

SECTOR SKILLS AGREEMENTS: THE STATE OF PLAY

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Sector Skills Agreements: The State of Play

Sector Skills Development Agency

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Sector Skills Development Agency: Research Series Foreword

In October 2002 the then Department for Education and Skills (now DIUS) formally launched Skills for Business (SfB), a new UK-wide network of employer-led Sector Skills Councils (SSCs), supported and directed by the Sector Skills Development Agency (SSDA). The purpose of SfB is to bring employers more centre stage in articulating their skill needs and delivering skills-based productivity improvements that can enhance UK competitiveness and the effectiveness of public services. The remit of the SSDA includes establishing and progressing the network of SSCs, supporting the SSCs in the development of their own capacity and providing a range of core services. Additionally the SSDA has responsibility for representing sectors not covered by an SSC and co-ordinating action on generic issues.

Research, and developing a sound evidence base, is central to the SSDA and to Skills for Business as a whole. It is crucial in: analysing productivity and skill needs; identifying priorities for action; and improving the evolving policy and skills agenda. It is vital that the SSDA research team works closely with partners already involved in skills and related research to generally drive up the quality of sectoral labour market analysis in the UK and to develop a more shared understanding of UK-wide sector priorities.

The SSDA is undertaking a variety of activities to develop the analytical capacity of the Network and enhance its evidence base. This involves: developing a substantial programme of new research and evaluation, including international research; synthesizing existing research; developing a common skills and labour market intelligence framework; taking part in partnership research projects across the UK; and setting up an expert panel drawing on the knowledge of leading academics, consultants and researchers in the field of labour market studies. Members of this panel will feed into specific research projects and peer review the outputs; be invited to participate in seminars and consultation events on specific research and policy issues; and will be asked to contribute to an annual research conference.

The SSDA takes the dissemination of research findings seriously. As such it has developed this dedicated research series to publish all research sponsored by the SSDA.

Lesley Giles
Director of Strategy and Research at the SSDA

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1 EXECUTIVE SUMMARY

This State of Play report was produced in April 2007 as the first stage of the 2007-08 evaluation of Sector Skills Agreements (SSAs). The report was developed as internal position paper for the Skills for Business network (SfBn), drawing together the wealth of information already available in relation to the SSA process. This was partly to frame the evaluation itself – i.e. to understand the key questions for assessing SSA impact and the future of the SSA on the basis of what had been learned already. It was also to prompt discussion within the network about what the SSA process represents for SSCs in practice, especially given the scale of the task, its evolution and the way in which it permeates everything that an SSC does.

The initial rationale for Sector Skills Agreements, as set out in the government's Skills Strategy¹, was that responsibility for and investment in training should be shared between employers, individuals and government. SSAs aimed to provide agreements between employers in a sector on how best to share their investment in training, without necessarily going down the route of statutory legislation (an approach sometimes described as 'beyond voluntarism'). Public agencies and government would also ensure that major bodies distributing public funding for skills development and training would reflect SSA priorities in their allocations.

As SSAs became a tangible reality, they developed a number of additional features. They expanded to become a 'product' and to encapsulate the entire role of the new SSCs. This required of even the newest SSCs, organisational cultures and behaviours that were fit for the over-arching SfBn aims of being the employer voice on skills, recognised intelligence holders and effective influencing bodies. The SSA can therefore be seen as a journey undertaken by each of the SSCs rather than an end in itself. It is *both* a tangible product and a wider, ongoing process of agreement and change.

In developing SSAs as 'products', the process has grown to a remarkable degree. The SSA has grown exponentially from being an initially England-focused agreement into being four agreements at the level of each of the nations (working with four sets of stakeholders with different sign-up/off arrangements). It has also expanded down to the level of the individual English regions. The volume of effort required to simply cover each of these bases – let alone produce something persuasive – is immense. And this is even before the notion of sub-sector level of analysis is introduced.

Critically, the foundation for achieving the over-arching SfBn aims lay in the aims and requirements of the SSA:

- High-quality LMI (to lay the basis for agreement)
- Building a stronger employer voice through research and consultation
- Exercising increased influence over supply side planning and provision
- Agreements with the supply side

¹ 21st Century Skills: Realising our Potential, July 2003

- Agreements with employers ('something for something')
- A clear link between LMI and business and action planning.

There has been progress on all these elements. The quality of LMI is much improved. SSCs have made significant progress in developing relationships with employers, including engaging with a wider group of employers. The challenge of marshalling a coherent employer voice in the context of the SSA should not, however, be under-estimated. The process could never, on its own, deliver industry-level deals (with a small number of sector-specific exceptions).

The lack of a mechanism to ensure that partners responded to LMI gathered in Stages 1 to 3 has been a barrier to delivering substantial deals at Stage 5. The nature of policy making and the various budgetary and systemic constraints on partners have contributed significantly to a lack of SSA leverage so far. Some funders and providers have acknowledged SSC influence and contributions to the planning process – although the SfBn feels that this has not moved far enough. Seen as part of a process of agreement and change, however, it is important to understand how the SSA has positioned the network to be able to influence and respond to major policy developments (e.g. qualification reform; the Leitch review etc).

The partial exception is in Scotland, where SSC influence has been diluted due to a lack of clear role and remit in the context of a mature policy environment. Even in Scotland, though, SSC interactions with employers and particularly with the supply side are much improved over the last year.

