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# HOW DO WE BEST IMPLEMENT LEITCH TO IMPROVE LEARNING, SKILLS AND EMPLOYMENT

## SEMINAR REPORT

### PURPOSE AND ORGANISATION OF THE DAY

This seminar, one in a programme organised by the Centre for Public Policy Seminars for the Learning and Skills Council, was held at the Royal Commonwealth Society in London on 13 December 2006. In the week following publication of the Leitch Report by the Chancellor of the Exchequer, its aim was to examine how best the report could be implemented both by Government and by the range of stakeholders involved : LSC, sector skills councils, employers, colleges, private providers and others. The seminar brochure posed four questions :-

- How Can We Afford To?
- How Can We Afford Not To?
- How Do We Achieve the Totality of Investment and Culture Change?
- How Can We Maximise Both Employer Investment and Effective Cross-Government Working?

The day, which was chaired by Mark Haysom, LSC's Chief Executive, was divided into four sections. The first contained three presentations. One by Prof Mike Campbell, Adviser to the Leitch Review Team at HM Treasury (in place of Lord Leitch, who was giving evidence to the Work and Pensions Select Committee, gave an overview on how we might meet the challenges and opportunities presented by Leitch and take the necessary range of actions. The second, by David Way, National Director of Skills at LSC, gave a LSC perspective on how we might best respond and the third, by Peter Huntington, Chief Executive of GO Skills, looked at necessary action within individual sectors of the community, focusing on transport.

The second session after coffee was in two parts, looking at the importance of Leitch and how it might be responded to by different parts of Government and their stakeholders. The first presentation, by Stephen Speed, Deputy Director General at the DTI, examined from their perspective how we can develop our national and regional economies to achieve greater investment. The second, by Adam Sharples, Director General for Work, Welfare and Equality at DWP, looked at the importance of integrating approaches to skills, getting people into work and social justice and, in particular, how skills relate to jobs.

In the third session, after lunch, the Minister for Skills at DfES, Phil Hope, discussed Government's agenda and expectations in taking forward Sandy Leitch's recommendations. Where would it take us? What were we likely to achieve in the next decade?

The final session examined both employer and international perspectives. First, David Frost, Director General of the British Chambers of Commerce, examined what employers might realistically expect of government and how they might maximise their own investment. Then Will Hutton, Chief Executive of the Work Foundation and Rapporteur of the High Level Group on Lisbon Strategy of the European Union, examined how Britain compares with other European countries in meeting the challenges of an effective skills agenda and how we might best meet the Lisbon Agenda.

There was highly engaged debate involving a large number of participants at the end of each session.

## RESPONSE TO, AND VALUE OF, THE DAY

The response to the seminar, both on the day and subsequently, has been most positive and encouraging.

Mark Haysom, the LSC Chief Executive, in closing the seminar said that the day had demonstrated the very high buy-in there was to the Leitch findings and recommendations from across the whole spectrum of organisations involved. The value of the day had been to bring so many people from right across interested organisations together to discuss the issues, exchange views and take forward the debate. He was very pleased that LSC had been able to initiate the day and CPPS had been able to organise it.

Stephen Speed, the DTI director who contributed to the seminar, congratulated the organisers for hosting this event at such an opportune moment and for bringing together such a strong cross section of those who are interested in the future of skills in the UK economy.

The Learning and Development Director of First Group plc said it was the "best conference she had attended in years". It was a good venue, there had been very pacy delivery, all the speakers had been excellent and there had been good time for questions. It had been "good to have some intellectual stimulation at a conference for a change" and it was absolutely right for LSC to be running these sorts of events.

A director of learning provider Carter and Carter commented "absolutely excellent event on all counts - well done" The Managing Director of GEN2 Engineering and Technology Training Ltd said there had been "an excellent range of well-informed speakers and involvement from floor". It was right for LSC to run such events, especially for employers and not just providers or policy bodies and government agencies. The Assistant Director of the States of Jersey Department of Education said : "excellent event - timely and informative".

The Head of Skills at Yorkshire Forward commented "good use of speakers from a range of specialisms. Good high level representation/people had authority and expertise". The Assistant Principal of Basingstoke College of Technology said "a very well organised and informative event". The Amicus representative at Rolls Royce Engines said "very high level event; top quality speakers; very useful", while the representative of the Greater Manchester Chamber of Commerce said "the day was excellent", and an anonymous delegate simply said "fantastic".

## THE DAY IN MORE DETAIL

### THE CHAIR'S OPENING REMARKS

In opening the seminar, Mark Haysom commented on how timely the seminar had turned out to be, coming as it did within a week of the Leitch Report being published. While there had been much debate of the skills position in Britain over several years, Leitch had taken the policy debate forward in a very substantial way, both on demand and supply. Today was a good opportunity to look at all aspects of the report. It was possibly the first opportunity for a key Minister to speak following publication and the Chancellor's strong statement of commitment in the Pre-Budget Statement. We were fortunate to have the broad range of speakers of such seniority covering the whole territory.

### THE LEITCH ADVISOR'S PERSPECTIVE

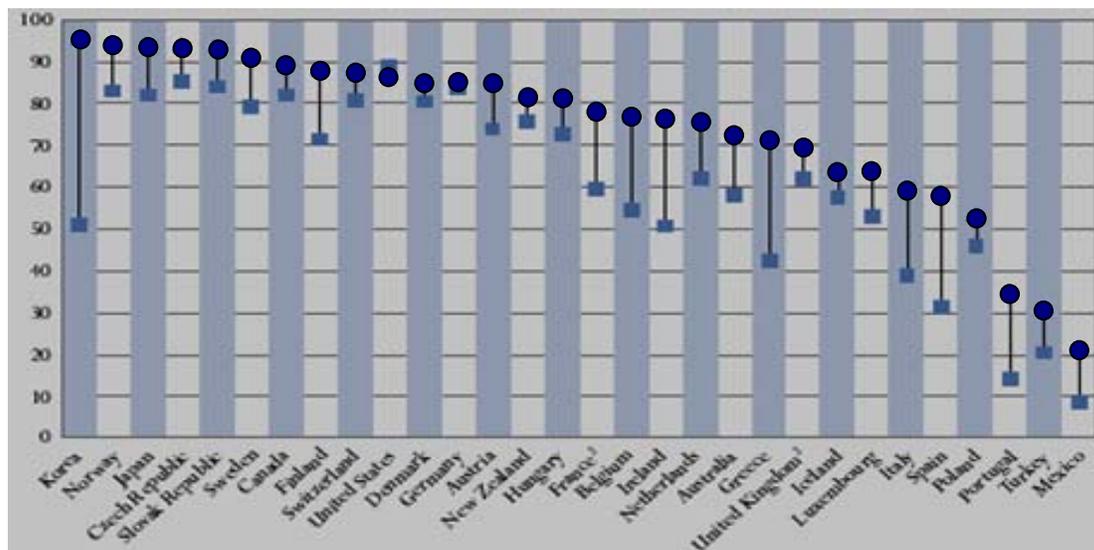
The opening presentation was by Prof Mike Campbell, an Adviser to the Leitch Review Team at the Treasury and Director of Development at the Sector Skills Development Agency. He argued that one had to start with some inconvenient truths about the UK's position. Despite substantial progress in developing skills over the past ten years Britain's relative position had stayed much as it was. If the UK wanted to stay in the premier economic league of the world, it needed to take substantial action on the skills front. Skills matter!

