out the ways in which the sector can improve and the benefits this will bring. SSCs will also negotiate sector initiatives with employers where there is a collective interest to invest in skills. Collective initiatives can reduce the risk to investment by firms or individuals and reduce costs.

7.4.6 There is no magic answer to increasing employer investment in skills. Each sector operates in different ways, so incentives need to be developed, within the parameters of each Sector Skills Agreement, in ways that best fit the culture, business drivers and other needs of the sector. Evidence from the UK and abroad shows that blanket solutions do not work, introducing bureaucracy, costs to business and “avoidance behaviour”.<sup>35</sup> A part of this debate, which we encourage Government to engage in, is the direct or indirect use of tax incentives to stimulate investment in skills.

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<sup>34</sup> National Employer Skills Survey 2005.

<sup>35</sup> Sung J, Raddon A, Ashton D (2006), Skills Abroad: A Comparative Assessment of International Policy Approaches to Skills, RR16, SSDA.

### *7.5 What is the role of Union Learning Representatives?*

7.5.1 Those SSCs in unionised industries support the role of the Union Learning Representatives as they enhance engagement with the workforce and assist in communication with employees. There are now over 15,000 Union Learning Representatives. They in turn have helped increasing numbers of workers into learning, particularly those who lack qualifications and are disadvantaged in the labour market.

7.5.2 There is a need for an additional measure to enhance the effectiveness of Union Learning Representatives in helping to promote and help to deliver workforce development in all recognised workplaces. This could have significant effect on the take up of Skills for Life, ICT and engagement with Train to Gain in general. This can best be done in partnership with employers within joint learning committees, secured through learning agreements which formalise ULR arrangements. The scope of the agreement would be dependent on the discussions between the parties. Where further encouragement is needed one formula might be a statutory obligation for employers to negotiate a learning agreement in a recognised workplace where Union Learning Representatives are present.

### *7.6 What roles should employment agencies play in facilitated training?*

7.6.1 Public and private sector employment agencies have an important role to play in facilitating training. They have a responsibility for ensuring that the people on their registers have the necessary skills for the range of vacancies for which they are suitable. In particular, DWP should refocus its policy from a priority on placements to sustainable employment.

7.6.2 All agencies should draw on the intelligence from SSCs about the skills requirements for different occupations and provide high quality information, advice and guidance to individuals. The new careers service, recommended by the Leitch Review, will have a key role in supporting employment agencies to deliver this advice and guidance and to identify appropriate learning opportunities to meet specific individual needs.

7.6.3 The new Learner Account, also proposed by the Leitch Review, would play an important role. The Learner Account could develop to draw down funding to subsidise employability training and training for priority skills gaps and shortages in specific sectors.

### *7.7 What is the typical experience of someone looking for skills training?*

7.7.1 This is hard to say as it depends on the individual, the stage in their career and the sector they are working in. It could be a confusing experience if people do not have somebody to explain to them how they could get skills training (for example, through *learndirect*).

7.7.2 The proposed design principles and menu of services emerging from the Government's review of information, advice and guidance for adults certainly recognises this and that one size certainly does not fit all. Government has responded by recommending a system that is flexible, can be accessed via different media and is relevant to adults at all stages, skills levels etc.

7.7.3 The Leitch Review recommendation for a single careers service and a free skills "Health Check" are welcome proposals.

### *7.8 What information, advice and guidance is available to potential learners?*

7.8.1 Information, advice and guidance provision (IAG) for individuals is currently delivered by a range of agencies including *learndirect*, Nextstep (with its focus on adults who have no qualifications up to Level 2), Jobcentre Plus, trades unions (through Union Learning Representatives), FE, HE and private and voluntary organisations.

7.8.2 There are also different levels of information, advice and guidance available through the current system. Nextstep in general offers information and advice, with some guidance available through some partnerships depending on available funding. Guidance is available over the phone for people qualified up to Level 3, through *learndirect*. FE and HE offer guidance to students and there is Connexions provision up to age 19.

7.8.3 As can be seen, the publicly-funded system of IAG in England is fragmented. It is also not universally available to all potential learners or people seeking to progress in their careers. We therefore welcome the Leitch Review recommendation for a single universal careers service.

7.8.4 Given the ageing population in the UK and the increasing skills shortages faced by all occupational sectors, it is crucial that the whole workforce is able to access well-informed IAG. The new service must cater for adults at all stages of their working lives and at all skills levels.

7.8.5 It is also important that the new careers service has highly skilled advisors fully equipped to deliver a universal service to the whole workforce. The DfES-funded SSC IAG Project<sup>36</sup> has developed a support package for advisers that it is hoped will be mainstreamed into the new service. This includes impartial, up-to-date Labour Market Information (LMI) for advisers in one place: the National Guidance Research

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<sup>36</sup> Bringing Industry and IAG Services Together: December 2006 and ongoing, project managed by Skillset, the SSC for the audio-visual industries.

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Forum (NGRF) website ([www.guidance-research.com](http://www.guidance-research.com)), a template for delivering learning workshops to advisors on LMI and to gain sectoral knowledge together with an on-line learning resource that will be available to all advisors to develop their skills and knowledge of LMI.

*7.9 What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?*

7.9.1 Engaging people currently on the edge of the labour market, including migrant workers, is an important priority. Jobcentre Plus is a key partner in the Government review and is linking with *learndirect* through a new referrals initiative. The introduction of skills coaches also seems to have helped some individuals with more in-depth support to define their skills and learning needs. It is hoped that the Government's IAG review will look at appropriate channels to engage more in this context.

*7.10 What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

7.10.1 The Leitch Review recommends that Learner Accounts should provide the sole means for routing public funding support for individuals within the "demand-led" system. We agree with this recommendation. If designed correctly with employers, the Learner Account offers considerable potential as the key mechanism underpinning the delivery of learning flowing from advice to individuals provided by the proposed universal adult careers service.

7.10.2 We further propose that Government gives full consideration to using Learner Accounts for all forms of learner funding support, including higher level skills. This would provide a single record of funding support for learning helping individuals and their advisers to have a full discussion about future learning needs and the funding options. Public funding would only be used for vocational qualifications or learning units approved by employers, through their SSCs, and included in the proposed National Qualifications and Credit Framework.

7.10.3 The Learner Account should also support the delivery of learning in different industry sectors using sector-approved "skills passports" where these are used (such as in the construction and hospitality sectors).

7.10.4 Over time, the Learner Account could be used as a means to provide market signals about the type of learning which attracts both public and industry sector support. This is likely to be available where the normal operation of the market is not supplying the skills required by employers and some further stimulation of demand is required. It is also possible that the Learner Account could develop as a form of skills "credit card" where learners have access to preferential loans repayable over time, operating in a similar fashion to the current HE student loans system.

## 8. APPRENTICESHIPS

We conclude that:

- Apprenticeships must be coherent programmes of learning which provide new entrants (of whatever age) to occupations and sectors with the necessary skills, knowledge and behaviours for effective employment.
- Apprenticeships should only cover those competences required by a sector.
- The "Apprenticeship" brand should signify full competence at a specific level recognised by employers and educational institutions.
- The Apprenticeship "Blueprint" should be given time to bed in.
- Higher level Apprenticeships should be developed where there is sector demand.
- Completion rates must be improved, but that this must be accomplished by providing high quality apprenticeship places and learning that employers recognise and value.

*8.1 What should new apprenticeships look like? How close are they currently to this vision?*

8.1.1 Apprenticeships are critical to workforce development and productivity in the UK. The unique value of apprenticeship is that it is an opportunity to invest in the future, through in-depth training programmes—rather than just a collection of qualifications—that bring new skills, enthusiasm and a reluctance to accept existing norms into a company as well as motivating people to stay within the sector. The apprenticeship provides a valued training structure for new recruits to the sector, at whatever age they start or change their careers, and reassures employers that training has occurred to a nation standard recognised across all sectors. As such, Apprenticeships have strong brand recognition, implying quality. This is particularly true where there is an established tradition of apprenticeships, and those who run the companies are former apprentices.

8.1.2 Apprenticeships should be coherent programmes, which provide new entrants (of whatever age), into occupations and sectors with the necessary skills, knowledge and behaviours which lead to fully competent and productive employees with in-depth understanding of their occupation and sector. The brand “Apprenticeship” should be used to indicate full competence in a particular occupation and have status within and across sectors, and with all education and training providers (including HE).

8.1.3 To achieve this, the design principles for Apprenticeships (the Blueprint) must be flexible enough to accommodate breadth and specialist technical skills, and meet the needs of all occupations in all sectors and different shapes and sizes of companies; and the providers must be able to deliver structured, high quality training and assessment applied consistently across the sector. Where this happens, Apprenticeships will form the foundations for continued learning and development at work or through further and higher education.

8.1.4 There is much more work to do with a number of critical stakeholders to achieve this vision, including: employers, to promote the benefits of Apprenticeships (particularly in sectors without a history of apprenticeships, where employers perceive bureaucracy or uncommitted young people, and with small and medium sized businesses); those influencing the choices made by potential apprentices (careers advisers, and education and training providers); and key stakeholders (DfES, LSC, QCA, etc) to ensure that the unique Apprenticeships brand does not get diluted by policy initiatives and standardisation not required by the sector.

## *8.2 What parts of the current apprenticeship framework are seen as valuable by learners and employers, and which less so? Is there a case for reform of the framework?*

8.2.1 The Blueprint for Apprenticeships, agreed by key partners (LSC, DfES, QCA and the Skills for Business network) offers greater flexibility in the design of Apprenticeship frameworks than former arrangements. In addition, the transfer of the quality assurance arrangements for Apprenticeships to the Skills for Business network gives employers and learners greater ownership of the design process. However, the Blueprint is still relatively new, and its flexibility has not been tested across all occupations and sectors. In addition, there is work in progress with SSCs and other organisations responsible for Apprenticeship design to encourage innovative approaches to interpreting the Blueprint. To date, there is support from employers and learners for the NVQ (or an alternative competence-based component in the framework) and technical certificates (where they genuinely add value), but key skills assessment is much less popular.

8.2.2 The Skills for Business network is still testing out the flexibility of the current Blueprint across occupations and sectors. There is no appetite for changes to the Blueprint at this stage, as stability is important and change can be costly for employers, apprentices and the delivery system alike. However, there is scope for the further development of key skills, so that these skills can offer genuine transferability between sectors and occupations. Any proposed research and development activity to support transferable skills should be led by the Skills for Business network. Genuine transferability of skills is increasingly important to individuals who will need to change occupations and sectors several times in the course of their careers.

8.2.3 At present, there are a number of initiatives designed to address skills needs in each of the four home nations. Most of these have an impact on Apprenticeships (known as Modern Apprenticeships in Scotland, Wales and Northern Ireland). Different policy and funding in each home nation can make apprenticeships appear complicated and confusing to employers, who often operate across all four home nations and internationally.

## *8.3 Are the number of places available appropriate, and in the right areas, and at the right level?*

8.3.1 Through Sector Skills Agreements, SSCs are in the process of analysing the current and future skills needs of their sectors, and any changes necessary to the current Apprenticeship offer to meet these needs. It is difficult for SSCs to align the regional and national skills needs to Apprenticeship registrations at present, because information about Apprenticeship registrations is with LSC, and there is inadequate data exchange between LSC and SSCs. The Skills for Business network would welcome accurate information from LSC about Apprenticeship registrations so that they could offer more effective services and support to new entrants to their sectors. A number of SSCs are exploring the option of setting up registration and certification schemes for apprentices, and the SSDA is leading on a project to develop best practice operational principles for these schemes.

8.3.2 It is clear, in some sectors, that there is greater demand for Apprenticeship schemes, than there are employers willing to recruit apprentices. There can be an issue about availability and adequacy of training provision in particular areas. Where this is the case, it means that employers (particularly small employers) are not able to establish and run Apprenticeship schemes because of poor access to training locally. The Skills for Business network is working with LSC on CoVEs and Skills Academies to help overcome these issues relating to training provision, but this has an impact on access to Apprenticeship frameworks in some regions.