The State of Play report was produced before the government's response to the Leitch report on skills had been published in England and before the potential response in each of the devolved nations had been clarified. This was also before the publication of Scotland's new skills strategy. Discussions are ongoing about reinforcing the SSC role anyway. The main observations in April 2007, though, in terms of the SSA and its future prospects were as follows:

- The impact of the SSA on the way SSCs work has been significant and has probably accelerated their development considerably.
- The process has, however, become over-bureaucratic and burdensome for all involved.
- High-quality LMI, assessment of current provision and gap analysis, is necessary but not sufficient to bring about changes to decisions on funding and planning provision; complementary work on lobbying and policy negotiation at the highest levels is fundamental.
- The SSAs could never have delivered the original vision of going 'beyond voluntarism' in terms of employer investment in skills without swifter, more radical change to other parts of the skills and training infrastructure, particularly the reform of the funding and qualification framework.

2 INTRODUCTION

This report was produced in April 2007 and marked the starting point of the 2007-8 evaluation of the Sector Skills Agreement (SSA) process being undertaken by GHK on behalf of the SSDA. Much had already been written about the SSAs. The *State of Play* report aimed to take stock of the wealth of material produced and consolidate the lessons up to that point – before the SSA evaluation fieldwork began in earnest.

The report was mainly aimed as a discussion document for the Skills for Business network (SfBn) to test the extent to which there was consensus about the function and positioning of the SSA (as it had evolved in practice) and the underpinning issues relating to the process. It also helped to shape the focus of the evaluation by raising some of the key issues for further investigation, especially in terms of how SSAs might fit in to the future of the SfBn.

The report is therefore structured around a series of key questions:

- What was the initial rationale for the SSA?
- How has the SSA evolved?
- Does the logic of the SSA process stand up?
- What is the 'employer voice' in the SSA?
- How does the SSA vary across the SSCs?
- How does the SSA vary by geography?
- What does a successful SSA look like?
- What does SSA implementation look like and what has been achieved?
- What are the barriers to SSAs delivering on the initial 'promise'?
- What are the key questions for evaluating the SSA going forward?

In producing the report, we drew on: the previous SSA pathfinder evaluation; the SfBn phase 3 evaluation; the SSA implementation progress report²; assessments of the SSAs themselves (both for the SSDA in work to develop cross-cutting themes emerging from the SSA and for LLUK as part of its Impact Review); the review of the SfBn in Scotland (for which the SSA was a key focus); consultations with SSCs undertaken as part of the process to revise the guidance for Stages 3 to 5 of the SSA; SSDA reviews of the Stage 1 Skill Needs Assessments; and a sample of SSC Self-Assessment Reports.

We also spoke to number of SSDA staff: Mark Fisher (CEO); Simon Perryman (Director of Performance); Kieron Gavan (Director of Partnerships and Agreements); Martin McManus (Head of SSA Development); Aileen Ponton (Head of Policy Development - Scotland); and Lesley Giles (Director of Strategy and Research).

² EKOS (2007) Sector Skills Agreement Implementation Report. Research Report 24, SSDA: <http://www.ssd.org.uk/ssda/pdf/070712%20R%20Research%20Report%2024.pdf>

3 THE STATE OF PLAY

3.1 What was the initial rationale for the SSA?

3.1.1 *The vision*

The Skills for Business network (SfBn) was set up to provide a more strategic approach to skills development in the UK, replacing the network of NTOs with larger, more powerful bodies able to exert influence on employers and public funding systems.

SSCs were conceived as employer-led collectives that would move beyond the voluntarism of the late 20th century but which would (usually) stop short of the statutory regulation of employer training through levies, which had been tried previously and generally found wanting.

The Sector Skills Agreement (SSA) was originally seen as a mechanism that embodied the role of SSCs. It would encourage employers to work together so that their individual investment in training, which was substantial, could be better realised. The original intention, as set out in the 2003 Skills White Paper, was that an SSA would be an agreement for collective action by employers and would be pursued '*...where the SSC and the employers judge that such an agreement would be valuable*'³.

Public agencies and government would support agreements by ensuring that the major bodies that distribute public funding reflected SSAs in their allocations and priorities and by introducing statutory instruments for levy where employers wanted it. In this way, the agreements would also '*have a powerful leverage over the supply of training and skills at regional and local level*'. Where a sector did pursue an SSA, the collaborative investment in skills might involve licenses to practice, skills passports, sector training academies, voluntary training levies, collaborative training programmes or action through the supply chain. Collaborative action by employers, it was argued, would increase employer investment in training.

In the SSDA's original specification for the scope and delivery of SSAs (England only at this stage – but with ambition for UK-wide coverage) the rationale for SSAs was described in terms of SSCs exerting strong influence over the training and skills system. It said that '*SSAs will be the concrete mechanism promised by Government through which SSCs can achieve real influence over the supply side and with the employers they represent*'⁴.

3.1.2 *The mechanics of the SSA*

The 2003 White Paper set out the broad areas an SSA should cover, which included:

- An analysis of sector trends, productivity drivers and the skills and development needed to improve competitiveness in the sector;
- A review of current skills, including skills gaps and shortages;

³ 21st Century Skills: Realising our Potential, July 2003

⁴ Specification for the Scope and Delivery of Sector Skills Agreements (England), SSDA

- A review of training provision and priorities for improvement;
- Identification of major cross-industry skill needs;
- An assessment of the scope for collaborative action by employers, the form that action might take and the extent of agreement between employers and trade unions as to its desirability;
- Close collaboration with the LSC and RDAs so that existing skills funding was prioritised to meet sector needs.