A central challenge was to close the UK's international skills gap. Among the working age population, we rank 22nd out of 30 OECD countries in secondary educational attainment. Many are catching up fast, e.g. Ireland, Korea and Spain. The UK is at best 'average' in terms of young peoples' participation in post-compulsory learning. We are ranked 17 out of 23 and behind several EU accession countries. Our young people have lower attainment than in Slovenia or Estonia. Despite historically high levels of higher education participation, the proportion of those with level 4 qualifications is only average; the UK is ranked 11th out of the 30 OECD countries.

The qualifications improvement of the last 10 years has added between £30 - £50 billion to GDP : 2% points to GVA per worker, around 200,000 jobs. However, the UK is relatively skills poor. Our educational attainment ranks 15th out of 30 OECD countries for 'older workers', and 22nd for 'younger workers'.

The global playing field is changing fast. China and India will soon be far more important than the UK. China has already overtaken the UK in economic size. Over the next 10 years China and India will double in economic size, while the UK will be only 10-25% bigger.

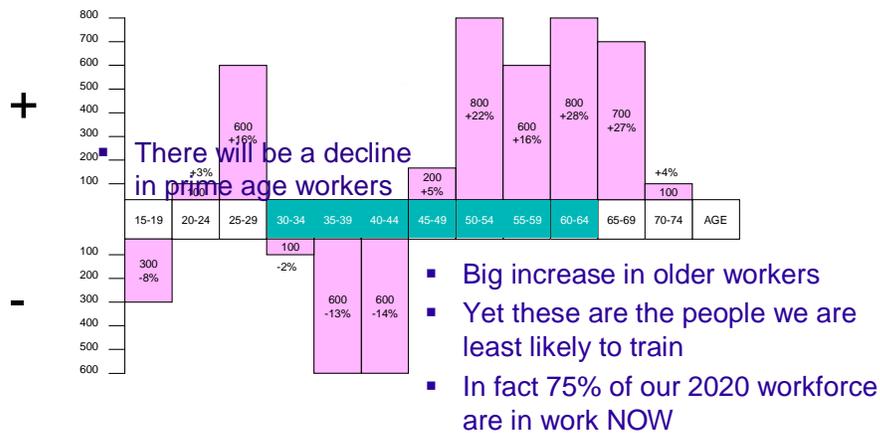
We also have a greying workforce. There will be a decline in prime age workers but a big



Source: OECD, Education at a Glance (2004)

## Challenges The Greying Workforce

Projected change in age groups 2003-2020 (in thousands)



Source: Government Actuary Department

increase in older workers. 75% of our 2020 workforce are in work NOW. Yet these older workers are the ones we are least likely to train.

But the prize of meeting the Leitch agenda is an increase of up to 15% in rate of productivity growth, equivalent to £2.7k per worker, and up to 10% increase in rate of employment growth, equivalent to 250k jobs. It will add £80 billion to GDP over 30 years. Just eliminating the productivity gap with Ireland will be an equivalent to working a 4 day week instead of 5!

None of this will happen by itself. We need vision, ambition and action. The UK has to commit to becoming a world leader in skills (in top 8 in the OECD at all skill levels) by 2020 in order to secure prosperity and fairness. 95 per cent of adults have to achieve functional literacy and numeracy, up from 85 per cent literacy and 80 per cent numeracy today. Over 90 per cent of the adult population have to be qualified to at least Level 2, achieving 95 per cent when feasible, which is an increase from 70 per cent today. We have to shift the balance of intermediate skills from Level 2 to Level 3.

The role of the Learning and Skills Council should be streamlined to become a funding body and market maker. We have to improve the esteem, quantity and quality of intermediate skills. We have to double the number of apprentices to 500,000, with most growth coming from adults. We have to exceed 40 per cent of the adult population qualified to level 4 and above, up from 29 per cent today. We have to route all adult vocational skills funding through Train to Gain and Learner Accounts by 2010.

The employer voice must be strengthened. Existing bodies must be rationalised, the collective voice strengthened and employer views better articulated by a new Commission for Employment and Skills, accountable to Government. Sector Skills Councils should be relicensed and empowered to approve the content of vocational qualifications. More economically valuable skills should be delivered by allowing public funding for vocational qualifications only if approved by SSCs. Skills brokerage services should be expanded.

Employers should pledge themselves to train all eligible employees up to Level 2. If the improvement rate is insufficient by 2010, an entitlement to workplace training should be introduced in consultation with employers and unions. Employer investment should be increased in level 3, 4 and above qualifications in the work place. We have to have world class intermediate skills. Train to Gain should be extended to higher levels. There should be employer control of apprenticeships, with their volumes doubled and incorporated in SSAs.

Higher level skills have to be improved. Changes to targets and funding should encourage employer/university collaboration and hard edged employer commitments to increase investment in high skills through SSAs. People's aspirations and awareness of the value of skills to them and their families have to be increased. High profile,

sustained awareness programmes are necessary. Existing fragmented services should be rationalised and a new universal adult careers service developed.

A new integrated employment and skills service should be created to increase sustainable employment and progression. There should be a much greater role for basic skills improvements in helping disadvantaged people find and stay in work. A nationwide network of local employment and skills boards should be developed to ensure local services meet employer needs and that workers are equipped to access work

The impact of all these recommendations should be to deliver a strong positive improvement to the UK's economic and social performance. Workless people will have better diagnosis of their skills needs and greater support as they make the transition into sustainable work. Low-skilled workers will have more chances to gain a Level 2 and basic skills in the workplace through Train to Gain, and more control over flexible learning through their Learner Account. Skilled workers will have more opportunities to develop in the workplace, through Apprenticeships, degrees and management and leadership programmes. Small firms will have better access and increase relevant training for their employees. Management skills and profits will improve. Employers will have more strategic influence over the skills strategy and system, with greater incentives to invest in skills across all levels; access to brokerage and increased public support for workplace training.

In sum, the UK will be able to compete with the best in the world. Productivity and employment rates will increase. Poverty and inequality will decrease.

## A LEARNING AND SKILLS COUNCIL PERSPECTIVE

David Way began by saying that with the Leitch Report now published we can stop speculating. The direction of travel is now clear and we need to turn proposals into firm policies and actions. The interim report was a wake-up call with its stark reality that achieving present ambitions would still leave us still mediocre in international terms. World class was described as a moving target. The final report draws out the marked contrast between success and failure - between responding quickly and doing nothing. The prize is enormous. The cost of failure is low skills, diminishing growth, rising unemployment and many falling back into poverty.

The report supports continuity. We have come a long way in recent years on literacy and numeracy and Train to Gain. Substantial investment in FE and a clearer economic focus has made colleges and other providers more responsive to employers. There is more collaborative working between LSC and RDAs, SSCs, JobCentre Plus, local authorities and trades unions. This is a platform on which to build but we need to move considerably further and faster.

Leitch sets a new world class benchmark. It addresses the demographic issues the UK has to face. It gets reality up the agenda for business. It contains clear messages about growth in skilled jobs and sharp decline in unskilled jobs. It makes clear that attitudes to training must change. We need the greater hunger for learning that exists in developing countries. We must ensure investment is made wisely with good returns. It expects us all to raise our game, be more focussed, creative and ambitious, deliver what is needed and work well with partners. LSC's latest streamlining strengthens our engagement locally and regionally.