8.3.3 With regard to level, there is a strong evidence base emerging from Sector Skills Agreements in a number of different sectors to justify the introduction of higher level apprenticeships (above advanced) or graduate apprenticeships in some technical occupations (engineering, the police, construction); and for

more generic skills development in management and leadership to combat high staff turnover in some sectors (logistics). In some parts of the construction industry, new entrants are required to have competence-based qualifications, a Health and Safety Test, and a degree recognised by a professional institution to obtain the Construction Skills Certification Scheme card/skills passport; and in early years, the Government aims to have graduate Early Years Professionals in children's centres by 2010 and full day care by 2015. In other occupations (pharmacy, dental nurse), the necessary higher technical training is best developed through foundation degrees, work-based honours degrees, or single qualifications offered by professional institutions. SSCs and LSC have piloted a number of Level 4 Apprenticeships.

#### *8.4 What is the current success rate for apprenticeships?*

8.4.1 It is assumed that "success rate" refers to completions. The current completion rates vary significantly between sectors, but completion trends are increasing significantly in most sectors. The average completion rate across all sectors in 2005–06 was 53% (a 13% increase on the same figure for 2004–05), but some have increased to as much as 60% (in the case of the Automotive sector), according to LSC statistics. The Skills for Business network has worked successfully with LSC to achieve this figure.

8.4.2 There are complex reasons for low completion rates in sectors. These include: whether apprentices are in paid employment; staff turnover rates in the sector; the appropriateness of the matching process for recruits to Apprenticeship schemes; the extent to which apprentices are given support in work and in their off-the-job training (if appropriate); and the personal circumstances of each apprentice. The Skills for Business network recognises that these completion rates need to be improved further, and will continue to work with employers, within a demand-led system, to achieve year on year improvements.

### *9. Qualifications*

We conclude that:

- Vocational qualifications reform must be "demand-led" according to sector needs—in some cases this could lead to more qualifications and units of learning rather than less.
- Vocational qualifications must be designed to meet clear "fitness for purpose" criteria agreed by SSCs.
- QCA should set the "architecture" for credits and quality assurance and SSCs should ensure that vocational qualifications meet the needs of employers (approving qualifications for inclusion on the proposed Qualifications and Credit Framework to attract public subsidy).
- SSC-led Sector Qualifications Strategies must drive vocational qualifications reform to meet sector needs.
- Vocational qualifications and accredited units of learning must be transferable across the UK and Europe.

#### *9.1 Do the qualifications which are currently available make sense to employers and learners?*

9.1.1 In overall terms the answer is no. However, the extent to which qualifications make sense can differ between sectors and sub-sectors. The Leitch Review, having spent two years consulting a wide array of employers and stakeholders, concluded that "There are currently over 22,000 qualifications which present a confusing picture for employers and individuals". The Skills for Business network supports this view, but recognises that there are sectoral differences, and in some sectors there are too few qualifications. Much depends on the potential market for qualifications and how it is explained to employers.

9.1.2 Employers seek qualifications and units of learning which have the following characteristics:

- Are transparent, irrespective of the provider and the awarding body. That is, the employer is clear what an employee holding a designated qualification is able to do (the level of competence and knowledge) and to what level irrespective of where the qualification was obtained;
- Promote skills development for people in work with limited spare time through a simple transferable credit framework, aligned across the four home nations, with HE systems and across Europe;
- Meets their current and future business needs (including high level transferable skills and knowledge);
- Allows for formal and informal assessment that fits as efficiently as possible with work processes;
- Provides a seamless transition between FE and HE; and
- Can resolve skills issues quickly, and at minimum expense.

**9.2 Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalisation?**

9.2.1 The Qualifications and Credit Framework is currently under development and not yet tested. It has the potential of leading to a more flexible qualification system but it will not produce a rationalised system in itself. QCA has a clear role in setting the general “architecture” for credit and quality assurance, and SSCs must ensure that qualifications meet the needs of their employers and wider sector. Both QCA and SSCs must work closely with Awarding Bodies to ensure their output deliver this requirement.

9.2.2 Sector Qualification Strategies will be developed by SSCs with the full engagement of employers and will be based on sound labour market intelligence—developed through SSCs’ Sector Skills Agreements. These are essential to success as there need to be recognised routes for progression from 14–19 awards through to PhDs that are approved by sectors and used by key partners such as Awarding Bodies. There also needs to be a clear articulation between the qualifications frameworks in each of the home nations which is simple and easily understood by employers. Key success criteria are consistency and responsiveness to sector requirements to work effectively. Employers do not recognise geographic boundaries in the same way as the qualification regulatory bodies and need qualifications that are transferable across the UK and Europe.

9.2.3 However, it is not simply a matter of reducing the number of vocational qualifications. In some sectors the number of vocational qualifications will increase. If vocational qualifications are to meet the diverse skills needs of sectors they must be developed from national occupational standards. These standards must be unitised and available through a flexible qualifications and credit framework with SSCs determining how units are combined to form qualifications.

9.2.4 A key recommendation of the Leitch Review that underpins this requirement is to only allow public funding for vocational qualifications where the content has been approved by employers through their SSCs, replacing QCA’s current responsibilities in this area. The scope of this recommendation needs to include curriculum frameworks such as Apprenticeships and Foundation Degrees.

*February 2007*

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**Memorandum submitted by SkillsActive**

**BACKGROUND INFORMATION ABOUT SKILLSACTIVE**

1.1 SkillsActive is an employer led organisation recognised and licensed by Government as the Sector Skills Council for Active Leisure and Learning. We have been charged with leading the skills and productivity drive within the Sport and Recreation, Health and Fitness, Playwork, The Outdoors and the Caravan Industries.

1.2 We are working with and for the sector to:

- Advise government and influence decision makers.
- Promote the image of the sector to the public.
- Ensure the quality of training and qualifications.
- Help people find the jobs and training they need.
- Help the industry attract and retain the right staff.
- Attract funding to meet employers training needs.

1.3 SkillsActive is a registered charity and a membership organisation for employers and voluntary organisations in our sector. We receive funding for our core functions from the Sector Skills Development Agency, as a result of being licensed by government.

1.4 We work in close partnership with the Department for Education and Skills, the Department for Culture, Media and Sport, the Devolved Administrations and the Home Country Sport Councils to deliver our programme of activities. SkillsActive’s work is directed by a Board of Trustees, which meets every two months.

1.5 SkillsActive works with employers to set national occupational standards for training and qualifications in the sport and recreation, health and fitness, playwork, the outdoors and the caravan industries.

**POST-16 SKILLS TRAINING**

SkillsActive welcome the emphasis in the recently published Leitch review on a demand-led skills system with a strong organised input from employers. However, we do recognise the challenges that this brings, and are very pleased that Sector Skills Councils are being recognised as being at the heart of the solution.

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*What should we take from the Leitch Report on UK skills gaps? What are the demographic issues which need to be taken into account in skills policy?*

- Demographic change implies a need to support the up-skilling of the current ageing workforce. There is a clear need to support adults into work.
- Diversification of the workforce is clearly a key issue in skills policy.
- Clear sector-led policy across Europe on recognition of qualifications to support/control proper and necessary movement of labour; also to ensure level playing field for UK businesses seeking to expand into mainland Europe.
- We agree that there is a need to build on existing structures rather than create new ones, and that there is a need for a shared responsibility between employers and the government on delivering the skills agenda. There is a need for a culture of lifelong learning where both employers and employees invest in training for the future.

*Are the measures that we have available to assess the success of skills strategy robust?*

- There is a clear need for a shared responsibility for the delivery of skills ambitions, from both government and employers. Employers and individuals should contribute most where they derive the greatest returns. Government investment should be focused on ensuring a basic platform of skills for all, increasing access and tackling market failures. There is a need for increased focus on economically valuable, demand led skills which meet the needs of employers and individuals.

(See supporting evidence 1).

#### NATIONAL POLICY/ISSUES

*Are the Government's priorities for skills broadly correct—for example, the focus on first "Level 2" qualifications?*

- We fully appreciate the need to ensure basic employability on leaving full-time education and understand the need for a fully supported government safety net.
- We would wish to support the employer pledge. However, we would like to see a clearer statement and commitment to sharing costs between employers and individuals and government for vocational qualifications. Achieving five GCSEs is not always a statement of employability as sometimes a vocational qualification is still needed, however it is often not supportable with public money if the 5 GCSEs are achieved.
- The positive aspects of volunteering should be emphasised, especially in our sector where there are more than 600,000 paid staff in the UK, and a further 5.8 million unpaid staff and volunteers working in sport in England alone.

*How do other targets, such as the "50% into HE" fit with the wider skills agenda?*

- We support the view that should this target be achieved flexibly through the use of part-time study programmes for older adults, foundation degrees linked to work and development of management skills in later stages of a career.

(See supporting evidence 2).

*What is the extent of joined-up working between Government departments, particularly, the DfES and the Department for Work and Pensions?*

- We support the Leitch proposals for the new Employment and Skills Commission. The Commission could aim to co-ordinate/advise/integrate government policy on employment and skills across DfES, DWP and possibly DTI.

*Do current funding structures support a more responsive skills training system?*

- No—there is an inbuilt conflict between Public Sector Agreement targets for the LSC and sector/employer priorities. The opportunity should be taken between now and full implementation of Leitch after April 2008 to review all existing LSC post-16 expenditure, sector by sector, against employer/SSA priorities to achieve better value and shared investment across a better spectrum of skills.

*Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

- We feel that there should be greater sharing and contribution at all levels post 19. The concept of apprenticeships for the unqualified should be extended to older age ranges. SSC led skills passports could provide the mechanism to share investment in skills development.

#### SUPPLY SIDE

*Is there a case for a less regulated supply-side system with fewer intermediary agencies and bodies? What are the potential risks and benefits of such an approach?*

- We welcome the recommendations in the Leitch Report regarding the increased employer engagement in skills through the empowerment of Sector Skills Councils and the expansion of skills boards across the country. We hope that this will result in an increased influence for employers and not simply become another barrier between employers and decision makers.
- Our sector example is the Register of Exercise Professionals (REP), set up to help safeguard and to promote the health and interests of people who are using the services of exercise and fitness instructors, teachers and trainers; similar advances in Playwork and coaching are currently being developed. Funding and supply should follow these leads from employers. There should be a single sector led approach to such planning, and workforce development planning should be the embedded concept in every sector through continuing development of the SSA process which should extend down to regional level. Adult Learning Inspectorate to inspect quality of providers.

*What do national and regional agencies currently do well? How are bodies such as the Regional Skills Partnerships working?*

- Regional Skills Partnerships should continue to take the lead on economic development, but a closer relationship is needed with the sector. We would welcome a more dynamic relationship and debate about how new sectors could contribute to growth. RSPs do provide a single meeting place for all agencies linked to employment and skills—they should report to the new Employment and Skills Boards, which should initially operate at no lower than a regional level.
- These Boards should be linked upwards to the Education and Skills Commission and employer members should be earthed in their SSC to establish a single structure of engagement. Across the regions, the Regional Skills Partnerships are structured differently and appear to be at different operational stages in their development.

*Does the LSC need to be the subject of further reform?*

- We support the Leitch proposals on reforms to the LCS. The role of the LSC in planning should be diminished and become part of a shared process with SSCs linked to developing the concept of Sector Skills Agreements.

*What is the typical experience of a college or other provider who wants to put on new provision in response to local employer demand?*

- A successful, national, demand led system must be responsive to local needs and if it is to be publicly supported should be tested against a national view of demand to ensure value for the individual and the transferability of their qualifications and skills.