These broad areas were subsequently operationalised as an over-arching five-stage process⁵ for developing an SSA – but a blank canvas in terms of what the finished product would look like. It was an ambitious vision backed up with resources. Each SSC received a contribution of £500k towards the cost of developing an agreement – with additional funding subsequently agreed for Scotland and Northern Ireland.

3.2 How has the SSA evolved?

3.2.1 *The relative supply and demand focus*

The SSA is now a tangible, established reality and is a core activity across the SfBn. It has evolved to be *the* tool for strategic influence for the SSCs – the embodiment of the demand-led system of skills development. As the SSSA’s most recent annual report states, ‘SSAs have been positioned as central to the creation of a UK-wide, demand-driven system of vocational education and training’⁶.

The initial SSA focus on collective action by employers has arguably shifted. In reality, as the Leitch Report⁷ describes, SSAs have become agreements with the supply side. Yet the SSCs have no formal leverage with the supply side.

This lack of SSC leverage has arguably been the major barrier to achieving real change through the SSA process. It often means that even with a comprehensive, evidence-based analysis of skill needs in an SSA, there is no way of producing agreements with the supply side that fully address the quality and quantity of provision or skills development that employers have identified as necessary. The ambition of the priorities identified by employers can be illustrated as follows:

- *‘a need to re-orientate how training provision and qualifications are designed, delivered and funded. The implications for government policies in the UK as a whole, the 3 nations and the English regions are profound’.*⁸ (Proskills)
- *‘Government have a major role to play in rectifying the basic skills problem. A commitment to financing schemes, which help to tackle the problem, is essential’.*⁹ (Skills for Logistics)

⁵ 1) skill needs assessment; 2) assessment of current provision; 3) gap analysis; 4) scope for collaborative action by employers; 5) action plan

⁶ Delivering a World-Class Workforce: Annual Report & Financial Statements 2005-2006, SSSA

⁷ Leitch Review of Skills: Prosperity for all in the Global Economy – World Class Skills, Treasury, December 2006

⁸ P12, Sector Skills Agreement Stage 1 Report, Proskills, November 2006

⁹ P20, Analysis of Gaps and Weaknesses in Workforce Development Activity (Stage 3), Skills for Logistics, January 2006

- *'Generally low take up on postgraduate and particularly undergraduate provision.....[has led to proposed action to] review the content and modes of delivery being used within FE/HE to create a better "fit" with the needs of employers and new entrants to the sector'.¹⁰ (Asset Skills)*
- *'The availability of industry specific training is limited in both scale and location. Employers are broadly satisfied with the training they do receive but feel there is room for improvement in terms of providers offering more flexible provision and being more responsive to employer needs'.¹¹ (Energy & Utility Skills)*

3.2.2 The expansion of the task at hand

By April 2007, 22 out of the 25 SSCs had published some SSA material – even if this was only an early draft Skill Needs Assessment. The first two tranches, 10 SSCs in total, had produced Stage 5 SSAs and a number of the tranche 3 SSCs were on the cusp of publishing their action plans. The earliest SSAs, those of the four pathfinders, had been in place for almost two years.

One of the most striking aspects of the SSA in practice is that the scale of the task has expanded, seemingly exponentially, since its initial conception. It has evolved from an initially anticipated one year SSA development timeframe¹² to a typical 18-month gestation in practice (and sometimes longer). It has also grown from being a single agreement to multiple agreements for each of the UK nations, and at some points, for each English region.

The expansion of the SSA has required the production of thousands of pages of research and analysis, shaped into a large number of constituent reports, papers and agreements across the network. By mid April 2007, there were c107 SSA final documents on the SSDA website and c181 draft SSA documents.

At the same time, the SSDA's performance management role has also grown exponentially. There is now a widespread formal system for handling and commenting on SSA documentation – something that requires considerable SSDA and stakeholder resource. The SSA has become a large-scale, formalised process in many respects driven by inputs (milestones and the quality assurance of documents) rather than on the original intent of creating change.

3.3 Does the logic of the SSA process stand up?

In practice, the theoretical logic of a continuous flow through the SSA development stages – from demand/supply analysis; gap analysis; to vision and planning – has acted as a block on agreements. Significant parts of the SSA process have become stuck at the first part of that linear process, because the reality of policy making is much more complex.

¹⁰ P18, Sector Skills Agreement Summary of key issues and proposals for England (Stage 3), Asset Skills, November 2006

¹¹ P111, Sector Skills Agreement Stage 2 Report, Energy & Utility Skills, September 2006

¹² Annex 3 – Specification for the Scope and Delivery of Sector Skills Agreements (England), SSDA

3.3.1 *The intelligence*

This can partly be explained by the underpinning SSA logic of using the research base (Stage 1 and 2) as the basis for action. There is a feeling within the SfBn that, in practice, if it is not politically opportune for partners and stakeholders to be 'persuaded' by the LMI evidence, it can easily be batted back. One stakeholder reflected on the situation as follows: *'partners buy into the SfBn remit, but then endlessly chip away at the detail of the LMI'*.

The Stage 1 Skill Needs Assessment, in particular, can become a hostage to fortune, especially when the SSA has expanded to encompass separate sets of stakeholders within each of the nations and regions. The finely grained research and the depth of consultation required may be impossible to achieve – and the SSCs tend to be at the whim of individual stakeholders and groups of stakeholders within the nations and regions to determine what constitutes acceptable analysis in practice. SSSA and stakeholders use a quality standards framework, alongside their own expectations, to judge outputs. One stakeholder described it as: *'death by a thousand cuts'*.