LSC is already looking at how we can accelerate progress : allocating £10 million to support national employers who "pledge" to train workers to level 2; commissioning providers for LSC's new jobs for skills programme to support those who most need our help to gain the skills needed to find and stay in employment; launching pilots for new learner accounts; announcing the first six sectors where LSC and SSCs are boosting the number of adults with level 2. Signing the employer "pledge" ourselves as soon as we can, to be among the first public employers to do so.

LSC will soon have proposals for expanding Apprenticeships, while continuing to improve completion rates, and for pre-Apprenticeship training that will encourage more employers to take on apprentices. It is working closely with HEFCE to build on Train to Gain pilots for employers to have easier access to business support from higher education.

We must have investment and capacity which delivers. In the last five years, 1.5m more people have achieved functional literacy or numeracy. By 2020 this should be 7.4m. 5.7m more adults should achieve level 2 by 2020 if we are to skill 90% of the working population compared with 69% in 2005. Leitch talks of needing £1.5 to £2bn additional public funding a year by 2020.

The capacity of the whole system will be tested as never before. Colleges focussing resources on the qualifications that help employability and progression. Train to Gain funding is entirely contestable and only flows to providers chosen by employers. Skills Brokers are bringing thousands of employers with no recent track record of training to FE and HE for skills diagnosis and solutions. Employer organisations and SSCs are working with LSC to set standards for employer responsiveness that will be part of the Framework for Excellence that providers aspire to achieve. The very best will receive an externally accredited Quality Mark on behalf of employer bodies.

LSC is confident that FE will continue to improve capacity. Closer links with employers will bring business experience into workplace teaching and stimulate learners through real working examples. Skills Brokers are an invaluable link to hard to reach employers, enabling providers to develop enduring relationships with employers that ensure training support is there for everyone.

Building sufficient capacity to deliver new ambitions depends on how the whole system works. We need strength individually and collectively. We welcome steps in Leitch on strengthening of SSCs and rationalisation of qualifications. SSCs must succeed in their core mission of stimulating employer investment and leadership. We also need clear signals about which qualifications best support business and future employment of individuals. We must ensure that people who train hard achieve qualifications valued by business.

A new Employment and Skills Commission and Skills Envoy capture the headlines. LSC looks forward to working with Digby Jones in his new role and will give him the support of Train to Gain and of its national employer service which has a fast growing reputation for helping employers tackle skills issues.

Integration of employment and skills has been important for LSC in work with JobCentre Plus and City Strategies. Leitch thinking is consistent with this. If we are to enlarge the pool of skilled people available to employers, we need public agencies and employers to recognise this and change working practices. Agencies need to align strategies and invest jointly in achieving shared targets which provide the right outcomes.

Employers will need to consider recruiting and training people they may previously have overlooked, including those on benefits or in deprived city areas. Migrant labour is providing many immediate answers for employers but we know that it is in everyone's interests that this does not lead inadvertently to overlooking the needs of local people and their ability to secure work.

Public agencies will need to focus more on screening for lack of skills and providing effective routes to training and employment. We need to join up investment and programmes so that support is sufficiently segmented and tailored to needs of lone parents, the workless and others. By giving employers real jobs on Employment and Skills Boards we can generate solutions for people to get skills and jobs which sustains their employment for years not months.

LSC is at the heart of a growing number of public service compacts where employers are taking collective responsibility for addressing skills needs of employees. Employers are investing in growing a bigger pool of skills which will benefit them all.

LSC shares Leitch's ambition and we believe there is much that it can contribute to delivering necessary changes. It will continue to look at itself and its need to evolve. It expects others to do the same.

The risks of doing nothing are frightening. The prize can be measured in many more compelling ways than in GDP. We must use that alternative rhetoric. World class is informed by league tables but it is inspired by jobs and business growth, by benefits to families and communities and mostly by real stories about how people grow through learning and skills. We need the world of skills to find the right language that will convince everyone that Leitch was indeed a wake-up call and not simply another report amongst many.

## CHALLENGES FOR INDIVIDUAL SECTORS OF THE ECONOMY

Peter Huntington opened by saying that, much to their surprise and delight, the various Sector Skills Councils found that they with Leitch all the way. Leitch saw a major role for SSCs in the future development of skills in Britain. The Sector Skills Network is keen and ready to take on the challenge.

Human organisations are variable. Nobody's in charge of a network and, being employer driven, this has to mean that priorities vary. We're letting 25 flowers bloom and at least two different philosophies contend. Whilst a core or basic offer is necessary AND available from ALL SSCs, don't expect them all to be the same. Some SSCs emphasise higher level skills, some have concentrations in particular regions, some depend heavily on college-based initial training. The inevitability is patchiness. However, one thing unites them - that skills should be driven by the employer voice. This is what Leitch proposes. It's a sea change. We are determined to use this historic opportunity for the benefit of all employers.

*GoSkills?* main emphasis is on basic skills, level 2 and customer service, mostly delivered in the workplace and employment is spread across the UK. They have a number of pretty disparate industries in their footprint, though there are several strategic underpinnings where all would agree. The need to get people off their exclusive reliance on the private car-airlines probably excluded, and the desire to learn from each others' insights in order to get away from the silo mentality and promote integration. The final unifier is that the sector is commercialised though highly regulated. Europe has been very active in the sector. Most jobs are at level two.

2005 Labour Force Survey figures for England record both school-based and vocational qualification levels. They show that an overwhelming majority of occupations in the sector are at Level 2. A rebalancing of intermediate skills to Level 3 has little meaning for the sector. The Level 2 entitlement certainly does though and *GoSkills* is very keen to work with LSC to achieve more at this level - particularly with the large numbers of self-employed in their footprint. They welcome the level 2 pledge and hope it survives into implementation. They are also delighted to have productivity gain confirmed for Level 2 NVQs assessed in the workplace.

They also welcome the commitment to basic skills and the Pledge there. A number of employers in the sector have a very creditable record in basic skills. For example, FirstGroup sponsored the Skills for Life award from BiC for the second year running. As we move to a greater focus on basic skills, Britain needs a renewed commitment to ESOL, both for workers invited to this country or whether they come under their own steam?

*GoSkills* welcomes the increased emphasis on *Train to Gain*. It has helped us marshal the supply side, get agreed sectoral budgets for the first time and created a real partnership with the LSC. They would, though, like to see it become a truly holistic offer, not only be about level 2 and basic skills. Though they would be content if it were only this, in terms of incentivising employers, it should comprehend all relevant skills (and not just qualifications) at every level, providing that the employer was willing to make a fair financial contribution outside the core elements. Currently, some 0.27% of public funding is available for a workforce approaching 3% of employment. They are confident that we shall see a more equitable distribution of public funding for work-based learning from the current level. We achieve

through Leitch a long term sectoral goal never available to us from the centrally-planned system. For their sector, this is one of the major employer incentives Leitch is looking for.

The sector is already highly regulated. One of the challenges is to ensure licensing requirements align, complement and support vocational qualifications. We can ensure this happens more easily through control of the approvals process for VQs.