*Do we need to consider any further structural reforms in terms of which institutions provide what kind of learning?*

- SkillsActive supports the development of vocational specialisms in FE and increased partnership between FE/HE to continuous professional development. We feel that more training should be taken to the workplace.

#### DEMAND SIDE

*Employers:*

*What should a "demand-led" system really look like?*

- SkillsActive agrees with the recommendations of the Leitch Report that the UK skills system needs reform so as to fully meet the needs of employers and individuals across the country. Without the buy-in and full support of employers, a skills system will not benefit those that need it most. SSCs

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- are a crucial mechanism for engaging employers and for working on their behalf to specify standards, qualifications and priorities and to ensure development of best practice and transferability between employers.
- A demand (employer) led system is the best route to achieve value for public investment. A single route (through the SSC) is the best way to ensure employer views are co-ordinated and that the commitment is there to back up their views of the sector. ie schemes such as licences to practice demonstrate to individuals that employers are committed to reflect and endorse qualifications through their employment practices.

*Do employers feel like they are shaping skills training—for example through Sector Skills Councils?*

- Frustration arises where Sector Skills Councils are unable to influence change in qualifications and funding. Leitch addresses this. As the Sector Skills Council for the Active Leisure and Learning sector, SkillsActive are in constant contact with employers and stakeholders in our sector to give them the power to shape skills training for the future. Productive partnership between employers, their SSC and other players in the skills system continue to improve skills across the board.
- We need to develop a culture where individuals and employers recognise the need to invest continually in developing skill levels across the board. We welcome the recommendation that SSCs should have a stronger role in the task of simplifying and approving vocational training across the different sectors. (See supporting evidence 3)

*Do employers feel closely involved with the design of qualifications?*

- The Leitch proposals support suggestions aimed at improvements in this area. The National Qualifications Framework urgently needs to evolve into a credit framework with shared funding to support the accumulation of credits. Employer demand is for more bite-sized learning but this must fit into a structure to support career development and transferability of skills.
- A prerequisite for increasing employer investment and engagement in skills is a delivery system that meets their needs. We hope that the new emphasis on Sector Skills Councils as a conduit for qualification approval will increase employer's involvement in the design of future qualifications. Only by ensuring that employers are involved in qualifications from the outset will we be able to have a system that truly increases the skills needed at ground level to improve the UK's workforce in the coming years.
- It is hoped that small businesses will have better access to increased levels of training for employees, including managers and that this training will have increased relevance, so that management skills and profits will improve. Employers will also have more strategic influence over the skills strategy and system, greater incentives to invest in skills across all levels, access to brokerage, and increased public support for workplace training.
- We also welcome the creation of the new Commission for Employment and Skills and hope that the voice of employers will be heard. The employer-led Employment and Skills Boards highlighted in the Leitch Review may well be a way for employers to become more involved at a local level, in co-operation with current players such as Sector Skills Councils.

*Should employers be further incentivised to take up training? If so, by what means?*

- UK employers currently spend around £33bn a year on training, but around one-third of employers do little or no training at all; this clearly needs to be redressed as an increase in training would result in increased productivity. A high proportion of employers in the active leisure and learning sector already invest in training. The National Employer Skills Survey 2005 shows that 72% arranged or provided training for staff in the last 12 months compared to 65% for all sectors.
- We welcome Leitch's suggestion of shared action on skills to be taken by employers and government to both increase skills levels and ensure their effective use in the workplace. The best incentive for increasing the uptake of training by employers is to make the training more directly relevant to them, by increasing their involvement in the first place. (See supporting evidence 4)

*What is the role of Union Learning Reps?*

- There is huge potential for Learning Reps, but links with Trade Unions need to be brokered carefully in non-unionised sectors. This will play a particularly important role in encouraging and supporting acquisition of basic skills and first level quals eg SkillsActive/GMB project in Yorkshire (See supporting evidence 5)
- SkillsActive has worked in partnership with Trade Unions and Union Learning Representatives in addressing skills gaps and training needs in the workplace and to help employers and learning providers in our sector. The Union Learning Fund and the Wales Union learning Fund (WULF)

represent an opportunity for employers to access funding for basic skills and SkillsActive has signed up to the joint statement between Asset Skills and TUC on skills in the workplace and the importance of adult literacy, language and numeracy skills and the need to work in partnership.

#### LEARNERS

*What is the typical experience of someone looking for skills training?*

*What information, advice and guidance is available to potential learners?*

- As well as providing information in person, SkillsActive has an online careers service which enables potential learners to access information and advice on working in the active leisure and learning sector. It includes an interactive sports map which allows people to discover the varied roles within the sector and the possible training routes into a range of careers.
- It can often be the case that funding is not readily available for vocational qualifications for volunteers if candidates have a higher prior education attainment of Level 2 or above. There is a need for increased flexibility in training for people changing careers and returning to work.

*What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?*

- Qualifications and training are available in our sector from Level 1 upwards as a way to include those with the lowest skill levels.

*What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

- Employers have expressed universal approval for Individual Learner Accounts and this support is likely to be as strong for new Learner Accounts as well and the Train to Gain programme as it continues to be introduced across England.
- Employers should be involved from the outset with regard to the new Learner Accounts.

#### APPRENTICESHIPS

*What should apprenticeships look like? How close are they currently to this vision?*

*What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework?*

*Are the number of places available appropriate, and in the right areas, and at the right level?*

*What is the current success rate for apprenticeships?*

*What can we learn from practice in other countries with apprenticeship systems—ie, Scotland and Wales?*

- SkillsActive is taking an active role in the 14–19 curriculum reforms, including the Young Apprenticeships Programme. The programme includes a range of Level 1 and 2 certificates and qualifications such NGB coaching awards, first aid and pool side helper awards. All qualifications undertaken in the Young Apprenticeship Programme are on section 96, the national list of qualifications which pre-16's are allowed to undertake.
- Currently there are very few VRQ's and Technical Certificates at level 2 upwards in our sector; this is due to industry not wanting pre-16's qualified to undertake the responsibilities of a level 2 coach for regulatory and best practice reasons, including health and safety, and industry perception. SkillsActive has therefore recommended that students on the Young Apprenticeship programme should complete generic sports leaders/gym instructing Technical Certificates and if appropriate to the individual, specific Technical Certificates such as the Junior Football Organiser; therefore building the relevant skills to allow fast progression at 16.

The programme is delivered through partnership collaboration, typically:

- An FE College/Private Training Provider.
- A number of local schools ideally which include a Specialist Sports College.
- A range of local employers.
- Potentially Education Business Partnership or other agency to source work placements.
- Regional/local NGB's.

Within the partnership, each partner negotiates which part of the programme they can deliver or what added value they can bring.

(See supporting evidence 6).

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## QUALIFICATIONS

*Do the qualifications which are currently available make sense to employers and learners?*

- In many cases no, although SkillsActive is working with the industry to make the qualifications clearer both for employers and employees.

*Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalisation?*

- Progress in this area is slow and SkillsActive feels that there is a strong case for further rationalisation.

## SUPPORTING EVIDENCE

1. Skills gaps (where members of the existing workforce are thought to be deficient in some area of skills) affect 16% of establishments in the active leisure and learning sector (lower than the 20% reported in England as a whole). This suggests that 17,000 employees in the SkillsActive workforce (some 7% of all staff) have skills weaknesses which need addressing. The volume of skill gaps far exceeds that of recruitment problems. The nature of skills gaps are similar to those for recruitment difficulties—customer handling skills, communication skills and team working skills.

The sector faces a significant recruitment challenge:

- it is forecast that the sector will grow at a rate above that for the whole economy over the next 10 years. On this basis, overall levels of employment in England in 2014 will be 580,000, 100,000 more than the current level, or an increase of 21%;
- in addition to this the sector also will have to recruit 70,000 annually to cope with replacement demand (to replace those who leave employment in the sector each year to either work in another sector, to retire, or to become unemployed.)

SkillsActive's sector contributed £7.2 billion in output to the English economy in 2004. Growth has been over twice that of the English economy over the last five years and the sector is expected to continue to outperform the English economy until 2014, with output up to £102 billion. Employment in the sector is strong, with growth at more than four times that of all industries in England.

- 29% of workers in the sector are not qualified up to NVQ level 2 or equivalent.
- For all sectors vocational skills for the job are vital, as are generic skills, including communication, customer handling, and team working.
- Only four in 10 coaches hold some form of coaching qualification.
- The caravan industry has the lowest qualified workforce of all the SkillsActive sectors.
- The playwork workforce has a high level of general educational attainment but this is not necessarily related to playwork.

Continued and sustainable success for the Sector over the coming years depends on increasing participation in its core activities; more people playing sport, participating in physical activity, experiencing the outdoors and adventure, and more children enjoying play. This will not only ensure business success but contribute to the social and economic fabric of the UK with a more active and healthier nation. The sector must impact on harder to reach communities and individuals and that new approaches to service delivery may be needed to achieve this. Continued success will rely upon the skills of the people working in the sector, both in paid and unpaid roles.

2. One in five (18%) of the 81,000 applications onto SkillsActive courses will be accepted. This is the same ratio as All Higher Education courses in the UK. Ratios are higher in the Outdoors and Playwork (no HE qualifications were identified for the caravan sector).

## KEY QUALIFICATIONS IN THE ACTIVE LEISURE AND LEARNING SECTOR

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<i>Sport and Fitness</i>	<i>The Outdoors</i>
Recreation staff—“Statutory training”: NPLG for lifeguards, first aid, health & safety	NGB Coaching Level 1,2 or 3 Work-based NVQs Minibus driving qualification
National Governing Body Awards	Degree for Adult education
Coaching—NGB Level 1–4	APIOL—Accredited Practitioner of the Institute of Outdoor Learning
Officiating—NGB Level 1, 2 or 3	In-house training for non-NGB activities
Management—New professional body: ISPAL	Introductory Training Programme
Degree for Sport Development	
Community / Junior Sport Activity Leader Award (CSLA / JSLA)	

<i>Sport and Fitness</i>	<i>The Outdoors</i>
Fitness instructors—REPS Lev 2	<i>The Caravan Industry</i>
Personal Trainer—REPS Lev 3	CITO National Certificate in Park Management
Exercise referral—REPS Lev 3	
<i>Playwork</i>	CITO “Safe siting”—Edexcel
NVQ 2 Playwork	NVQ2 “Operational Services (Caravan Parks)—City & Guilds
NVQ 3 Playwork	NVQ 3 (Leisure Management)—currently awaiting approval
Certificate in Playwork	
Diploma in Playwork	
Foundation Degree	City & Guilds Certificate for workshop technicians (touring caravans)

Demand for coaching qualifications in the UK has seen huge increases over the last five years, with double the number of applications in 2004 and 145% increase in acceptances. Demand in other qualifications such as Sport Development courses, Sport and Recreation Management, health and fitness and outdoors courses have also increased significantly in the last five years. University places for sport and recreation courses increased by 35% since 1999, yet only around a third of graduates go on to find employment in the SkillsActive sector.

The Playwork sector is reliant on further education and private training for its provision although there is some provision in higher education. There are fewer entrants onto Playwork related higher education courses in 2004 than in 1999. The entrants are predominantly female. A third of entrants onto Playwork courses are aged over 21. In only 15% of appointments in the UK was the degree qualification a formal requirement for the post in the sector. 48.9% of graduates from Higher Education in England go on to full-time work, 9.5% go into part-time work (although not necessarily within sector related industries) and 19.4% go into further study.

3. The feedback from the recent consultation on our Sector Skills Agreement process has shown that employers recognise the important of being involved in skills and qualifications for their employees. Over 3,500 employers, 1,700 employees and 600 stakeholders have responded to surveys and consultations across all 5 sub-sectors in the UK.