The SSCs also have to do several things at once. They are producing research and analysis with employers that are robust for each nation and possibly each region, while also trying to identify and present 'the big picture' skills issues – but still ensuring that they present a regionally nuanced picture of the analysis.

Some stakeholders have taken the evidence-based approach so far that they are now talking about an 'audit trail' type approach whereby the responsibility for a decision to act could be directly traced back to particular evidence. This rather mechanistic approach to the evaluation of SSC evidence in the context of the SSA shows how the process can easily become de-railed. What should be debates about policy decisions end up being debates about LMI quality and interpretation.

3.3.2 *The agreement*

While the scale of the SSA task may have expanded, its options for influence have arguably narrowed. The end logic of the agreements, as initially specified, was based around producing costed action plans, using the SSA as a means of holding employers and (increasingly) supply side partners accountable for commitments to act to improve skills provision and investment in training.

There has been an inevitable shift away from the action plan as a notional end point (a 'deal' that has been done) to 'direction of travel' agreements and the prospect of on-going negotiation. Most SSCs have had limited room for manoeuvre in seeking substantial commitments to act from employers or stakeholders. For example, numerous SSA solutions are based around new ways of delivering training and skills development (e.g. prioritising new unit and credit-based forms of flexible delivery and changes to the funding of qualifications). These have tended to rely on or relate to the UK Vocational Qualification Reform Programme (VQRP) – something that is still in train. Furthermore, it is also practically difficult to organise an industry to act in unison without resorting to more systemic approaches, such as levies (which are not necessarily appropriate to all industries).

It is also unrealistic to expect a continuous logical flow from the Stage 3 gap analysis to the Stage 5 agreement. Evidence-based policy making can only ever inform the decision-

making process – it cannot determine it. Actual decisions will always be constrained by current budgets and systems for delivery across a range of partner organisations. It has proved extremely difficult for SSAs to gain leverage over public sector funders and providers through the power of the argument (i.e. the research and analysis). Ultimately, the SSA is only one input into the policy ‘mix’ – and it is only over time that the scope (or lack of scope) for potential influence has emerged. The SSA ‘output’ is therefore more of a staging post and part of a longer-term process of negotiation about delivery, which the SSA ‘product’ captures in terms of broad ‘direction of travel’.

Few hard ‘deals’ have emerged from the SSA process directly. Deals are much more likely to occur as a result of ‘serendipity’ – preparation meeting opportunity (e.g. the national skills academies). A number of the more significant SSA ‘deals’ have been in preparation for some time prior to publication of the SSA (e.g. Skillset’s screen academies and e-Skills UK’s Computer Clubs 4 Girls programme).

3.4 What is the ‘employer voice’ in the SSA?

The cornerstone of the SSA process is that SSCs engage with their employers and can speak authoritatively from that perspective. There is also an assumption that SSCs can in some way mobilise employers to act. Yet there are distinct views – among stakeholders in particular – about what constitutes a ‘valid’ articulation of the employer voice by SSCs.

The SfBn has undertaken considerable work – both in the context of the SSA and more generally – to define and understand what constitutes effective employer engagement. This has emphasised ‘employer engagement as a multi-layered process’¹³, with achieving an employer commitment to training and development at its heart. Yet this first requires:

- employer awareness (i.e. of the SfBn);
- employer understanding (e.g. of what SSCs do);
- employer dealings with SSCs (i.e. tangible contact or engagement);
- and satisfaction with those dealings.

Employer engagement through the SSA has occurred on each of these levels, but with the ultimate aim of achieving the commitment. Translating the employer perspective in terms of ‘what is the problem’ into ‘what should be done’ and by whom, into a tangible employer commitment to act requires a large degree of skill and effort and elapsed time. Even determining what an employer commitment actually looks like in practice is something that the SSA process has had to define at the same time as actually achieving it.

The challenge of trying to marshal and articulate a coherent employer voice in the context of the SSA should therefore not be under-estimated. What the SSA has helped to develop are a series of approaches to involving employers – through research, consultation and high-level strategic groups – that begin to define what it means to speak authoritatively for the sector.

¹³ P33, Skills for Business network: Phase 3 Evaluation Main Report, Leeds Metropolitan University/IES, 2006

There may well be no single vision across a sector. It may be that employers cannot effectively articulate a long-term vision because it implies that each employer has the requisite sophistication of HRM to be able to analyse and assess its own requirements. In particular, this works against the involvement of smaller employers.

The earlier evaluation of the pathfinder SSAs highlighted at least two types of employer commitment:

- *‘Contributing funding - typically through industry-level deals (‘macro deals’)*
- *Contributing time or action - the employer contribution being made up of a commitment to train or to work in partnership on given initiatives, either individually or through SSC forums (‘micro deals’)¹⁴.*

‘Micro deals’ are the mainstay of the SSAs to date – although this may change in future. While some important progress has been made in terms of signing up major employers to act as the ‘vanguard’ on skills development, there is the risk that these contributions look piecemeal. In many cases, it would be an unfair reflection on the SSA process, which could never on its own terms deliver industry-level deals (although it has been used as a mechanism to support the introduction of, for example, voluntary levies where the appetite already existed). Furthermore, the individual employer commitment makes sense in the context of tangible programmes – such as the national skills academies.

3.5 How does the SSA vary across the SSCs?

3.5.1 The push towards uniformity

There has arguably been a tension between the initial freedom afforded to SSCs to develop SSAs that suited their employers and prevailing industry cultures and an increasing need for consistency of approach – if for no other reason than to make the engagement of partners easier. When partners *de facto* impose their own processes, contact protocols, standards and requirements, it creates a degree of similarity in the SSA outputs across the SfBn.