Passenger transport is a commercialised though highly regulated sector. Licence to Practise has little meaning in the Sector as an instrument to incentivise employers; it's happening already through EU Directive. For those who think "great", please think on. If the Driver CPC is any precedent, it will leave little room for subsidiarity in its implementation. We'll be stuck with arguing first against a continental view: the volumetric model-when you've done sufficient hours at driver training school, you're ready - as against the competency-based British model. You're ready when you're ready. Secondly, we'll be faced with gold plating from the agencies in Britain responsible for implementing these measures. It's an argument for less Europe once the strategy has been decided. We need Regulation that supports VQs. We have done a lot in ensuring retro-fitting; but there should be an alignment from the outset.

*GoSkills* welcomes the Leitch view that employers, working through sectors, should decide how best they prefer to be incentivised. They've already consulted our Board, whose view was that enlightened self interest was the key. Levies may have a part to play in the mostly self-employed part of their sector (taxi and driver training) but would be difficult to implement as most (but not all) trades bodies would be hostile and it would get them (for an employer-led body) uncomfortably close to the regulators. In their sector, License to Practise has been thwarted by Brussels.

*GoSkills* foresee three main incentives to get employers to invest more in their workforce. First, a voluntary membership scheme in which the benefits for employers are so good that it's a no brainer. Smaller employers want immediate practical advice and support. They want practical help such as assessment and training tools. They want help in identifying training providers. They like a bit of hand holding from a person they trust. They want easy to access courses. They care that someone is looking after the skills strategy but have not got time to get involved themselves. Larger employers want influence, a say in the way skills are managed. I think they like deals too. They get all this from the membership scheme we launch in January. This really is a form of voluntary levy, but one giving employers tangible benefits they can sign up for in advance.

Second, and as part of membership, skills passports have a part to play in verifying skills, qualifications and other credentials, including Criminal Records Bureau checks. It has the advantage of encouraging individuals to take greater responsibility for their own learning and development. I hope that soon all college students may be issued with their own Smartcard to give the system a real boost. Third, *Train to Gain*, as a truly holistic scheme run in close partnership with SSCs, will be a tremendous incentive. Central planning has never helped our sector. As *Train to Gain* will be the sole way of funding workplace skills for employers, the market will deliver a better deal.

*Skills for Life* is one of the keys and Leitch does it for us. So do apprenticeships. *GoSkills* should like to see a closer partnership between SSCs and *Train to Gain*, plus the NES. They welcome a new national careers service but think it essential that SSCs are given a part to play. Finally, of course skills and employment should be integrated.

Skills are all about partnerships and there's too much petty rivalry. *GoSkills* feel they enjoy good relations with union learning representatives, awarding bodies, LSC, RDAs, colleges and commercial training providers. For a modestly-staffed SSC it's essential that we work closely with others to take our message further than we could acting alone. Short competition at the end for who in skills represents Uncle Jo. LSC supported *GoSkills* first Apprenticeship Awards evening. The SSC is delighted apprenticeships are recommended for expansion. It's amazing how many employers still seem to think apprenticeships went out with Dixon of Dock Green. But they're right back.

The role of the proposed new Commission is not clear. It is clearly more than SSDA in disguise? But how much more? There will be a continuation of the SSDA roles of SSC licensing AND promotion AND funding? Is it not opportune to separate out at least some of these roles? In qualifications, we need MORE VQs, not fewer. The major scope for rationalisation of VQs is in the area of non-SSC Standard-Setting Bodies. They generally are not linked to SSCs in an effective way. They must be. There are real positives though for major employers, who will be able to ask the SSC to approve qualifications eligible for public funding based on their own training programmes. In this way it should be possible to achieve a better fit between qualifications, employer priorities and licensing requirements. *GoSkills* will still be looking to QCA to give them rules of engagement though. They want a level playing field between sectors.

Under the *current* dispensation, all SSCs are to be re-licensed after five years' operation. It's not clear whether under Leitch this still applies; whether this applies only to "failing" SSCs or whether there is to be some other arrangement. We've been going two years, during which time SSDA has given us an A1 grading for our first year and exemplary status for our Labour Market Research. Any re-licensing for SSCs performing well should be light touch in the interests of continuity. Do not pull up the plant to see if its healthy at the roots.

We are on the cusp of a virtual revolution in skills which will make the system clearly demand-led. SSCs are grateful to Leitch for his work and will play a full part in achieving the new vision and the new targets. They owe it to their employers.

## DISCUSSION

What we still have not developed properly in Britain is a self-learning culture, which can now be seen to be working so well in Asian economies. It is important for the UK to understand how it is that so many countries outside the OECD (who some might traditionally have thought as being "tinpot") are now managing to succeed so well. SSDA have information on different countries on their website. There is a wide range of countries we can learn from, including South Korea, Ireland, Holland, Singapore and New Zealand. How can we better incentivise people to learn in Britain? A key driver should be to instil in people (young and older) how self-interest can work so well to empower them. People need to be better informed of their own self-interest. Adam Smith still works well!

Much of the press publicity on Leitch focused on aspects of the national culture which need changing. People in the UK still do not seem hungry for learning and success. Much can be learned from migrants to this country. There is no longer such a thing as a job for life. The Skills Passport will have a small but significant role in helping overcoming the situation. People need to see positive value from learning from the beginning. The financial packaging need to be right to make any offer sufficiently attractive.

Family cohesion can be a strengthening factor, and is so in other countries - and we have lost it. We need to find solutions which can overcome this. Carrots (focusing on the half-full glass) are likely to work better than sticks. All schemes need a clear individual and sector-relevance.

The vision of a demand-led system is very powerful. But there remain major issues of public accountability both for expenditure of public funds and public employment. Qualifications can be seen as proxies for skills. But how do we deal with the fact that many employers still value GCEs more than VQs? Should we fund qualifications that employers do not currently want but which add to the range of the skills base? Should competence in numeracy and literacy be mandatory for VQs?

An employer-led system could make VQs more attractive and highly thought of. Work by the First Group is becoming a major trendsetter in occupational standards. Leitch stressed the real value of learning to productivity.

With the current diversification of the workforce, demand for ESL has grown considerably. How should it best be paid for? LSC has a challenge over priorities. Employers might be willing to pay more within a Skills for Life strategy.

A culture of being proud of not learning is still far too common, both in poor, disadvantaged communities and elsewhere. How can we overcome this? How do we achieve the necessary culture-change, particularly in the workplace? In large firms, the role of trade unions can be important in achieving such change. In SMEs, where there are often neither unions nor any adequate HR strategy, it is often more difficult. The language we use to sell such change is very important as are inter-firm networks, training of union-reps and peer-group working. People need a lot of coaxing to give them enough confidence to enable them to take on the value of training.

In our post-modern economy, it make decreasing sense to across sectors. Many effective routes for change need to be sector-specific. At the end of the day, employers need to achieve the skills that they need, they demand and they deserve.

Much of the discussion centres on the private sector. But how can the public sector up its game? How can public organisations like the MoD deliver its potential contribution? It is just as important to analyse and diagnose sector needs and to provide appropriate and effective solutions within the public sector as in the private. Not all solutions need to be publicly funded. There are major roles for both FE and HE. HE has a major role to play that is not always properly recognised, either within itself or by Government and its agencies or more widely.