Our Sector Skills Agreements provided a means for employers in the sector to collaborate with government in meeting the priority skills needs of the sector, as a whole, the sub-sectors and ultimately, individual businesses. It has provided a genuine opportunity for employers to shape training provision for the sector and identify and emphasise coherent progression routes. Employers from sport and recreation, health and fitness, playwork, the outdoors and the caravan industries have worked together to identify skills needs across the entire active leisure sector.

The six key industry priorities that came out of the Sector Skills Agreement consultation process with employers are:

- (1) Improve the Quality and Range of Services.
- (2) Improve Recruitment and Retention.
- (3) Professionalise and Upskill the Existing Workforce.
- (4) Match Supply to Demand.
- (5) Redirect Funding for Training.
- (6) Increase Sector Investment in our People.

4. The LSC Annual Statement of Priorities has removed public funding eligibility for “statutory training” like first aid, health and safety and food safety. Safe and competent practice in the Outdoors sector is vital to employers. They will need to exceed the minimum ratio of staff trained in first aid from 1:50 to 1:1 or 1:2.

This withdrawal of funding eligibility for statutory training may affect safety. It will place an even greater burden of cost on employers. Margins are slim, and passing higher costs onto schools may deter them from offering children the outdoor experiences promised by Ruth Kelly in her Manifesto for Outdoors Education. Many operators are self-employed and need more support in funding training.

Using the example of the outdoor industry, employer consultation meetings reveal that the main priorities include improved training and qualifications/awards and improved funding for training/qualifications.

Training and Qualifications—This includes developing courses that match the current and future needs of the industry, ensuring closer working between employers and the sector and encouraging better co-ordination of training needs and provision. In addition, there is a need for greater emphasis on NGB awards, ensuring that they are reflective of needs and include a common core of generic/soft skills training.

Funding—There is a need for NGB coaching awards and other important awards/qualifications (eg Accredited Practitioner Institute for Outdoor Learning and minibus driving licence) to be recognised as fundable. Furthermore, apprenticeship funding needs to be more reflective of age requirements and mechanisms should be put in place to ensure that employers receive a realistic share of funding where they provide work placements as part of HE and FE courses.

Other priorities for the sector include reviewing issues of recruitment and retention, more effectively promoting the outdoors and its potential benefits to new markets, public and “official” bodies, and as a source of recruitment for more mature workers.

5. Union Learning Reps are extremely important at a grassroots level to broker learning opportunities and champion workforce development across the UK. An example of the Union Learning Fun project in action in our sector can be seen in Yorkshire where the GMB have joined forces with SkillsActive to provide Union Learning advice in boxing and rugby league clubs, with the overarching aim of extending learning provision. SkillsActive is able to extend the provision of training, information, advice and guidance for the sports workforce at a grass roots level.

6. SkillsActive has developed a specialist Apprenticeship Framework to meet the needs of aspiring professional or elite athletes, known as the Advanced Apprenticeship in Sporting Excellence (AASE). For the first time, this gives elite young sporting talent (16–18 years) a structured and supported route into their chosen profession (sports performance) which caters for their on-field development as well as their wider career and progression opportunities within the sector.

*January 2007*

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#### **Memorandum submitted by the University and College Union (UCU)**

1. The University and College Union represents nearly 120,000 academic and academic related staff working in universities, further education and specialist colleges and adult and prison education services. UCU members are among the main deliverers of post-16 education and training in the UK. Through the learning programmes they teach and support, young people and adults gain, refresh and expand the skills they need for employment and/or further, higher or deeper study. UCU welcomes this inquiry into post-16 skills training in England and the opportunity to submit our views on the government’s agenda and policies in this area as well as the role of employers, providers and practitioners.

2. UCU was formed in June 2006 with the merger of NATFHE, the University and College Lecturers’ Union and the AUT, the Association of University Teachers. Both the predecessors of UCU commented on and submitted their views to the long stream of government consultations and policies on skills, as well as more recently to Lord Leitch as he prepared first his interim and then his final report.

#### **EXECUTIVE SUMMARY**

3. Although we welcome much of the Leitch Report’s analysis of the current state of skills formation and the future skills needs of the nation, UCU is disappointed with both the direction of travel and much of the detail of the proposals in the final Report. In particular UCU rejects the view that much of the future direction of skills formation, including the funding, approval and content of qualifications, should be in the hands of employers.

4. The problems and issues in relation to skills formation in the UK are long-standing and deeply rooted in cultural and class attitudes to and perceptions of certain kinds of work, employment and economic activity, and the knowledge and skills underpinning them. These attitudes go back over centuries. They are also related to the structures of UK industry and its financing that focuses on short-term profitability and maximising shareholder dividends rather than long-term growth and stability. This militates against investment in skills and training.

5. For a very long time the attitude of too many UK employers to workforce development has been “poach rather than coach”. UCU would argue that the overall conclusions of the Leitch Report fail to deal with these fundamental problems. Their resolution has to lie with the abandonment of the voluntarist approach to skills formation, on which we have relied for too long, and the adoption by the government of more interventionist policies, including a statutory underpinning of employer activities around skills formation.

6. UCU would advocate use of fiscal measures to encourage, recognise and reward employers’ efforts in skills development. A system of tax credits could operate, whose award could be triggered by a number of measures such as gaining Investors in People status, active involvement in sector skills councils and Business for Education links.

7. We would argue that the Leitch solution of even greater reliance on voluntary employer action in this area repeats past mistakes. If trusting to employer action had been the solution, the Leitch Report would not have been necessary. UCU contends that international experience both in Europe and the successful economies of the Pacific rim and Asia demonstrates that government intervention, often associated with social partnership including active roles for trade unions, is a successful method of securing the kind of human capital development needed in modern, globalised, high technology, high-skilled economies.

8. There is little in the Report about the position of part-time and temporary workers' training needs. Yet both groups are likely to increase in numbers and importance as demographic factors have greater impact. Both groups usually miss out on employer training, and both groups would benefit from some move towards an entitlement to time off for study. UCU would argue that in a report seeking to look at long term skills needs, these omissions are serious.

9. An important, and we would say a crucial strand of government policy in relation to skills, is the move to credit and unit-based adult learning.

10. UCU considers that there should be more work by the relevant agencies to find measures of success in skills strategy that reflect a wider variety of perspectives. This would involve looking at skills from an overall employment perspective rather than an employer one. Thus skills needs and gaps would encompass the views of those in and out of the workplace who will actually acquire the skills, as well as those of their employers.

11. We are mindful that the priorities around basic and Level 2 skills have an enormous impact on combating social exclusion and marginalisation. However we have strong reservations about the level 2 policy focusing on the achievement of a first full Level 2 qualification.

12. In supporting the Government's broad policy to help people with low skills achieve a platform on which they can build higher skills, we have been concerned about the consequent lack of focus on skills at Level 3—those the economy really needs.

13. The imposition of fees will hit skills acquisition at all levels. For those with the fewest skills, English language provision is the key to employability and employment, and then to more secure and better paid jobs.

14. UCU has supported the government's commitment to increase participation in higher education. Expansion is justified both by the proven value of higher education to society and by the need to extend opportunities for higher education to groups currently under-represented. But the union has been deeply concerned as to whether sufficient resources will be made available to sustain the increases in participation without worsening the quality of the student experience.

15. Although one of the mantras since 1997 has been "joined-up" government, in the judgement of UCU, this seems to be somewhat illusory.

16. UCU considers that whilst there could always be improvements in the current skills funding structures, they are no better or worse than previous structures and indeed probably future methodologies. We believe strongly that what is important is the culture that surrounds skills generation and the underpinning framework.

17. The difference in the level of funding for similar programmes for 16–19-year-olds is now well established and accepted by the Government. LSDA research published in 2006 demonstrated this to be at least 13%. The Government has undertaken to reduce it by 5% by 2008 and a further 3% by 2010, still leaving a difference of 5%. This needs to be closed.

18. It is UCU's position that regulation is necessary where public funds are being used. However, this does not mean that there could not be fewer intermediary agencies and bodies. There should be a thorough ongoing review of the numbers, roles and purpose of all the intermediary bodies.

19. The establishment of Unionlearn should lead to the further development of the role and activities of the learning representative. We look forward to Unionlearn both supporting the growing network of learning representatives and disseminating good practice among unions and learning representatives.

20. UCU welcomes the recommendations in the Leitch Report to establish a national adult careers service to provide information, advice and guidance about education and training, as well as careers. We hope that this is taken up by government, and along with the current review of information, advice and guidance, will finally succeed in securing the kind of high quality service that has been needed for a long time.

21. The jungle of qualifications available to adults has long been commented on as being part of the problem facing the UK in skills development. It makes little sense to either employers or learners. This is one of the reasons why UCU has supported the moves to create a unitised and credit-based adult learning curriculum.

## CONTEXT

*What should we take from the Leitch Report on UK skills gaps? What are the demographic issues which need to be taken into account in skills policy?*

UCU considers that the main points to be taken from the Leitch Report are as follows:

22. Its analysis of the problems faced by the UK around skills formation and the relationship between skills economic success and other policies, especially those on social inclusion.

23. The vision that the Report sets out for the UK; that by 2020 the UK has to become a world leader in skills, as benchmarked against the upper quartile of the OECD.

24. Some but not all of the report's underpinning principles. So for example, we would argue that the raised ambition envisaged has to be a shared responsibility between employers, government and individuals; that the focus has to be on economically viable and transferable skills; that a skills framework has to adapt and respond to future needs as future demand for particular skills types cannot be accurately predicted in a rapidly changing world; and that existing structures must be built upon rather than constantly chopped and changed.

25. However we would not take from Leitch the principal thrust of his recommendations: that the way to improve skills is by greater reliance on market forces and the efforts of employers, and by giving employers almost the only voice in skills generation.

26. Whilst accepting some of the critique of the supply side part of the skills equation as laid out in the Report, we do not accept the conclusion that most of the failure in terms of skills is from this side. Indeed we consider that the failures of the demand side of the equation are just as great if not greater, especially when compared to international competitors in Europe and Asia. These problems are compounded by the lack of meaningful government intervention, especially the lack of any statutory underpinning of skills generation

27. UCU does not agree with the somewhat narrow definition of "demand-led" used by the government and the Leitch Report. We describe below the approach to demand that UCU would wish to see.

28. Those parts of the Report that demonstrate the links between skills and fairness and social inclusion. We were particularly struck by the sections 1.39 to 1.43 which demonstrate the impact that social class has on skills; that social mobility in the UK is low, with significant correlation between parents' position in the earning distribution and the position their children achieve. The figures given demonstrate that children of unskilled manual workers with fewer qualifications have a 20% probability of achieving the benchmark schools qualifications, compared with 69% of children of managerial/professional parents.

29. The Report's conclusions on the need to embed a culture of learning into the country, and that this means raising aspiration and awareness of the crucial importance of education, skills and training; the need for all concerned with skills to be able to make informed choices, and that learning in pursuit of skills must be affordable to all. We would certainly wish to take from the Report the specific recommendations around these actions: the need for a national campaign to raise career aspirations and awareness, and the need for a single adult careers service.

30. However we have heard similar statements and exhortations many times from governments and reports over the last ten to twenty years. We have seen far less of sustained action around these issues. Although the Report has strong and important recommendations about the need for an integrated, universal, independent and impartial adult careers, education and training information, advice and guidance service, this demand has remained unfulfilled for too long.

31. The Report's conclusions on the benefits to the country of regenerating skill levels. We particularly welcome a figure being put on this. However whilst skills are crucial to economic prosperity, we would caution against over-reliance on an improvement in skills reducing the productivity gap between the UK and its main competitors. Leitch quotes much used figures about the proportion of the productivity gap due to skills shortages and deficiencies. This amounts to around 20%, leaving around 80% due to factors other than skills. UCU would like to see the causes of the main part of the productivity gap addressed and remedied.