Many partners that have been closely involved with the SSA process also emphasise the similarities in terms of priority actions across the SSCs. They note the consistent wave of cross-cutting issues that appear in the majority of agreements, irrespective of industry:

- leadership and management;
- careers pathways and IAG;
- the development of flexible, bite-sized learning;
- public funding for higher-level vocational qualifications;
- and a variant of kite-marking or quality assurance on provision.

3.5.2 The capacity and capability question

There is therefore a superficial similarity in the SSAs – both in terms of overall structure and content. Yet it is interesting to see that beyond the confines of a five-stage process, different SSCs have tackled the SSA in slightly different ways, attuning it to the nature and culture of

¹⁴ P39, Evaluation of the Pathfinder Sector Skills Agreement Process, GHK, November 2005

their own industries. In fact, the more industry dictates how the process should go, the more likely it is to deviate from the five-stage notion. And this is surely no bad thing. As noted above, though, a degree of consistency in approach across the SSAs has been beneficial in enabling quality assurance and stakeholder engagement.

The more important aspect of understanding divergence between what has been done in different industries is comparative capacity. The SSA process implies that each SSC has an established research function, a fully-functioning employer network that spans the sector footprint, and UK-wide reach in terms of presence and stakeholder engagement. Yet some SSCs have only recently established their service offer, staffing capabilities and employer networks. It became apparent fairly early on in the development of SSAs that the process requires a diverse skill set within the SSC – in terms of research skills, negotiations skills for engaging stakeholders and partners, and, perhaps most importantly, skills to translate the research findings into meaningful policy and strategic priorities.

It is also a question of strategic focus. The critical factor in successfully undertaking the SSA process is the degree to which senior SSC staff retain the lead over development. It has also always been clear that a successful SSA requires commitment and involvement across an SSC's functions. It is therefore a risk if the SSA, for whatever reason, becomes effectively packaged as a research exercise.

This is arguably the main point at which SSCs diverge in relation to what they are able to achieve through the SSA. Examples were suggested to us of SSCs that had struggled with the research phase but had *'been clever'* in terms of working with partners to develop relatively substantial agreements and vice versa, where the skills within the SSC did not exist to turn excellent Stages 1 and 2 into solutions that stakeholders could commit to. Skills to translate the evidence-base into solutions and then negotiate a deal are fundamental to effective SSAs.

3.6 How does the SSA vary by geography?

If an SSA is truly employer led, then the skill needs identified will often be the same in different parts of the UK. Most SSAs are set in a global context or framed around a small number of strategic industry drivers. Yet if nations and regions are the main mechanism for delivering SSAs then the notion of a unified SSA process is hard to sustain.

This is notable in Scotland, for example, where the underpinning notion of the demand-led system has completely different connotations. There was never consensus about what role the SSA should play and stakeholders in Scotland (and indeed elsewhere) have tended to impose their own vision, describing it *'variously as: an input into the policy pot; a workforce planning tool; an additional piece of LMI; and providing ideas for pilots'*¹⁵.

In England, there are 'parallel' regional structures such as the regional skills partnerships – which have tended to exist in complete separation from the SSA. Similarly, the RDAs have their own strategies, priorities and skills networks, making funding decisions sometimes in light of and sometimes in lieu of SSA priorities. Transposing sectoral needs in England onto regional planning systems therefore remains problematic.

¹⁵ P31, Review of the Skills for Business Network in Scotland, GHK, 2006

Even where the most persuasive case is made by SSCs and their employers, the process of realising geographically-based partner commitments is fraught with practical questions:

- Aligning with the decision-making and planning timetables of a range of regional partners;
- Being able to identify the appropriate level at which to ‘strike the deal’;
- How the SSC/employer-defined priorities sit within pre-existing partner priorities;
- How partners and groups of stakeholders define demand-side skills provision in this context;
- On-going regional and national policy developments that sit outside the SSA process but which impinge directly on delivery.

3.7 What does a successful SSA look like?

There are some obvious characteristics of a successful SSA:

- It tackles strategic issues, but in a tangible way. It goes beyond being a manifesto of employer complaint (‘provision isn’t fit for purpose’) to offering a constructive and realistic way forward;
- The ‘SSA vision’ is clear. The agreement is not an expression of effort expended and a record of every SSC/partner activity; instead it offers a small number of attainable but challenging objectives (the ‘big ticket items’);
- It is based on a firm foundation of research and consultation derived from authoritative employer engagement;
- The SSA is a true statement of employer commitment – either from individuals or groups and articulated in the way most appropriate to the industry (not every sector can have the levy approach and this should not therefore be the passport to or indicator of successful employer mobilisation);
- Stakeholders and partners have clearly been actively engaged throughout – with many deals appearing fully-formed. In substantive terms, the SSA says what partners are stakeholders are committed to doing, not what the SSC simply calls for them to do. In practice, this is easier said than done given that SSCs cannot necessarily compel partners to act, even when closely following the requirements of the SSA process.

In short, success is about the quality of the deals. There is a risk that *quantity* in the context of the SSA is detrimental to *quality*. This relates back to the challenges of actually realising a partner commitment. The network has to tackle head-on the need to ensure that SSA action plans are substantive, measurable outputs that add value.

There is a risk that the long-term credibility of the SSA process could be undermined if the greater share of actions are either insubstantial (e.g. a deal to undertake further dialogue with partners) or part of pre-existing work programmes (i.e. using the SSA simply to reiterate prevalent policy and existing initiatives).