We need to instil into both the individual worker (and workless), employers and the nation as a whole the Camus dictum : "It is better to light the candle than to fear the darkness", and the Clinton one : "It's the economy, stupid!"

## HOW WE CAN DEVELOP OUR NATIONAL AND REGIONAL ECONOMIES TO ACHIEVE GREATER INVESTMENT? - A DTI PERSPECTIVE

Stephen Speed's starting point was DTI's statement of purpose : *to create the conditions for business success and help the UK respond to the challenges of globalisation*. They are charged with driving up UK productivity, which is seen to have five components: investment; innovation, enterprise, competition and, crucially, skills. Having the right skills is crucial not only for individuals and companies but to the very competitiveness of our country. That surely is the key message - indeed, warning - from Leitch.

DTI's role is to represent business in Whitehall. To be business's critical friend of. They have close relationships with major companies and all the main representative organisations. As the Department charged with securing a strong balance in employment relations, they also highly value strong relationships with the trade unions, and take their perspective into key policy discussions around Whitehall. Beyond this, they have responsibility for a huge range of issues which are fundamental to productivity of the UK economy, eg:-

- Open and fair markets through strong competition and consumer protection, and opening up world trade;
- Help businesses win overseas markets and represent the UK as the most attractive location for inward investment;
- Invest £3bn pa in the Britain's world class research base, including world class supply of highest level skills;
- Promote a strong culture of enterprise, practical business support to business; and the small business perspective;
- Ensure secure, sustainable and affordable energy supplies.

DTI are active players in the skills arena. Ministers sit on the Skills Alliance; they are co-sponsors of the Skills for Business Network and are represented at the top level on LSC. At a more practical level, initiatives such as the Manufacturing Advisory Service provide practical help on increasing skills and competences on the shop floor. They are working with partners to help to set up a National Skills Academy for Manufacturing. Business Link, now jointly owned by DTI and the RDAs, provides information, diagnostic and brokerage services to SMEs. The highly acclaimed Business Link website contains an *Employing People* theme that covers skills and training issues for SMEs; this

receives a quarter of all visits to the business link site. It is a key route to market for the kind of businesses that Leitch implementation needs to access. So DTI is in an excellent position to help to build the strong networks and partnerships that implementation of Leitch is going to demand

Leitch is relatively silent on the role of the regions. But DTI see the regions as being a key part of the jigsaw in implementing his recommendations. The vast expertise and experience in the regions and sub regions has to be marshalled. DTI has a key part to play in this. Regions matter because the skills picture is not uniform across the country and different sectors are more or less active in different places. Along with HM Treasury and DCLG, DTI owns the important PSA target which commits Government to *"make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006."*

DTI has published a progress report alongside the PBR which sees some evidence of a narrowing in regional skill gaps between the stronger performing regions of the south and the east and the poorer performing ones elsewhere. In line with Leitch's findings, DTI has found that the proportion of economically active people with no qualifications is falling steadily across the regions and skills levels generally are rising. Encouragingly, they see positive reductions in regional gaps in the proportion of economically active adults with no qualifications and those with level 2 qualifications. There is a small reduction in the gap in level 3 qualifications. However, with the proportion of economically active adults qualified to level 4 they see the gap widening between the Greater South East and other regions. As we consider higher level skills ambitions for the UK, we will need to understand the persistent inter-regional differences and the reasons for them, so that interventions are intelligently targeted at spatial as well as economic market failures.

RDAs are strategic leaders of economic development and regeneration in the English regions. They have a statutory objective to enhance development and application of skills relevant to employment. RDAs, as generously funded, business-led agencies, with highly devolved spending freedoms, are a powerful network which can help Government and delivery partners get a much better understanding of businesses' skills needs, reflecting specific regional and intra-regional characteristics which can easily be overlooked by national policy frameworks. They can help deliver the demand-led approach to publicly funded support for skills that Leitch calls for.

RDAs are responsible for preparing regional economic strategies, all of which will address the need to improve the stock and flow of skills as a basis for sustainable growth. These strategies are increasingly well-evidenced planning tools that set clear priorities for driving regional economic performance. The challenge now is to see them deliver greater 'traction' in the policy and operational decision-making of delivery partners in the regions. Getting better buy-in to the regional economic strategies from business and other delivery partners will be one way that we can anchor Leitch delivery at a regional and sub regional level in the future.

RDAs have been actively engaged in creating regional skills partnerships. We need to build upon many successes of effective regional and local partnership working on skills and employment to drive greater alignment behind a common purpose. We need to see alignment and partnership between the RDAs and SSCs. With nine English regions, three devolved administrations and 25 councils, this is something of a challenge. But it is one that we have to step up to. As managing agents for regional business support, RDAs and their partners must also ensure a good fit between support for skills development and wider business support - Business Link brokerage and Train to Gain - so that businesses receive a coherent, responsive and straightforward.

As part of the preparation for next year's Comprehensive Spending Review, the Treasury is currently undertaking a major review of economic development and regeneration at the sub-national level. The conclusions of this review will have a potentially significant bearing on the detail of how Leitch is implemented and at what spatial levels economic development and regeneration interventions be made to maximise impact.

Leitch says that "achieving world class skills is *the* key to achieving economic success and social justice in the new global economy". Alistair Darling agrees and has commented in response to Leitch that skills are 'fundamental to Britain winning' in the global economy. "*Fail to meet the challenge Lord Leitch outlines and we all lose,*" he said.

DTI welcomes the principles that underpin Lord Leitch's analysis. In a world of increasing competition it is essential to focus on economically valuable skills that provide a real return to individuals, businesses and the economy. DTI absolutely endorses the need to create a *genuinely* demand-led approach to investing in vocational skills in the workplace. It wants to see a stronger voice for employers in setting the skills agenda, through the proposed new Employment and Skills Commission, which we welcome.

The scale of the productivity challenge we will face in the next decade means that employers will have to increase their investment in higher level skills. Leitch's emphasis on intermediate skills at level 3 and driving up performance at level 4 and beyond is welcome, as is the call to increase the number of apprenticeships in the workplace. DTI welcomes the call for greater interaction between employers and higher education to up-skill people already in the workforce to degree level. It also welcomes the importance Leitch attaches to improved management and leadership skills - a key issue that faces all sectors and all regions.

We will need to ensure the Employment and Skills Commission provides the stronger voice for employers that Leitch calls for and that it delivers real added value above and beyond current arrangements; we can't afford simply to rearrange the deck chairs. We need to ensure delivery on the ground at the regional and local level is a good experience for business, in line with the Government's related agenda for business support simplification.

We must improve the impact and effectiveness of Sector Skills Councils. Leitch is recommending reform, relicensing and strong empowerment of the network so it can be the real voice of business in driving a demand-led approach through the provision of skills. This is welcome and should lead to the councils becoming the truly business-led, demand side champions that that we need them to be. Just as the Skills for Business Network will need to rise to the challenge, so businesses will need to work with the network to better articulate their needs and so to embed a genuine demand-led approach to skills development. The proposal that SSC-approved vocational qualifications should receive public funding provides a powerful incentive for both SSCs and business to come together to achieve this. This is the territory of the effective Sector Skills Agreement.