32. The new targets for acquisition of literacy and numeracy skills by adults and the increased target for those with intermediate and high skills. We have reservations about the use of targets which we will detail in response to the next question posed by the Committee. Nonetheless, we welcome the new targets as an indication of the Report's seriousness on the acquisition of these skills in the workforce. We would point out that achievement of these new targets will take additional resources.

33. The Leitch Report does deal with the demographic issues underpinning the debates around skills. Sections 1.29 to 1.32 of the Report deal with the changing UK workforce, highlighting its ageing composition, the way that increasingly migrant workers are filling the skills gaps many industries face, and also the fact that over 70% of the 2020 workforce is already employed. Whilst the Report acknowledges these underpinning demographic factors, it doesn't tackle the real adult skills issues in this context.

34. We are disappointed that the Report does not analyse further other aspects of demographic factors on skills. For example, it says nothing on the impact of changes to pensions policies, including many having to work beyond current pension ages and the need for re-skilling many of such workers.

35. It does not consider some of the many implications of this in terms of learning theory and practice amongst older people. It does not analyse the many pressures that will result from the dip in the numbers of young people entering the labour market. The projected numbers of those aged 16 to 24 will fall from 6.9% in 2005 to 6.6 million in 2020—a drop of 4.9%. In looking at a future with 60,000 fewer young people aged 15–24 per year, it does not analyse the possible competition between employers, education and training providers for these young people.

36. The Report also fails to acknowledge the possibility given this demographic factor of a future rebalancing of resources spent on learning for adults and learning for young people. It has little to say on the impact of the benefit system on an ageing population that has to work longer.

37. There is little in the Report about the position of part-time and temporary workers' training needs. Yet both groups are likely to increase in numbers and importance as demographic factors have greater impact. Both groups usually miss out on employer training and both groups would benefit from some move towards an entitlement to time off for study. UCU would argue that these omissions are serious in a report seeking to look at long-term skills needs.

*Are the measures that we have available to assess the success of skills strategy robust?*

38. Overall UCU would argue that measures that are available to assess the success of skills strategy are less than robust and patchy across sectors. We consider that there are two principal reasons for this:

39. The use of qualifications as a proxy for skills Qualifications are taken by virtually everyone with an interest in skills generation as an accurate proxy for actual skills and their deployment in the economy. The Report again repeats the reasons why this happens. To a certain extent this is inevitable and the use of qualifications in this way does give some indication of knowledge and skills acquired by an individual. However qualifications do not give a full picture of the current state of skills acquisition in the workforce or whether these skills are deployed effectively or not. For example, recent research by the Learning and Skills Development Agency showed that the greatest lack of Level 2 skills is amongst workers undertaking employment that requires Level 2 skills. Either these workers do not require Level 2 qualifications to do their jobs or something other than qualifications might be required for them to be more effective.

40. The overall lack of sectoral mechanisms to assess current and future skills requirements and measure accurately any skills gaps Labour market intelligence is an uncertain activity. Until recently and perhaps still so, the sources of accurate labour market information have been disparate, and sometimes of uncertain value. Sector Skills Councils (SSCs) are charged with obtaining and disseminating accurate and timely labour market intelligence. However Sector Skills Councils are a relatively recent creation and their performance overall is still variable. So too will be the results of their labour market intelligence, and hence their analysis of their sectoral skills needs and gaps.

41. The Leitch Report acknowledges this variability and recommends that the SSCs should be reformed and re-licensed. Whilst this may result in an overall improvement in their outputs around labour market information and therefore assessment of skills strategy success, it may also result in dislocation and disjunction within SSCs, and this may delay their ability to assess the results of skills strategy. We do feel that SSCs have a vital role to play in assessing the success of skills strategy but this must be deployed through a series of partnerships with both government and those active in the workplace such as trade unions. We make specific suggestions below.

42. Use of targets as a tool of measurement. Since 1997 there has been a tremendous increase, and indeed a proliferation, in the use of targets to measure the success of government policies. The use of such targets can be positive in focusing stakeholders and those involved with the implementation of policies on key issues, and UCU does consider that the reformulation of targets for skills acquisition at various levels outlined in the Leitch Report is useful. However we believe that they can have negative effects and are not a robust enough measure to assess the success of skills strategy.

43. For example, having a target for the achievement of full Level 2 may have a use in terms of a priority in guiding government and its agencies' policies. It provides a very useful measure of capacity building around skills in that it shows how extensive the platform may be for further developments. However it is probably of limited use in terms of assessing the state of skills in the economy. This is partly because the target is measured in achievement of full Level 2s whereas both individuals and employers are probably more interested in achievement in parts of a Level 2 qualification. Indeed an important, and we would say, a crucial strand of government policy in relation to skills, is the move to credit and unit-based adult learning. Just how much this target may contribute to our understanding of the actual level of skills is in the LSDA research we quote above. One conclusion is that there is a level of skills acquisition in the workplace by large numbers of workers which will not be reflected through this measure.

44. An additional problem with the use of targets, which can be seen in other areas of education, is that a lot of effort can be expended by providers on those on the margins of meeting the targets, to the detriment of longer-term work around those who require more intensive or specialist assistance to achieve.

45. UCU considers that there should be more work by the relevant agencies to find measures of success in skills strategy that reflect a wider variety of perspectives.

46. This would involve looking at skills from an overall employment perspective rather than an employer one. Thus skills needs and gaps would encompass the views of those in and out of the workplace who will actually acquire the skills, as well as those of their employers.

47. We do see SSCs at the heart of this. However we believe that there is still a problem in linking the superstructure of SSCs to the base where the training actually takes place. Of course the SSCs and others will canvass employer views, but to complete the picture, we would advocate that SSC sector skills agreements should include a recommendation/requirement for workplace Joint Learning Committees that can make a partnership assessment of skills requirements and gaps.

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48. The aggregation of results from these Joint Learning Committees would provide both government and SSCs with the kind of sectoral information vital for them to then make meaningful policy decisions, including having minimum skills requirements, and give advice on stimulating demand and training, in just the same way that workplace health and safety committees have stimulated activity in that area.

#### NATIONAL POLICY/ISSUES

*Are the Government's priorities for skills broadly correct—for example, the focus on first "Level 2" qualifications?*

49. UCU considers that the Government's priorities for skills are broadly correct. However we have concerns and reservations about some aspects of these policies and the way that they are being somewhat bluntly implemented.

50. We understand and share the government's priority to raise achievement of both basic skills and the numbers within the workforce having Level 2 skills. These are necessary platforms for skills acquisition at higher levels, which are essential for the UK's economic needs.

51. It is also crucial to seek to reduce what by international comparisons, is an appallingly long tail of underachievement. For a developed country and a member of the G8 Group of the strongest world economies, to have such large numbers of adults without literacy and numeracy skills verges on being a national disgrace.

52. We are mindful that the priorities around basic and Level 2 skills have an enormous impact on combating social exclusion and marginalisation. However we have strong reservations about the policy on Level 2 focusing on the achievement of a first full Level 2 qualification. As we have stated above, it is our contention that this may well not be what is wanted or required either by individuals or employers. What perhaps should be prioritised is the achievement of Level 2 by a variety of modes of learning, including achievement through manageable "bites" of learning. This would be in line with government policies around the introduction of the Qualification Credit Framework. The current Level 2 target operates as a rationing mechanism which limits the potential longer term growth in Level 2 achievement that might be possible through a gradual accrual of units over time making up a full Level 2 qualification, or through being able to "top up" qualifications to make up achievement of the target.

53. Similarly UCU has supported the emphasis on adult basic skills by the government since the introduction of the Skills for Life Strategy. But again the pursuit of targets has led to a lessening of the focus on those who still require pre- and entry level courses to build to eventual success at Levels 1 and 2.

54. In supporting the Government's broad policy around helping people with low skills achieve a platform on which they can build to higher skills, we have been concerned about the consequent lack of focus on skills at Level 3—those which the UK economy is really short of, especially when compared with our main international competitors. We acknowledge that the government has now recognised this. It has recently announced its intention to introduce an entitlement to Level 3 qualifications for those up to the age of 26, and the piloting of Level 3 Train to Gain programmes.

55. However, alongside these changes it has also announced that as part of the process of rebalancing who is to pay for learning, the costs of Level 3 programmes and above will rise. We don't believe that this policy is based on evidence as to the elasticity of demand for training. We have strong doubts as to whether employers are prepared to pay a more economic price for training, or that many individuals who might look to take Level 3 programmes to improve their employment opportunities, will be able to afford higher fees.

56. There is one area of government policy where we consider that recently announced changes will have an extremely negative impact on a range of government's existing policies including its skills strategy. This is the withdrawal of an entitlement to free provision of English for Speakers of Other Languages courses (contrary to the position for literacy and numeracy).

57. This will have a very damaging effect on social inclusion policies and those aimed at integrating immigrant communities. It is strange that on the one hand the government calls for immigrant communities to integrate more by learning English, even introducing an English test as part of citizenship processes, yet on the other imposes fees for many who would take up this provision. We would recommend a reversal of this damaging decision.

58. The imposition of fees will hit skills acquisition at all levels. For those with the fewest skills, English language provision is the key to employability and employment, and then to more secure and better paid jobs. For those with higher level skills language provision can increase their productivity and ensure greater effectiveness. A body of evidence shows that intensive and early intervention to help immigrants and migrants to the UK acquire language skills is cost effective.

*How do other targets, such as the “50% into HE” fit with the wider skills agenda?*

59. Despite the understandable and perhaps necessary focus on lower level skills to alleviate the UK’s long tail of underachievement, and to enable those without such skills to have a platform for progression, a modern, globalised economy requires skills at intermediate and higher levels. The many analyses of long-term skills needs, including those of the Leitch Report, point out that future employment growth will be in areas that require such skills, and highlight the UK’s deficiencies in these areas, especially compared with our international competitors.

60. UCU has supported the Government’s commitment to increase participation in higher education. Expansion is justified both by the proven value of higher education to society and by the need to extend opportunities for higher education to groups currently under-represented. But the union has been deeply concerned as to whether sufficient resources will be made available to sustain the increases in participation without worsening the quality of the student experience. We would urge that the forthcoming CSR ensures there is sufficient funding in the sector to support the proposed increase in participation.

61. UCU welcomes the direction of the Leitch target that the UK should aim for an increase of the current 29% to more than 40% of the adult population to qualify to Level 4 or above. However, we have reservations about the target for 50% of the 18–30 age cohort to have had a higher education experience by 2010. We are concerned that the focus on young people could mean less effort at attracting those over 30 to higher education. We also wonder what the message to many young people is, if this target remains in this somewhat unrefined form. Does the 50% objective mean an increased sense of failure for those 50% who do not enter higher education? We are also very concerned about the impact of top up fees on the ambitions of many young people from lower income backgrounds. Will these make social divisions even sharper?

*What is the extent of joined-up working between government departments, particularly, the DfES and the Department for Work and Pensions?*

62. Although one of the mantras since 1997 has been “joined-up” government, in the judgement of UCU, this seems to be somewhat illusory. We do welcome the relatively recent interest by the Treasury in skills, as exemplified by their support for the National Employer Training programmes, that in their turn have grown into Train to Gain.

63. However, there does seem relatively little synergy between the DfES and other departments. This is seen at its clearest in the tensions between the DfES and the Department for Work and Pensions around the welfare to work agenda and benefit rules such as the 16 Hour Rule. The DWP targets tend to be around getting people into jobs, any kind of job, including those only requiring low or no skills. This can only increase the numbers in the workforce without qualifications.

64. Meanwhile the DfES is concerned with raising the numbers in the workforce with at least Level 2 qualifications, possibly keeping some economically inactive. The DWP Rules can mean unemployed learners being forced to abandon their studies in mid-course to take unskilled and/or temporary work even when these might increase their labour market position.