This is not to say that everything contained within the SSA has to represent a break with the past. Yet also, the more an SSC is trying to challenge the prevailing policy direction, the more difficult it is to strike a deal within the context of the SSA.

3.8 What does SSA implementation look like and what has been achieved?

Within the context of the SSA evaluation we need to distinguish between the SSA as:

- a thing, a tangible product
- a process of agreement and change.

A tangible product (the written documents) may be part of a process of agreement and change, but the process encompasses the product – not the other way round. Documentation associated with the SSA is necessary for the government machinery to recognise formally the relationships within an agreement (and sometimes to remind the partners that they were party to that agreement). It is not the relationship itself.

There is a requirement to reinforce and build a real commitment among some partners to work effectively with the SSCs on an on-going basis. The SSA development process should lead to substantial partner relations – the question now becomes how the momentum can be sustained and the calibre of relationships maintained.

In fact, some have suggested that there is no SSA end point – that it is a form of permanent revolution. The realities of the process dictate that SSCs work towards a publishing date (partly for funding purposes), but these tend to be arbitrary and have, in practice, led to SSAs being published with unspecified or very broad actions and, action plans appearing for each of the nations subsequently. This makes the SSA a process with a long tail.

3.8.1 Achievements

In terms of the difference made by the SSA process so far, it has started a trend, in England and Wales at least, for incorporating the views of employers into skills funding and decision-making. By questioning the nature of current provision, it has encouraged the learning and skills sector more widely to think about what it is delivering. This may seem like a fairly intangible achievement, but it relates to the SSA being part of an on-going process of change.

Swifter progress towards a demand-led system may be made in future. In January 2007, the LSC in England published its consultation on *Delivering World-Class Skills in a Demand-Led System*. Three years after the start of the SSA process, this promises part of the infrastructural elements that the SfBn needs in place for it to deliver. It describes a blueprint for FE that *'means moving away from the traditional planning role that exists to delivering through a demand-led system'*¹⁶. Critically, it focuses on the allocation of funding and therefore implies or offers the potential for an approach that matches what SSCs have been calling for in their SSAs (flexible delivery; funding shifts to meet demand etc).

The SSA has also been important in positioning the network so that it can respond to and influence policy developments, such as the Leitch review on skills and the VQRP. The key

¹⁶ Delivering World-Class Skills in a Demand-Led System, LSC, January 2007

question is whether the network would have been able to engage with these important strategic initiatives and developments if it was not for the SSA. It is unlikely that the network could have played such a central role in the qualifications reform programme (leading Strand 1 of the VQRP) without the evidence base and employer engagement developed through the SSA. The Sector Qualification Strategies (SQS) and Action Plans that comprise Strand 1 flow directly out of the SSA.

Overall, four main areas of achievement are apparent:

- There is more rigour, vision and planning around employer skills issues and strategy formulation than there was in the past. Larger, more sophisticated SSCs might have been able to deliver this without a defined SSA process – but it would probably have taken longer to get there. For the smaller and newer SSCs, it has been important that there was a defined process, which partners understood. Undoubtedly, in undertaking the SSA process more SSCs have improved both their own research capacities and their industry knowledge base.
- There have been very significant improvements in sector-based LMI. In fact, from an analytical standpoint, the attempts to assess current provision (Stage 2 of the process), while being one of the most difficult parts of the SSA process to complete effectively – has led to advances in our understanding of what information is and is not available.
- Having to follow the SSA process has stretched many (especially newer) SSCs a long way outside their comfort zone and forced them to develop relationships with their employers and with the supply-side. They arguably needed a framework to do this.
- There is more consensus among funders and providers that the ‘employer voice’ should influence provision. Even though that influence is still often at the margins, in England, Wales and Northern Ireland at least, the view that providers know best has been challenged.

Achievements can also be seen in terms of specific activities and outcomes. The SSDA Research Report¹⁷ on progress with SSA implementation clusters the key achievements of the pathfinders into three groupings:

- ***Being able to operate from a position of authority*** – Examples include: the new ConstructionSkills observatory groups, which include a range of industry and stakeholder representatives providing a regular LMI feed at national and regional level; Skillset’s ability to respond quickly to strategic enquiries on the DCMS Creative Economy programme and its new film industry levy.
- ***Developing relationships with key stakeholders to gain influence*** - Examples include: e-Skills UK’s agreements with the LSC that it will only fund ITQ-related qualifications and SEMTA’s inputting into CoVE re-accreditation.
- ***Other changes and projects*** – These are numerous, but examples include: the roll-out of e-Skills UK’s Computer Club’s for Girls programme and ConstructionSkills’ work in Wales with local authorities to develop employment charters encouraging contractors to recruit locally and commit to training.

¹⁷ P15, EKOS (2007) Sector Skills Agreement Implementation Report. Research Report 24, SSDA: <http://www.ssda.org.uk/ssda/pdf/070712%20R%20Research%20Report%2024.pdf>

3.8.2 Implementation and delivery

It is increasingly difficult to isolate SSA-related achievements from the wider work of the SSCs. For a number of the Pathfinders and the tranche 2 SSAs – the planned integration of the SSA into the mainstream organisation of the SSC is clearly articulated. Every organisation needs robust market intelligence (SSA Stages 1 and 2), a vision and strategy for action (SSA Stage 5), a business planning process (the costed action plans), the support and involvement of its prime customers (employer and stakeholder engagement). In this way, SSA influence can be felt through the SSCs' more general business and action planning processes. In particular, the SSA process has imposed a robust planning process onto the newly formed SSCs – which required a higher level of organisational competence and capability than was the case for NTOs.