The question of compulsion on firms in the provision of skills is one which has been lurking for some time. DTI is unlikely to welcome further regulation on business unless there is very clear evidence that it is absolutely warranted. But we cannot escape the conclusions that Leitch reaches about the scale of the challenge and the nature of the ambition we must have if we are to remain competitive globally. So a key question is what is business going to do to avoid the prospect in 2010 of compulsion? Is there a way that we can work together with business to make this unnecessary? That is, I think, a genuinely open question. Nor is DTI keen on levies or licences to practise, too often regarded as the easy route to force employer investment in skills. But if these are not to figure strongly in a future skills agenda, business will have to demonstrate its commitment to investing in workplace skills on a voluntary basis.

In working these issues through, there is a critical role for business representative organisations such as the CBI, BCC, EEF, IoD and the major sector-based trade associations. Leadership from these bodies on these issues is going to be very important.

DTI welcomes the appointment of Sir Digby Jones as the new, independent skills envoy. His words, I am sure will be ringing in the ears of business and business representative organisations. I hope you and he will not mind if I quote what he has said since his appointment. He said, "*I'm going to go to the employers of Britain... and say 'You have got three years'. In three years' time, if you have got anybody in your workforce who can't read, write, count and operate a computer, the Government of any colour is going to come down with an enormous load of red tape. The "man from the ministry here to help" will just kill the enterprise in this country, because they are going to regulate to make you train.*

*You've got three years to start training. If you don't do it, do it. If you do do it, do it better". I'll leave it you in the audience to decide whether Sir Digby has the right take on the man from the Ministry!*

Stephen ended with a quote from his secretary of state. *"We need a united effort to take skills to the next level. Do that and UK business can truly become a high skills economy."* DTI stands ready to play its part.

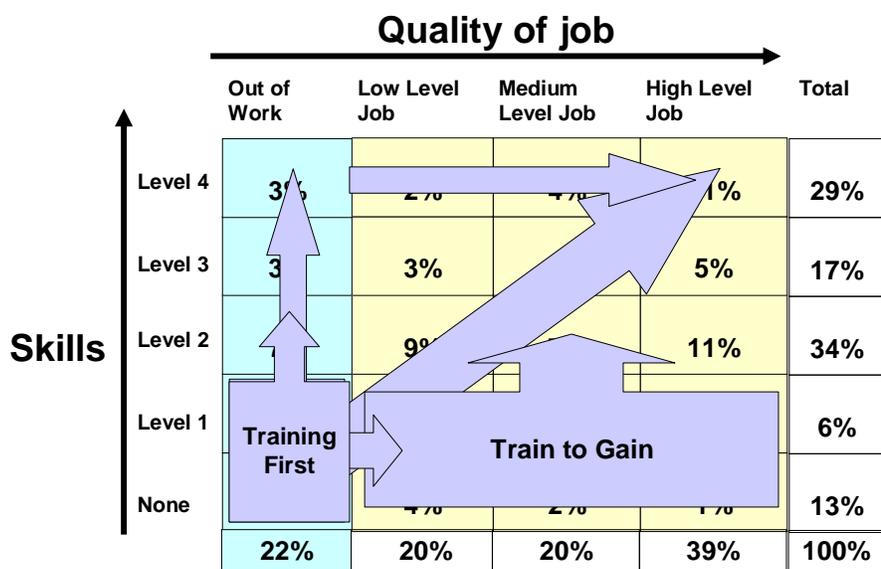
## IMPORTANCE OF INTEGRATING APPROACHES TO SKILLS, GETTING PEOPLE INTO WORK AND SOCIAL JUSTICE - A DWP PERSPECTIVE

Adam Sharples underlined big welcome that DWP gives to Leitch and the determination that the Department has to make Leitch proposals matter. Some DWP bodies like JobCentre Plus and the National Employment Panel were at the sharp end of making things work. However, for necessary changes to take place requires new funding, so the role of the Comprehensive Spending Review was extremely important. We also have to make sure that all the parties involved are listening, so conferences like this one are crucial.

Two of DWP's central roles are to help people into work and to pay benefits to people who need them. It works best if these two functions are dealt with by one organisation. The guiding light at the moment is increase the rate of employment from 75% to 80%. This can be done only by assisting people on benefits into employment. Skills provision is vital to this.

But how do skills relate to work? This is not always properly understood. For those out of work, there is a fairly even spread of qualifications, which might seem surprising. 29% of the total population have level 4 qualifications; 13% have no qualifications at all. DWP's concern is how best to move people diagonally up the graph, from the bottom left-hand corner of low skills and low level jobs to the top right hand one of high skills and high level jobs.

### How do skills relate to jobs?



Train to Gain tries to move people in work up to higher skills. It is not concerned with people not in work.

DWP is concerned with few skills and few job opportunities. It is often asked whether we should try to increase skills or job levels first. This tends to be a sterile debate.

Giving people skills while they are out of work can help get people jobs. But employer-led training which is able to attract people who are out of work can be much more effective.

We need both approaches.

Not having any qualifications is not necessarily a bar to employment. JobCentre Plus tends to provide jobs for people who do not have high-level qualifications and are not looking for high-level jobs. DWP is not trying to get people into jobs which require high technical skills. But relatively strong social skills are required to get into any job and stay there.

Leitch talks about a need for a service to individuals. Yet the skills part of Government does not at present relate very well to the jobs part of Government. The 2001 changes which separated the Employment Service from Education were right ones to take. But they brought new challenges which are not being worked through very well. So we have a major challenge today.

Leitch's Adult Careers Service also brings big challenges. How will JobCentre Plus relate to this? The funding is not there yet. We are not able to do enough to support employers to attract the workless. So there are major challenges for the CSR.

Leitch says that all but community-based learning should be employer led. We should move away from college-led course to Train for Gain. Train for Gain is very good for those in work. Employer-led can miss out those not in work. DWP's concern is around how to tackle this.

Leitch's new Commission will replace DWP's Employment Panel. There are many questions about the new institutional structures which need to be addressed. Who will the Commission report to - DfES or DWP? How will it deal with issues of Worklessness? How will Local Employer Boards work? DWP's Cities Strategies are at present working in 15 cities. How will these relate to Leitch's Local Boards?

Government needs to work together both to ensure productiveness comes from all the efforts, but also to ensure that we work with all individuals in need of skills and work to ensure that we can realise everyone's potential and social justice.

## DISCUSSION

There was some concern about the accountability of new institutional structures to Government - should it be through DfES, DWP or DTI. Accountability has to be got right and made to work effectively. The role of DTI was interesting. It was already a co-sponsor of SSDA and would seem to represent the employer-led approach. It is tricky for Departments to come up with the right structures for the new Commission. There was an argument that it should report direct to No 10. Will Hutton had expressed interesting views on the structure of economic departments under a Brown premiership. These suggest breaking up both the Treasury and DTI to achieve new configurations.

Discussing departmental distinctions is always interesting, but not always very useful. Departments often work better together and outside of silos than it might sometimes appear from outside.

Both Scotland and Wales appear to be developing better, more holistic, cradle to grave approaches than is happening in England. Departmental boundaries tend to create obstacles which need to be tackled.

JobCentre Plus is responsible only for the over-18s. We do not deliver services linking education and employment nearly well enough for the 16s to 18s where it can be crucial. Connexions has dealt with part of this agenda. It might well be a better solution for JCP to have an earlier age remit and work with schools with 16 year olds and younger. The overall 14/19 reforms are key. Distinctions between school and post-school are far too strong. Extended Schools go part of the way to deal with this. There is need to be more holistic.