65. There are other disjunctions between the Home Office and the DfES around prisoner education. We also consider that the Culture, Media and Sports Department does not always seem to realise that a focus on skills building in the areas within its remit can lead to real and productive employment, and that the Department of Health may underestimate the contribution that learning can make to good health, especially as the population ages.

*Do current funding structures support a more responsive skills training system? How could they be improved?*

66. The difficulty in answering this question is partly due to the constant changes to both the overall methodology and the detail of the funding structures. Since the inception of the LSC, we have seen a variety of policy goals set out, each declaring the intention to move to a common funding system across the various strands of the LSC’s remit, including skills training. Whilst recognising the need for adjusting and fine tuning any funding methodology, the almost continual flow of these changes makes it difficult for providers and users, individuals and employers.

67. We would argue that there should be a period of consolidation and stability in funding methodology. We recognise that there is always a need to simplify funding methodologies and reduce bureaucracy around funding, but it is our firm belief that any funding system that has to cover the diversity of learning programmes, providers and locations, as well as the modes of learning, will always be somewhat complex. There will always be a trade-off between simplicity and sensitivity in any funding methodology used.

68. UCU considers that whilst there could always be improvements in the current skills funding structures, they are no better or no worse than previous structures and indeed probably future methodologies. We believe strongly that what is important is the culture that surrounds skills generation and the underpinning framework. We would however make a series of points on funding which could improve the current position.

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69. Quantum. It is a central contention of UCU that one of main problems around the funding of skills is the amount of resources—the size of the quantum. Leitch quotes figures of £17.4 billion as employers' spend on direct training and of £12 billion as government's. These would seem to be sizeable sums. However Leitch goes on to state that this combined level of investment compares poorly by international standards. Even in higher education, UK funding is around 50% lower than in the US and 40% lower than in Sweden. UCU would argue that there are simply not enough resources being devoted to skills generation.

70. Later in the submission we will argue that the government needs to ensure that employers pay more of the costs of training, especially that training from which they directly benefit. We would also argue that the government must take the lead in ensuring that there are enough resources for skills. In its submission to the 2008–11 Comprehensive Spending Review, UCU argues that the amount of expenditure spent on education and training should rise as a proportion of GDP. This would ensure that that there was not the constant battle over the division of the education and training budget between the resources for young people and those for adults.

71. Demand led funding. The Government's solution to the question around funding structures is again spelt out in Leitch: it is to rely on employers and market forces. It describes this as moving to a “demand-led” system where all spending on adult skills above Skills for Life and Level 2 skills will be through employers. We will elaborate our opposition to this particular concept of “demand-led funding” below. In short we consider that this reliance on competition and market forces in skills will lead to meeting the short term, more immediate needs of employers. In most European countries employer needs are modified through discussions with and inputs from the social partners such as trade unions who can offer an expanded articulation of what is required.

72. This definition does not recognise that employees have their own set of needs around skills and does not recognise longer term, national needs that will not be articulated by employers.

73. National or local priorities. We have a system that is driven by national targets and priorities. Leitch recommends (and the government agrees) that outside lower level skills, resources for adult skills will be directed through employers meeting their immediate and often local needs. Thus adult skills resource allocation seems to swing between the poles of national and local/organisational priorities without ever striking a balance. We believe a balance is needed. NIACE has recommended in its recent publication, “Eight in Ten: adult learners in further education”, that one way of creating such a balance would be to have 80% of college funding for meeting national priorities and the remaining 20% for colleges to use to respond to local needs and demands. We see merit in this proposal.

74. Elasticity of the funding of training. It is axiomatic in economics that price and demand and supply of a good are inextricably intertwined: if price rises then demand drops, if price falls then demand will increase. The rate of this rise/fall in demand in relation to price is termed elasticity. The direction of government policy is to increase the price of training for users especially for higher level programmes that have a greater return to the investment made. However, we believe that the whole issue of the price elasticity of training is an area where there seems to be insufficient information and data for good policy making. This needs to be urgently rectified.

75. The funding gap. The difference in the level of funding for similar programmes for 16–19 year olds is now well established and accepted by the government. LSDA research published in 2006 demonstrated this was at least 13%. The Government has undertaken to reduce this by 5% by 2008 and a further 3% by 2010. This still leaves a difference of 5%. This needs to be closed.

76. The differential in funding means that colleges, in order to sustain programmes for young people of a similar quality to those of schools, must fill this gap with funds that might otherwise go for adult learning. It is yet another demonstration of the inbuilt preference in government resources towards work with young people over that with adults. This can be seen in the words of the Learning and Skills Act 2000 which states that there should be “proper resources” for education and training for young people, yet only “reasonable” resources for adult learning. The justification for this becomes less and less viable with the projected fall in the numbers of 16–19-year-olds from 2009. We are on the brink of a moment where a rebalancing of the amount of resources devoted to young people as compared with those for adults, could be made without “robbing Peter to pay Paul”.

77. Funding of qualifications. Currently both funding and entitlements relate to the achievement of full qualifications. We believe that this does not allow providers of skills training to be able to respond properly to both the needs of employers and individuals. We also consider that it runs against the direction of government policy in terms of the moves towards a credit and unit system for adult qualifications. There needs to be urgent consideration of the issues involved in a move to funding based on achievement at module and unit level.

*Is the balance between the public, employers' and individuals' contribution to learning appropriate?*

78. UCU does not consider that the balance between the public, employers' and individuals' contribution to learning is appropriate. We believe that much more needs to be done to ensure that employers meet the costs of training their workforces. This should include a move away from voluntarism in skills generation. We would advocate some sort of statutory underpinning of employers' responsibilities in this area, such as including training in the remit of collective bargaining, the creation of learning committees in every workplace, and a minimum amount of time off for study for every employee.

79. We agree with the proposition put forward concerning the main responsibilities of the state, the employer and the individual in respect of the costs of training; that the state should be responsible for employability and transferable skills especially where there is "market failure", and there are not returns on the investment for the training; that the individual should be responsible for training and development that is around their personal needs; and that the employer should be responsible for training from which they derive direct benefit. To this we would add that the state should be responsible for the contribution to learning at whatever level to those who have benefited least from previous education and training experience, and those who lack the means to make a significant contribution due to their lack of or level of income.

80. We hear constant exhortations from government that individuals need to pay more for their learning. We hear far less about the need to secure employer support. Indeed employers are increasingly being given more and more generous support for their training. Even the welcome Leitch recommendation that workers might be given statutory access to training, would not be effective until 2010, and only if it is shown that employers have not responded to this latest call for action on their part. We believe that statutory access should be introduced as soon as possible.

#### SUPPLY SIDE

*Is there a case for a less regulated supply-side system with fewer intermediary agencies and bodies? What are the potential risks and benefits of such an approach?*

81. UCU does not consider that there is a case for a less regulated supply-side. We are in favour of reducing bureaucracy. We are in favour of moves to self-regulation of their activities by providers. However we are mindful that increasingly lighter touch regulation and inspection in the learning and skills sector seems to mean ever more heavy-handed self-assessment on the part of the management of providers. We call for the kind of trust relationship that providers call for from government and its agencies, to be replicated in the internal systems and relationships of providers.

82. It is UCU's position that regulation is necessary where public funds are being used. This is even more necessary when the lack of a democratic dimension throughout the sector is taken into account. We ask that when considering regulation in the sector, it is remembered why this has grown: because of a series of abuses and financial scandals on the part of providers. It is often claimed that the potential benefit of a less regulated supply-side would be more innovative and entrepreneurial providers responding ever more quickly and flexibly to employer needs.

83. We do not believe that these traits and activities need be constrained by regulation. Indeed there is considerable evidence that there are providers who display these traits and undertake these activities now. Among the risks in a deregulated supply-side, we would identify the possible misuse and abuse of public funds; the duplication of provision of learning by competitor providers meaning waste and inefficiency, and the lowering of quality when the emphasis is on keeping prices down to secure take-up by employers.

84. However, we would make clear that our support for regulation does not mean that there could not be fewer intermediary agencies and bodies. There does need to be a thorough going review of the numbers, roles and purpose of all the intermediary bodies. Those that are not considered to be essential to the good working of the sector should be abolished. There may well be a case for the functions and roles of others being subsumed by those that are considered essential to the good working of the sector.

*What do national and regional agencies currently do well? How are bodies such as the Regional Skills Partnerships working?*

85. Among the national agencies that are working well, UCU would identify Ofsted and the Sector's skills council, Lifelong Learning UK. It is too soon since the latest restructuring of the LSC to comment on its performance now. We do feel, however, that some of the criticisms of the LSC's performance stem from it being given too wide a remit and having too many responsibilities.

86. Our experiences of Regional Development Agencies are mixed because of the variability of the Agencies themselves. Our principal criticism of existing national and regional dimensions is that the lack of a democratic dimension leaves them apart from the very populations they seek to serve. We see the creation of real regional government as being the only sensible way of ending this alienation and creating the

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necessary synergies between government policies and agencies at regional levels. In the area of skills such agencies should involve real social partnerships so that instead of merely employer interests being catered for, it would be the whole spectrum of “employment” interests that were being met.

87. On Regional Strategic Partnerships, UCU believes that there is a great variety of approaches across the nine regions. This may be due to the different circumstances of the regions, but it may be because of different levels of capacity and capability within the Partnerships themselves. We cannot identify a great deal of sharing of good practice across the Partnerships. We do not detect a good understanding of skills beyond the meeting of regional projections of national targets. Whilst seeing some merit in the concept of city regions, there should be some clear definitions of what these might cover.

*Does the LSC need to be the subject of further reform?*

88. As we have made clear, we think it too soon after the last restructuring to say whether the LSC needs further reform. We have also made it clear that we would wish to see an element of democratic control in the LSC. Whilst not opposing the sections of the current Further Education and Training Bill that would abolish the local LSCs and the Young People’s Learning and Adult Learning Committees, we do have concerns about how local voices will be heard in the deliberations of the regional LSCs, and that there might be a diminution of advice and scrutiny around age-related issues.

#### DEMAND SIDE

*Employers:*

*What should a “demand-led” system really look like?*

89. UCU’s vision of “demand-led” differs considerably from that of government, especially as exemplified in the Leitch report. This seems to equate demand with what employers say they require. What individuals might want, they will have to pay for, although this could be delayed and staged through resort to loans and special savings accounts such as new version of Individual Learning Accounts.

90. In our view “demand-led” must start from a definition where “demand” is derived from the needs of “employment”. This would encompass both the needs of employers but also those of the workforce. Both have legitimate demands and needs. Thus any moves to identify employer requirements would be supplemented by those of the workforce, especially as put forward by their representative organisations.

91. This is the kind of model which is used in some European countries. In Germany skills gaps and the actions to meet them are organised through a system in which at national, regional and local level there is joint discussion and action between the state, employers and trade unions. In the Netherlands funding for skills is through employers, as represented through sector organisations, but their analysis and actions are strongly mediated by a requirement to obtain trade union approval for their allocation of resources. An over reliance just on employer needs, carries the danger of meeting their immediate and short term needs, and failing to identify and meet more long term and sectoral and national/regional needs.

92. There are also problems in actually identifying employers, and which employer views should be taken in to account. Employers are rarely a homogenous group. Even using SSCs throws up problems. Does the SSC represent the views of the greatest number of employers or those organisations employing the greater number of employees? City and Guilds estimates that 3% of employers account for 72% of employees and 2.5% of private companies have 64% of the employed. We have already suggested that SSCs working through workplace learning committees, could identify at an aggregate level employment demand, which could then be responded to.

93. Demand from employment interests is only part of the definition of “demand-led”. Demand from individuals must be part of any definition. The Government’s definition includes individuals but does not explain how these views will be found. UCU believes any system of both listening to the views of individuals and identifying what they want and need, and of advising them through what is all too often a confusing jungle of learning routes and qualifications, must have an independent, impartial, well resourced careers, education and training information, advice and guidance service for adults. We welcome the recommendations in Leitch around such a service and for “skills health checks”.