So, while the early SSAs did not include wider work such as the SQS, National Skills Academies or diplomas – the intelligence base held by the SSCs, the employer relationships and the comprehension of the supply-side have enabled SSCs to respond better and faster to new policy and resource opportunities as they have arisen. While the SSA is labelled a product, its enduring added value will lie in process – in the standards set being maintained in enhanced SSC capacity and capability.

This is significant when looking to measure the impact of SSA 'delivery'. For example, separating the SSA and the SQS means that there is a significant element of SSC activity missing from the SSA. Qualifications reform is an apt strategic priority within an SSA. But, without the detail of the SQS action plans, the SSA is limited in the extent to which it can define and gain commitment for qualification reform 'deals'. The LSC's consultation on a demand-led system only includes a single mention of the SSA, but it outlines the centrality of the SQS to qualification and curriculum reform. Yet, as noted above, undertaking an SQS would have been impossible without the analytical foundation provided by the SSA.

Furthermore, once an SSA is published, the headline priorities contained within do not necessarily shape the flagship SSC activities over the coming period. Take Cogent, for example. It has distilled its SSA analysis into a series of 'big ticket' items that are prominent on the SSC's website. However, the main Cogent activity since the publication of the SSA (in only December 2006) has arguably been the development of two National Skills Academies – for the process and nuclear industries, which are mentioned in passing in the Cogent SSA¹⁸. Yet again, one could argue that progressing Skills Academies themselves has only been possible in the context of the research and employer mobilisation undertaken through the SSA (indeed, Cogent themselves make a similar point in a 'stop press' addition to the SSA executive summary).

3.9 What are the barriers to SSAs delivering on their initial 'promise'?

Despite the remaining potential for delivery – half the network is still to publish a SSA – there are significant barriers to SSAs delivering fully on their initial promise.

¹⁸ A Sector Skills Agreement for the Chemical and Pharmaceutical, Nuclear, Oil and Gas, Petroleum, and Polymer Industries, Cogent, October 2006

3.9.1 *The lack of available levers for change*

Without any real levers for change – the SfBn (both SSCs and SSDA) have tended for the most part to be reactive and accommodating of stakeholders requirements. Being an authoritative voice of industry is insufficient. There have been systemic blockages that have restricted the potential for SfBn influence:

- For the most part, there are no collective mechanisms to influence employer investment available to SSCs.
- Funding for public provision in skills development is linked to separate planning processes that SSCs can only influence indirectly.
- Decision-making is increasingly focused on the nations and regions, where there are parallel sets of organisations undertaking equivalent dialogue and SSC involvement is variable.

3.9.2 *Leadership and involvement from SSC CEOs*

The linear five-stage process has had the unintended consequence for some SSCs that the SSA tends to be started by, and then driven by, research staff, in spite of guidance cautioning against this approach. In many cases, as research staff are producing Stages 1 and 2, they are then driving the consultation and agreement phases, presumably on the basis that they are the people who understand the research base. Nations or regions staff are often drawn into the process for their geographical area, creating a multi-dimensional but potentially disjointed process that is difficult to manage.

What seems to be lacking for some SSCs is senior staff involvement that could and should be linking the SSA work into the heart of what the SSC does. During the Pathfinder process, CEOs and very senior deputies were actively involved in the production of the SSA, and their skills, knowledge and experience together with their ability to take decisions on behalf of the SSC, were more likely to lead to ‘deals’ with employers. It is not clear that all subsequent SSCs undertaking the process have had the same level of senior involvement.

3.9.3 *Tension between the regulator and facilitator role of the SSDA*

On the one hand, the SSDA has had to define the SSA, develop the quality standards and hold the SSCs accountable to meeting those standards. At the same time, it has had to respond to considerable pressure from stakeholders on the justification for the SSA process and the quality of the outputs delivered.

Additionally, the coverage of the SSA has grown, but alongside pressure from the then DfES to complete the SSA process quickly. Externally, it appears that the SSDA has had limited internal resources to match the growth in SSA scope and coverage and has had to adopt a defensive position with stakeholders focusing on operations rather than strategy. In combination, these have limited the SSDA’s ability to act as an effective advocate for change and aid in facilitating a stronger position for the network with the supply-side and creating better ‘deals’.

3.9.4 *The slow pace of change on funding and qualification reform*

One major issue has been the slow progress on funding and qualification reform. SSCs do not control the flow of major funding streams for skills and training. It is difficult to persuade

employers to work collectively towards up-skilling and investment in their sector and to persuade government agencies to use adult skills funding to get leverage to underpin collective training investment by employers.

Government agencies responsible for public funding have to focus their resource on those aspects of training that benefit the wider economy, not just the individual or the employer. Linking public support to qualifications is one way of doing this, but is difficult, in the absence of a system with a clear ladder of progression and a unitised structure, for SSAs to make real headway.

In the absence of a reformed qualification system that can link skills and training provision to the occupational skills and standards needed by employers and employees, SSCs have had to focus on other ways of influencing supply. Hence, government's commitment in the 2005 White Paper that the major funding bodies in England (LSC and HEFCE) would 'reflect' agreement priorities has become over emphasised¹⁹ and is practically difficult to implement.

It has always been recognised that reforming vocational qualifications would be complex, slow and time-consuming. But successful reform of funding and re-structuring of qualifications is fundamental to making 'beyond voluntarism' a reality. SSCs must build on the knowledge base of the SSAs to exercise real authority and leadership in representing employer interests within the reform agenda.