At the same time, it is important to realise that the bulk of the 2020 workforce is already working. We need to place much more emphasis on adult learning.

We also need to place more emphasis on family and parenting education at all levels.

Where do City Regions sit in all the debate? Different language tends to be used by different Departments. DWP, for example, uses the term "city" very loosely, sometimes referring to most of a region. Some Departments, particularly DCLG and the Treasury, have seemed to be at odds on their approaches to cities and regions. DWP is primarily concerned with labour markets; these vary enormously across the country. The discourse on the nature of city-regions and their value is growing. There needs to be much better understanding and co-ordination of approaches across Government. The city regions debate is as important for skills debate as for other issues. The Treasury's current work on sub-national employment and economic development could be crucial. It will be published with the Budget.

Higher education is not sufficiently involved in the debate. The priorities given to research assessment are of such strength that the "third leg" concerns are given insufficient attention. The closure of science departments in various universities is proceeding. Would an employer-led approach to science needs within regions and sub-regions have led to different solutions? HE needs to be far more involved in skills issues. Part-time learning in universities needs to grow. Economic development issues, possibly at sub-regional level, should take on as much significance as research. SSCs, LSC and other parties need to interface much better with higher education.

Would the employer-led approach to learning and skills currently being promulgated have helped stave off or even reverse the decline and closure of traditional industries like ship-building? This is probably a great unknown. It is difficult for any Government to buck the market in an increasingly globalised world.

There will always be a demand for many jobs which need little skill. Are we paying enough attention to this end of the market and the prospects of workers in it?

With the move towards employer-led and market-led approaches to learning, we need to ensure that markets are working effectively. Intervention is necessary where markets are weak or do not work. How do we respond where responses by employers and business is weak? How do we tackle overarching issues of regional development and accountability. (Will Hutton had interesting comments on the takeover of so many UK businesses by globalised equity markets with little social responsibility later in the day.)

What happens if there are pressures to move further away from heavy, technological industries? It is important to appreciate that while the proportion of the economy engaged in manufacturing is declining, manufacturing is not "in decline". We need to be investing in levers which make markets work.

With Leitch now published, we now need to put as much effort and energy into implementation as into the report itself. If employers are to take up the challenge effectively within three year, we need to make it easier for them through simplification. Simplification of procedures seems to be developing well in Government and RDAs. Some argue that local government needs to take greater strides, which is sometimes difficult because of its position in local democracy and accountability.

The simplification/streamlining agenda is working its way through the LSC, which is continuing to reduce bureaucracy and their detailed involvement in programmes in a major way. Less bureaucracy means fewer bureaucrats. Leitch is looking for still further streamlining at LSC, which is going to worked through.

For different parts of the skills and work agenda to come together effectively, it would be excellent if employers were able to train unemployed people alongside their own workers. One way to achieve this would be for people seeking work to be given training vouchers which they could take to job interviews.

Getting Government, central and local, to work holistically is always difficult because of constitutional difficulties and different funding streams. If Leitch, like other major reforms, is to work, Government and agencies must find ways to work together and get out of the silos.

## GOVERNMENT'S AGENDA AND EXPECTATIONS IN TAKING FORWARD THE LEITCH FINDINGS AND RECOMMENDATIONS

In opening his address, Phil Hope stressed how seriously Government took Leitch and how committed it was to implementing its proposals across the piece. He had, for example, been at a conference on "Reducing Re-offending through Employment and Skills" for offenders, which it was important to bring into the mainstream of the skills debate. He was very impressed by the very positive response to the report by organisations across the broad spectrum. The fact that so many senior people were at this seminar was testament to the excellent work that Sandy has carried out over the last two years. But it's also proof that we are all, across Government, partners and stakeholders, taking seriously his final report and committed to driving the change needed to make the UK world class on skills.

Skills do not usually get the recognition they deserve but it is right that they do so today. They are the solid base on which this country's prosperity is built. From basic skills of literacy and numeracy, through skilled trades such as carpentry or welding, to the most advanced engineering and science. Having the right skills mix for the economy is essential if we are to maintain and improve our economic growth, our record low levels of unemployment and invest the country's wealth to ensure social justice. Skills drive productivity - for employers and individuals - but they also provide a path out of poverty, into a fairer society.

Lord Leitch understands that no one thing lifts a person, a family, from poverty more than having a good job. Nothing helps you to get, keep and progress in a job more than having the right skills. When the Chancellor and the Secretary of State for Education asked Sandy to look at what the UK's skills needs would be in 2020 it was because they understood that despite our many strengths we have too many weaknesses. There are too many people who enter the workforce without the right/adequate skills to succeed. There are too few young people staying on in education (full or part time) or training after 16. And despite great strides made in recent years, there remains a stubborn legacy of adult illiteracy and innumeracy that undermines our economy and is an affront to social justice.

It has to be right that we prioritise improving the skills that improve a person's employability. The skills they need to find, keep and progress in their jobs. Leitch rightly sets us some tough ambitions and some stretching targets. We must aim high and act quickly to move the country up in to the upper quartile of the OECD skills. The report highlights the good progress that has been made, but more is needed to strengthen our skills base. It is very significant that the Chancellor accepted Leitch's ambitions for 2020 in his PBR speech.

The Government must focus its investment where it will do the most good, which is where the market fails. But where there is significant private gain it is only right that employers and individuals also increase their investment. As Leitch rightly says, this is about a shared partnership, with responsibilities balanced between Government, employers and individuals. This is not something that Government can do alone. We are all in this together. That investment must be in what employers - large and small - want and not on what we think best based on some centralised master plan. To respond to Leitch's ambition, we now all know that the skills system must change and adapt quickly - through the new Diplomas, through an expanded Train to Gain and through Learner Accounts - to become truly responsive and demand-led. Just as global and national economies and societies are changing, demand also changes. We must create a sustainable skills system that can adapt to meet changing needs quickly.

We will want to see a massive expansion in the number of apprenticeships, from today's 250,000 to over 500,000 a year, with every young person who wants one guaranteed a place. The new Diplomas will provide a new mix of academic and practical learning that will appeal as much to those applying to our best universities as to those who wish

to enter the world at work at age 18. Apprenticeships, the new International Baccalaureate, A levels and Diplomas will provide our young people with the range of high quality options that suit them and provide the skills they need, the skills we all need, if the UK is to remain strong. The framework of adult qualifications is now on the way.

The Sector Skills Councils are essential to all of this. Working with employers, providers and learners, their role is key to meeting Lord Leitch's challenge. Their role on the Diploma Development Partnerships, or leading with the National Skills Academies or developing sector qualifications strategy is invaluable.

To raise skills we must raise the profile of skills. And to do that we must inspire people, increase their aspirations and make sure they understand the value of skills. With high profile awareness campaigns, we can help create a generation of highly skilled young people who can compete with the best in the world. In 2011, the UK will host the WorldSkills competition. This will be a chance to show the world just how well skilled and ready for the world of work our young people are, at everything from welding to web design. Coming just a year before the London 2012 Olympic and Paralympic Games it will be a wonderful opportunity to link excellence in sport with excellence in skills.