94. Additional problems around a “demand-led” system attach to whether the system should respond to everything thrown up in such a system. What happens if employers or individuals identify and demand the kind of learning programmes and skills that are not within the Government’s priorities? What happens if individuals identify wanting to pursue learning programmes that have been cut because of a shortage of funds or because they do not result in qualifications that meet government targets? What happens when demand outstrips supply or the resources that have been available?

95. An example of this is the current situation with ESOL provision. The Government’s answer is to introduce fees as means of rationing provision. Whether ability to pay is a reasonable form of deciding who receives learning must be open to debate.

*Should employers be further incentivised to take up training? If so, by what means?*

96. UCU considers that a more productive approach to employers taking more seriously their responsibilities around skills would be to move away from the voluntarist approach that has characterised the UK's position for over a hundred years. The experience of most of our European and Asian competitors show that that some form of government intervention is needed to underpin a robust approach to skills. The issue in a globalised, increasingly technologically driven economy is too important to be left to exhortation or the well meaning efforts of a Skills Tsar. UCU would advocate a number of statutory measures to underpin employers' actions and responsibilities:

97. Training coming into the remit of collective bargaining as is the case if union recognition is awarded by the courts.

98. A minimum amount of time off for study for all employees.

99. A statutory requirement for a company's Annual Accounts to specify the amount of expenditure on training and development.

100. Investment in training being allowable for corporate tax purposes as is other investment.

101. A statutory requirement for every company above a specified size to have a learning committee, and to negotiate a learning agreement with its employees.

102. To offset these new requirements on employers, UCU would also advocate use of fiscal measures to encourage, recognise and reward employers' efforts in skills development. A system of tax credits could operate, whose award could be triggered by a number of measures such as gaining Investors in People status, active involvement in sector skills councils and Business for Education links.

*What is the role of Union Learning Reps?*

103. The emergence of union learning representatives in the workplace, often stimulated by funds from the Union Development Fund, is one of the most remarkable developments in lifelong learning over the last decade. Since their first conceptualisation in the Fryer Report in 1997, the numbers of learning representatives and their activities in the workplace have grown steadily. Learning representatives received a boost in 1999 with the establishment of a statutory right to time off for their duties. The establishment of Unionlearn should lead to the further development of their role and activities. We look forward to Unionlearn both supporting the growing network of learning representatives and disseminating good practice among them and the unions.

104. Learning representatives have made a considerable impact on workplace learning, especially in relation to the development of literacy and numeracy and programmes leading to Level 2 uptake in the workplace. They have often played a crucial role in the successful development of Employer Training Programmes, now Train to Gain.

105. UCU considers that the role of the learning representative will take on different aspects in different workplaces. This may vary according to the nature of the workplace and workforce, the attitude of the employer to both unions and to training and development, and the levels of skills required.

106. As far as developments within UCU, and we think they will not be different for many unions, we have seen three major roles for UCU branch learning representatives:

107. A role in relation to local collective bargaining over training and development. After customised accredited training provided by UCU, our learning representatives, are able to offer their branch and local negotiators expertise in negotiating issues at local level. They are in a position to place local developments within a national context, and advise their negotiators on the local consequences of national framework agreements, as well as the impact of various national regulatory frameworks where these exist. Learning representatives are crucial in assisting the branch negotiating local learning agreements and securing either learning committees or union representation on existing institutional training and development committees.

108. A role in terms of giving branch members individual help, information and guidance on training and development opportunities. In most of the contexts in which UCU learning representatives work, there are limited occasions where UCU members need such help, working as they do in education institutions. However the learning representative has an important role in relation to part-time, casual and temporary staff, all of whom often have limited access to training, or face particular problems in accessing it. UCU learning representatives are also able through the information they gather, to address the many equality issues around access and take-up of training.

109. As part of a transmission route for communications to and from the national union on developments around initial training and continuous professional development. Information on both what members need and want from training and development informs the union's policies and activities in relation to its work with Lifelong Learning UK, and with the union's links and work with the DfES. This is particularly important as the issues of initial teacher training and CPD have become more important in the sector, especially in advance of important changes later this year.

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110. Although the role of learning representatives is being recognised by increasing numbers of employers, a number of changes would go a long way to cementing their vital and useful role in workplace skills development:

111. A statutory right to establishing workplace learning committees and learning agreements.
112. Extending the remit of collective bargaining to include consultation on training.
113. Entitlement to time off for study for all employees.
114. Ensuring that learning representatives do receive time off for training and that where employers are granting time off for union activities, time for learning representatives is in addition to that already granted.
115. The right to time off for learning representatives to be able to conduct their activities in the workplace.

*What roles should employment agencies play in facilitating training?*

116. Employment agencies can play a large role in the employment of many different types of worker and workplace. They are often a way of employers evading their responsibilities to their workforces. With temporary and casual workers often employed or found via employment agencies, it is vital that they are not allowed to become a means of employers avoiding their responsibilities in skills training and development.

117. Any regulations such as licences to practice must also cover workers employed through employment agencies. Indeed where employment agencies are taking a leading role in certain types of employment or in certain sectors, then there should be legislation to underpin their responsibilities with regard to training and development.

118. An example of this would be around the current discussions on ESOL provision. As part of their policy decision to charge those in work for ESOL courses, the government say that employers must pick up the costs of such programmes. Given the prevalence of employment agencies and “gang masters” bringing in migrant labour, it will be essential that there are strong procedures in place to ensure that they do pay for these programmes for workers they bring into the country.

## LEARNERS

*What is the typical experience of someone looking for skills training?*

119. UCU does not know what might be considered a “typical” experience. Any experience will be dependent on a number of factors such as:

120. What kind of training the person is seeking?
121. What employment sector are they seeking to enter or advance in?
122. What has been the previous experience of education and training of the person?
123. What are the qualifications held and at what level?
124. What savings or other financial support does the person possess or have access to?
125. Are they working, and if so full- or part-time, temporary or casualised?
126. What sex, ethnic origin, age, perceived mental or physical ability?
127. Where they live/work?

128. UCU does not believe that there is a satisfactory picture or understanding of the range of experiences of someone looking for skills training across the variety of situations where training is available. We do acknowledge that there have been recent attempts to discover the views of learners in the learning and skills sector, and to make the learner voice stronger. These will cover trainees in colleges, adult education and work-based learning.

129. However, there is far less known about the experiences and views of those undertaking training in the workplace. For example there are extensive surveys of learner satisfaction in colleges, adult learning services and work-based learning providers. There has been no similar survey of views of trainees in the workplace. This amounts to a serious deficiency especially as it is the intention of government policy to route resources through employers. There is an urgent need to research trainee experiences in the workplace.

130. In looking at the experience of those seeking training, we would point out that the range of possible training programmes is becoming narrower with an ever increasing focus on training which has more immediate connection and rewards in the labour market. We are aware there is less choice about when and where trainees can learn, and many will have increasing fees to pay if their training falls outside government priorities.

*What information, advice and guidance is available to potential learners?*

131. All too often the information, advice and guidance available to potential learners is patchy and of uneven quality. This is why UCU welcomes the recommendations in the Leitch Report to establish a national adult careers service to provide information, advice and guidance about education and training, as well as careers. We hope that this is taken up by government, and along with the current review of information, advice and guidance, will finally succeed in securing the kind of high quality service that has been needed for a long time.

132. Information, advice and guidance has for far too long been subject to an almost never ceasing series of initiatives and restructurings which has meant the services available have not always been of the highest quality. It is UCU policy to seek a single all age information, advice and guidance service. This would mean uniting an adult service with those for young people. This would be particularly important in ensuring the transition of young adults into work. However we realise that the IAG services for young people, Connexions, is yet again undergoing change and now would not be the best of times for such a unification of information, advice and guidance services.

133. Earlier in the submission we made reference to the increasing and often vital role that workplace union learning representatives can make around IAG. We believe that this would be bolstered by some of the legislative underpinning to their role and to workplace training that we have advocated.

*What is available for those with the very lowest skill levels, who are outside of education, training and the world of employment?*

134. Because of the Government's priorities around Skills for Life and Level 2 skills the position of those with very lowest skills and who are often outside education, training or employment is improving both in terms of information, advice and guidance and actual provision. However UCU would identify some actions which we consider could improve their position in terms of taking up learning programmes:

135. Loosening of government and LSC priorities. The prioritising of resources for those programmes that directly contribute to the achievement of government targets in some areas, has had the effect of cutting funding to learning programmes that lead to courses that contribute to government targets such as pre-entry literacy, numeracy and ESOL programmes. Such a crude and blunt implementation of prioritisation is unhelpful to those with the lowest skills levels who need smaller progression steps.

136. Increased funding for "first steps" provision and non-accredited programmes in Personal And Community Development Learning. Similarly some "first steps" provision and much non-accredited learning has been squeezed by directing resources at government priorities. Such courses are extremely valuable in allowing those with very low skills, those who are outside education, training or employment to build their confidence and motivation in their abilities to learn.

137. More synergy between LSC funded providers and JobCentre Plus provision. By building on the Leitch recommendations to create a new integrated employment and skills service by drawing together existing services such as Jobcentre Plus and the new proposed adult careers service. If such a service can link to learning providers and offer universal access to work-focused careers advice, basic skills screening, job placement and links to workplace training, then it may prevent many of the low skilled and those alienated from learning from disappearing down the gaps between agencies and services.

*What is the role of the new Learner Accounts? What factors should be considered in their design and implementation?*

138. It seems as though the Government is intending a major role for the new Learner Accounts as part of creating their vision of a "demand-led" system. UCU had considerable reservations about the original version of Individual Learner Accounts as being an initiative that was largely culturally inappropriate for the types of adults with low skills and low income for whom it seemed to be aiming. We also were concerned about the possibility for fraud and misuse of public funds, which unfortunately did happen.

139. UCU acknowledges the care that the Government is taking not to repeat the mistakes made in its first initiative around Learner Accounts, and that the entitlements to Level 2 and 3 qualifications means that this new version of Learner Accounts will be directed at those seeking higher level skills at and above Level 3.

140. However, we are concerned about the amount of resources that may go into the new learner accounts if the Leitch proposals are adopted. With the Government currently committed to routing £1 billion through Train to Gain, this may mean around £2 billion being routed through Learner Accounts. This is a very large sum and certainly dwarfs the resources allocated to their first version. However UCU would prefer to see these resources going to schemes to directly support learners. We believe that many for whom these new Accounts are intended will be risk averse when it comes to taking on debt as a result of undertaking training. We would point out the decrease in higher education take-up among young people as a result of the imposition of top-up fees. This is among groups who are less debt averse than those who might take up the Learner Accounts may be, and where there are very clear rates of return in terms of higher future salaries.

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141. UCU does welcome the Leitch recommendation that there should be further investigation of the possibilities of unions being able to negotiate collective learning accounts for their members. Such Accounts were present on a small scale in the first version of Learner Accounts but had not been fully developed before the scheme was ended.

#### APPRENTICESHIPS

*What should apprenticeships look like? How close are they currently to this vision?*

142. UCU believes that new forms of apprenticeships that have been developed for over a decade now have been relatively successful in recreating an employment based route to skills and qualifications for young people. They do and should continue to comprise both underpinning knowledge and practical job-related skills. Their most important aspect is their relationship to actual employment and the way they can combine theoretical off-the job and practical on-the-job-training.

143. To the apprenticeships at Level 3 for 18–21-year-olds, have been added a number of other schemes: the apprenticeships at Level 2, the Entry to Employment programmes which can be precursors to actual apprenticeships and the Young Apprenticeships at GCSE level. These do have the positive advantage of providing a progression route from lower level skills to full advanced apprenticeships.