3.9.5 A prevailing 'subsidy mindset' among employers & mismatch in expectations

In taking forward the SSA, the corollary to the lack of funding and qualification reform has been an apparent reluctance of employers to seize the opportunity to engage in collective action and the slow speed in changing the prevailing employer culture. Where there has been effective action, it has involved significant investment and leadership within the industry and over a longer period of time than the 18 month gestation period of the SSA. Shifting the mindset and culture of industry is a significant challenge – a process that is just gaining momentum and the right external conditions (Leitch) to have any possibility of success.

3.9.6 Limited demonstration tools

One of the 'gaps' in the SSA model was the lack of a funding stream for demonstration projects – seed corn or 'venture capital' funding for the SSA. This would:

- Provide a means for actively working with employers and the supply-side, importantly within the context of a strategic approach to skills supply, to experiment with ideas.
- Enable pilot and test proposals to be developed quickly – to demonstrate their value and promote wider adoption as appropriate to funders.

Instead, SSA outputs were limited to planning documents for which funding opportunities had to be sought or tailored to fit the prevailing sources of funding.

¹⁹ P13, Skills: Getting on in business, getting on at work (Part 1), March 2005

3.9.7 A fast moving and dynamic policy environment

There are two issues here. First, is what role for the SfBn's sponsoring departments in a fast moving policy environment? Second, is whether the SSA is sufficiently flexible to be fit for purpose in such an environment? The evolution of policy even since the production of this report in April 2007 only serves to highlight the importance of having an SSA process that is effectively supported through (and sufficiently adaptable to) change.

At the start of the SSA development process, there was a dedicated team within the then DfES working closely with the SfBn. The team worked to help articulate the vision for the SSA, liaise with and bring stakeholders into the process (e.g. HEIs), raise the profile of the SSA with Ministers and within government, while also managing the demands and expectations being made of the SSA. That locus of policy intelligence and operations within the centre was a fundamental contributor to the effective development of the first SSAs. It is not clear where that locus has been in the later DfES period and beyond.

In April 2007, it was not clear the extent to which the SfBn had effective 'sponsors' both within central government departments and in the nations reflecting the interests of the network within policy discussions. Further, recent reviews raise the question of whether SSSA and the SSCs have been adequately resourced within their policy development teams in the UK and nations to hold effective influence over the policy process.

As demonstrated earlier, elements of the SSA plans have been superseded by policy developments and opportunities that did not feature in the initial agreements. At best the SSAs are developed within 18-month timeframes. Is the current process of SSA development too inflexible to keep pace with the dynamic of the policy environment within which SSCs operate? Certainly greater flexibility needs to be introduced into the 'milestones' driven process for the remaining SSAs.

Finally, lessons need to be learned by all from the SSA process – on its specification, operationalisation and delivery - and quickly and intelligently transferred to the current development of the SQS. The SfBn needs to define the vision for the SQS, exercise authority and hold stakeholders equally to account in making progress.

3.10 What are the key questions for evaluating the SSA going forward?

It is still far too early to judge whether SSAs have 'worked'. The 'beyond voluntarism' approach is based on changing the cultures and mindsets of thousands of employers and employees and influencing individual, company and public decisions on investment in skills and training. The question for the wider evaluation is not simply 'have SSAs delivered' but:

- Whether the basis has been laid for collective action in the future?
- Whether the SSA process is fit for purpose – what aspects of it encourage collective action and what aspects do not?
- Which aspects of the SSA process are most likely to lead to success in the future and must be bolstered and retained, and which are least likely (i.e. what is the core machinery)?

- What is the impact of both the SSA as 'a thing' or product and, more importantly, as a wider process? Are there aspects of network development that could not have taken place (or will not take place in future) without the SSA?
- Is the employer commitment being realised through the SSA? If so, how and where? And if not, what are the remaining blockages to using the SSA to effectively mobilise employers in this way?
- What systemic changes need to take place in order to enhance SSC leverage as part of the SSA process (defined in its broadest terms)?
- What are the lessons to be learned for application to current developments (SQS, demand-led system) and future developments (the Commission)?
- What are the critical success factors for the SSA going forward?

List of previous SSDA Publications

Please note all publications can be downloaded from our website www.ssda.org.uk

Research Report 1

Skills for Business 1000

Research Report 2

Evaluation of the Trailblazer Phase of the Sector Skills Council Network

Research Report 3

Skills for Business Network – Phase I Evaluation

Research Report 4

Skills for Business 2003 – Survey of Employers

Research Report 5

Skills Pay: The Contribution of Skills to Business Success

Research Report 6

The UK Skills and Productivity Agenda: The Evidence Base for the SSDA's Strategic Plan 2005-2008

Research Report 7

The UK Workforce: Realising our Potential

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Raising Sector Skills Levels – How Responsive is Local Training Supply?

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Skills for Business Network: Phase 2 Evaluation Main Report

Research Report 11

Skills for Business 2004: Survey of Employers

Research Report 12

Skills for Business Network: Phase 2 Evaluation Case Studies

Research Report 13

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The Comparative Capability of UK Managers

Research Report 18
Skills for Business Network 2005: Survey of Employers

Research Report 19
Skills for Business Network: Phase 3 Evaluation Main Report

Research Report 20
Training and Establishment Survival

Research Report 21
The Distribution and Returns to Qualifications in the Sector Skills Councils

Research Report 21a
The Distribution and Returns to Qualifications in the Four Countries of the UK

Research Report 22
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Working Futures 2004 – 2014 : Technical Report

The Sector Skills Almanac for the UK, 2007



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