144. However, they do seem to be directed at those who may not achieve through the national curriculum and general education. In that, they may perpetuate the traditional UK disparity of status between the general/academic route and the vocational/applied route for young people. Should the new diplomas that are being developed be successful, there will need to be work on links between them and apprenticeships which will be outside their scope.

145. UCU is also concerned at the relatively low rate of completion and success in apprenticeships. The government currently quote a figure of around 51%. This compares very poorly to the success rates expected of colleges.

146. Leitch proposes that most of the growth in apprenticeships by 2020 will come from adults, and the extension of apprenticeships to adults has been signalled for some time. Progress on creating viable apprenticeships for adults is now urgent.

*What parts of the current apprenticeship framework are seen as valuable by learners and by employers, and which less so? Is there a case for reform of the framework?*

147. We understand that there can be differences between those parts of the apprenticeships seen as valuable by learners and those seen as valuable by some employers. It is our understanding that learners value the underpinning and transferable parts of the programme, as well as those that directly connect with workplace practice. Some employers see as valuable those parts of the framework that connect more directly to actual practice in their workplace. Indeed there is evidence that some employers actively discourage their apprentices from completing their programmes once they have completed those parts and units the employer sees as valuable.

148. There is also evidence that both apprentices and employers tend to see those parts of the programme around key skills as being less valuable. Given the emphasis that government gives to the need for key skills in the workforce, this is regrettable. There is a need for more independent analysis and research into these aspects of apprenticeships.

#### QUALIFICATIONS

*Do the qualifications which are currently available make sense to employers and learners? Is the Qualifications and Credit Framework succeeding in bringing about a rationalised system? Is there a case for further rationalisation?*

149. The jungle of qualifications available to adults has long been commented on as being part of the problem that faces the UK in skills development. It makes little sense to either employers or learners. This is one of the reasons why UCU has supported the moves to create a unitised and credit based adult learning curriculum. We continue to support the work of QCA and the LSC in developing what is now known as the Qualifications Credit Framework. However, we do consider that progress on this continues to be very slow. We hope that it accelerates. Until the first real steps have been implemented and evaluated, we do not consider there should be further rationalisation. We do repeat our wish to see the work on the Qualifications Credit Framework be linked to developments around credit in 14–19 and higher education so that the UK has a single credit framework.

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**Memorandum submitted by YWCA England and Wales**

**DISADVANTAGED YOUNG WOMEN, WORK, SKILLS AND TRAINING**

**INTRODUCTION TO YWCA**

1. YWCA is the leading charity working with the most disadvantaged young women in England and Wales. Young women face unique problems in today's society. They are largely unheard and lack influence. We want a future where they can overcome prejudice and take charge of their own lives. We run services to support them and campaign with them to combat the discrimination they face.

2. We provide:

- education opportunities, some leading to qualifications;
- information and counselling;
- residential experiences;
- outdoor education, including the Duke of Edinburgh's award scheme;
- volunteering;
- campaigning;
- help for young women in and leaving the criminal justice system;
- physical and mental health information and education;
- support for young pregnant women and young mums;
- outreach services (working with young women where they are and on their terms).

From our 14 YWCA centres across England and Wales we run more than 140 programmes to give girls and young women aged 11–30 the opportunity to be themselves and learn what's possible in their lives.

Our programmes are designed in consultation with young women, so we know we're giving them what they want. Quality childcare is an integral part of what we offer. It means young mums can join in our programmes, and know that their children are well cared for in the crèche.

**DISADVANTAGED YOUNG WOMEN AND WORK**

3. YWCA is deeply concerned that thousands of disadvantaged young women have the potential to achieve so much, but instead face a lifetime of poorly-paid, low skilled jobs. For them there is only one rung on the career ladder, and it's the bottom one. Our "more than one rung" campaign, is about giving young women from disadvantaged backgrounds the skills they need to climb off the bottom rung of the career ladder and work towards a better future.

4. The facts speak for themselves:

- Twice as many young women as young men who were poor in childhood were still poor at the age of 30.<sup>37</sup>
- Young female apprentices get an average £40 less a week than young men—a 26% difference.<sup>38</sup>
- A typical woman who left school with no qualifications will lose out on £197,000 in earnings over her lifetime, compared to her male counterpart, even if she has no children.<sup>39</sup>
- 75% of working women are still found in just five types of occupational groups; jobs like caterer, carer, cleaner, cashier or clerical assistant—which are amongst the lowest paid.<sup>40</sup>

We enclose the following reports for your consideration:

- "Young People's Reflections on Work Choices and Support: Key Issues, Messages and Actions" Development Focus Trust and SOLAR Action Research Centre, YWCA (May 2007)
- "Evidence for YWCA Campaign II: Review of Literature on Support for Work Choices", Final Report University of Derby, YWCA (May 2007)
- "Making work work for girls: why apprenticeships are not working for girls", YWCA (May 2007)

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<sup>37</sup> "Bucking the Trend—what enables those who are disadvantaged in childhood to succeed in later life?" Blanden, J, Working Paper 31, Department for Work and Pensions, London HMSO (2006)

<sup>38</sup> "Apprenticeship Pay: A Survey of Earnings by Sector", DfES Research Report RR674 Ullman, A and Deakin, U (2005)

<sup>39</sup> "Women's Incomes over the Lifetime", Stationery Office, Rake, K (eds) (2000)

<sup>40</sup> "Consultation response: Low Pay Commission" EOC (2005)

### DISADVANTAGED YOUNG WOMEN CAREERS ADVICE

5. YWCA is concerned that careers advice is not working for disadvantaged young women. Young people told us that:

- They are rarely ever asked about their dreams for the future, but are often coerced to take courses that are available locally.
- They don't find Careers education, guidance or advice helpful unless they already know what they want to do.
- There is no support for those who have left school at 16.
- They want support workers to be more friendly and caring, listening to what they have to say and treating them with more respect.
- Some would like help beyond just careers education guidance or advice. They would like help with personal and emotional issues, building confidence, dealing with despondency or addressing deep-rooted emotional or psychological issues.
- They valued mentors and peer mentors especially when the mentor could act as a role model in the work they want to go into: a mentor who really cares and who follows them through their career.

6. We are also concerned that young women are not being made aware of the array of jobs that exist and different rates of pay. We have found that not enough is being done to tackle both gender and class stereotypes. For example, the Equal Opportunities Commission found that 67% of women surveyed were not aware of the differences in pay rates for work usually done by men and women—of these, 67% of women aged 16–24 would have considered a wider range of career options had they known.

7. We have been working with young women in YWCA centres to help them think creatively about the pay implications of their work choices (See appendix).

8. A review of provision of support and information services carried out for YWCA by University of Derby found that there is no evaluation of what works to address inequality when delivering careers education advice and guidance for disadvantaged young women—we feel this is something that needs to be addressed.

**YWCA calls for:**

Children's Trusts to ensure that all disadvantaged young women have support from an inspirational adult in order to raise their confidence and broaden their horizons—our own research has shown that self-esteem and confidence are as critical as qualifications when it comes to choices about work.

Every young woman in deprived areas to have individual support and access to women only group work which tackles stereotypes, improves her confidence and supports her both to make informed decisions about work and to understand the long-term financial implications of those decisions.

### DISADVANTAGED YOUNG WOMEN AND WORK EXPERIENCE

9. Young women also tell us that getting valuable work experience placements is difficult. They are constrained by what they are offered which often results in them ending up in stereotypical roles. If they were able to do work experience in non-traditional sectors they might be more likely consider non-traditional work in the future. For example, research by the EOC found that 76% of girls and 59% of boys in their study could be tempted to enter a non-traditional sector if they could try it out before making a final choice.<sup>41</sup>

10. Young people with no or few qualifications told us that to break the vicious cycle of: "No Experience, No Confidence, No Trust", they want work experience and want to be "Given a Chance" in the form of "Trial Days" to prove themselves at work.

**YWCA calls for:**

Disadvantaged young women should have safe opportunities to try out and to take up non-stereotypical work.

### DISADVANTAGED YOUNG WOMEN AND APPRENTICESHIPS

11. Whilst we welcome the proposed expansion of apprenticeships as outlined in the Leitch Review, we want to ensure that a) disadvantaged young women do not miss out on this opportunity and b) that apprenticeships work for girls. For example, latest information from the Learning and Skills Council shows that just 12% of all Entry to Employment leavers, a programme for disadvantaged young people who are not yet ready for an apprenticeship, actually enter one.

<sup>41</sup> Fuller, A, Beck, V and Unwin, L, "Employers, young people and gender segregation", Working Paper Series No 28, Equal Opportunities Commission

12. We are also concerned by recent evidence that shows that whilst there is an 18% wage return for males completing a Level 2 apprenticeship, there is not for women and that young women are still found in the five lowest paid sectors.

YWCA calls for:

Disadvantaged female apprentices to receive the equivalent of the national minimum wage so that they are not financially penalised by the decisions they make. The Ministerial Apprenticeship Steering Group to conduct an inquiry into:

- the gender pay gap in apprenticeships;
- the impact of low pay on disadvantaged young women's entry and retention on apprenticeships;
- sector segregation by class and gender.

A duty on local authorities and key local players to better assess and provide for the skills, training and apprenticeship needs of disadvantaged young women, to dramatically increase and sustain their skills and achievements with better-paid jobs at the end.

## **APPENDIX**

The following are examples of activities YWCA carries out with young women to get them to think about work and pay. The work the young women do forms part of an accredited module in our Wise Up programme.

### **1. PLAY YOUR CARDS RIGHT!**

Based on the game show young women sit around a board full of cards. Each card has a job title on it ranging from poorly paid and stereotypically female jobs like childcare, hairdressing or cashier work to stereotypically male jobs for example plumbing, carpentry, engineering etc.

Young women choose a card with a job on it, it gets turned over and on the reverse is the average hourly rate for that job. There are also statistics on what percentage of men and women do that job. The group then moves on to the next card, looks at the job and has to call out "Higher" or "Lower" for how much that job will be paid.

### **2. THE WORK GAME**

Young women split into groups and are given a card with the name, pay rate and job of an imaginary person to think about. Each group creates the life story of their character—whether they had children or not, what they liked doing in their free time. One or two young women from each group line up along a back wall, symbolising the character they were playing. A list of questions are read out, and for each question to which their character can answer yes, the young woman take a step forward. The questions included:

Step forward if:

- You can go to the cinema every week.
- You earn more than the national average wage of £11.18 per hour.
- You earn more than the bare minimum living wage of £7.05 per hour.
- You can go on holiday abroad once a year.
- You can afford a car.
- You can go out for a meal every week.
- You can go shopping and buy many of the things you want.
- You can get a better job easily.
- You can afford to keep your own child in full-time nursery care (£142 per week, £3.16 an hour if you are working a 40 hour week).
- You can afford a private rented flat (£93 per week, or £2.30 an hour for a 40 hour week).
- Your job offers lots of opportunities to get a better job in a few years' time or after some more training.

At the end of the game, the young women symbolising the characters are spread out across the room. Some have taken lots of steps forward, and others very few. The best-paid characters are unsurprisingly furthest forward, and the worst-paid furthest back. The young women then break up into their groups to begin talking about what they could do to change things and make it possible for those at the back to catch up.

### 3. SOUNDS NORMAL TO ME!

Young women are read paragraphs about people doing their jobs, for example:

“the painter whistled on the ladder and the nurse walked underneath the ladder.”

The young women then have to discuss the gender of the people doing the jobs. They tend to make assumptions based on gender stereotypes and this exercise encourages them to challenge each other and their own assumptions.

### 4. JOBS FOR THE GIRLS

Young women have silhouetted cut outs of a man and a woman. They then have post-its with various different jobs on them, including some stereotypically gendered jobs. They have to stick the job titles onto one or the other of the silhouettes. Once all the jobs are stuck young women look at each others decisions and debate which genders do which jobs and look at exceptions to the rule and what impact that might have.

*July 2007*

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