To reach our goals, to meet Leitch's ambitions, we need a streamlined system that is not only responsive to and shaped by the views and needs of employers but led by them too. We support Sandy's suggestion of a Commission for Employment and Skills to give employers a stronger voice - a voice that is vital too in the challenge of better integrating our employment and skills services.

The FE White Paper, and now the FE and Training Bill, introduced last month, set out the reforms that will equip the provider system to deliver the twin strategic challenges of transforming both 14-19 education and the skills of the adult workforce. With a clear economic mission at the heart of further and continuing education, they [colleges and providers] must develop a streamlined system driven by the needs of those who use it, with funding following the learner. A system that provides world class learning, that rewards the best and eliminates failure. Where the increasing maturity of the FE sector is recognised through a commitment to reduce bureaucracy and a move towards self regulation.

So that's the challenge - all too stark. But what's next? And how is Government answering today's central question - *How best do we implement Leitch?* Stephen Speed and Adam Sharples set out some thoughts before lunch: overall, it's clear that for Government as a whole, we simply must rise to Leitch's challenge, recognizing that his high skilled vision is really the only option for this country. We will now focus on drawing up our detailed response for delivering on Leitch, taking account of the Comprehensive Spending Review.

But in doing this, we need to think carefully, asking ourselves some tough questions about each recommendation.

**Do we have a blueprint in every case?** Sandy, I am sure, never intended his report to be read in that way. We need to develop a detailed roadmap, proposal by proposal, of how we get to where we want to be. For example, the proposals for local boards need careful testing against what is already emerging from DCLG and DWP. We don't want to find that the 47 local boards we are currently sunsetting spring up in more numerous form elsewhere. So there is plenty to do to bottom out what all these proposals will mean in practice.

**Do we understand the timescales and trajectories?** With Leitch's high ambitions, we need to take care to understand each and every one - and work out what that means for our current targets and the policies that underpin them. For example, for the stretching new participation targets, we have 14 years to deliver on them. We need to decide whether to front load these, back load them, or go for a steady growth over the period. This is not just a financial question. It is also about momentum on the one hand, and provider capacity on the other.

**Do we have the money in every case?** Well, not yet. Leitch's high skills vision is also a high cost one. Not just for Government, but for employers and individuals. I reiterate Sandy's key principle that this is about delivering a new

skills scenario based on shared partnership and sharing of the costs. But, yes, Government should focus on market failures, ensuring a basic platform of skills for all. But, as the Chancellor made clear in last week's Pre-Budget Report, the Comprehensive Spending Review will be critical in seeing how far and how fast we can escalate our funding for the low skilled.

**Do we have the consensus in every case?** From the reactions I have seen and heard to Sandy's report, I think we have a large degree of consensus. Now, supported by Sir Digby Jones as the Government's new skills envoy, we have already kicked off a period of further consensus building and public engagement. That important stakeholder engagement process will last a few more months, in events such as these and others across the country frequently led by partners.

Only together can we rise to Leitch's challenge. Only together can we equip the people of this country with the skills they need to succeed. Only together, can we implement Leitch and develop a detailed plan next summer. If we fail to act on Leitch then I believe the outlook for this country is bleak – with the UK slipping down the international economic league tables, unemployment rising, migration and social tension increasing and competitiveness and profitability reducing. But acting on Leitch can bring us a big prize. Sandy himself said that would be a gain of £80bn over 30 years as productivity rises.

But it's also about having world class skills, higher inward investment and more jobs, the overcoming of illiteracy and innumeracy and having higher skills contribute to a higher standard of living for all. I think that's a prize worth having and one worth fighting for. And I must thank everyone here today for being so willing to engage in this debate and to consider how we best do that together.

## DISCUSSION

There was some debate on responsibility for implementing Leitch. The Minister stressed that the new Commission will be the lead body, and it will be employer-led. It will report to an Inter-Ministerial Group. While the numerous strands in the report have to be tackled individually, they also need to come together for implementation. It will be important to look at people's learning needs as a whole rather than look at package of qualifications.

How can FE and HE both be geared up to meet the expected increase in demand? There needs to be much more capacity to deliver the new diplomas and Train to Gain if we are to meet Leitch objectives. There will be a need to focus geographically on local labour markets through cross-sectoral bodies. Much of the detail still needs to be worked out.

The rate of change must not be allowed to destabilise the supply side. But there needs to be a paradigm switch in the ways in which local colleges operate and see their roles. They need to be driven in a way to systematically respond to local economic needs. Much of this will take the form of workplace training on the shopfloor. There will be major challenges for the FE workforce.

The position of HE is interesting and important. HE will need to change substantially to meet the needs of local and regional employers. A proportion of the funding going to HE will be top-sliced for this purpose.

Government is setting the bar high for the new diplomas. They are a new qualification with a new approach. The gateway is high and people who wish to proceed through it are going to have to themselves undergo high quality change in many aspects of their approach and work. Diplomas should be the gold standard.

No decisions have yet been taken on the numbers to be involved in diplomas. Providers are going to have to pass a high-level test if they are to be endorsed. Many argue that numbers should be kept reasonably small at first so as to drive quality up.

Learner accounts will be taken carefully at first at Level 3 so as to avoid the failures of the past.

Learner accounts for people on benefits has been recommended by Leitch. This is an exciting approach which Government will back. There might be a level of compulsion, as recommended by Leitch, possible after six months on Job Seeker's Allowance.

Changing attitudes and culture will be vital and public education will have to play a large part. The "Gremlins" campaign was one of the most successful ever mounted by Government. Lessons from this will be taken forward in the awareness campaign to implement Leitch.

Pressure on employers also has to be sustained. New support for employers, eg through brokerage, should mean that employers should have no excuse not to train everybody in their workforce. But, in 2010, decisions will have to be taken on possible compulsion.

## WHAT DO EMPLOYERS EXPECT OF GOVERNMENT, AND HOW WILL THEY MAXIMISE THEIR OWN INVESTMENT?

David Frost opened his presentation by saying that skills is an issue which is raised by all companies. In a globalised age they know that they must have the right level and amount of skills if they are to succeed. They are also prepared to go anywhere in the world to find the people with the right skills that they need. So there is very little bleating about the poor level of skills currently on offer to them locally and a determination to find creative solutions for themselves.

## HOW DOES BRITAIN COMPARE WITH OTHER EUROPEAN COUNTRIES IN MEETING THE CHALLENGES OF AN EFFECTIVE SKILLS AGENDA? HOW MIGHT WE BEST MEET THE LISBON AGENDA?

The Lisbon Summit of the European Union in 2003 (?) set out an ambitious agenda on economic growth and skills. A High Level Group was set up under the chairmanship of Wim Kok, former Prime Minister of Holland, of which Will Hutton was Rapporteur, to produce a programme on how to take forward the agenda. Will Hutton explained that the Group made recommendations to the European Council in 2004 for dynamic change across Europe. Sadly, European Governments have done very little to implement the Lisbon process, and few people today could even name many Lisbon targets.

Charles Clarke, when Secretary of State, had commissioned the Work Foundation to show where UK policy had gone after Lisbon. The report, "Mind the Gap" is on the WF website. Hutton is more generous than Leitch on how successful UK skills policy has been. All Work Foundation recommendations in "Mind the Gap" have been implemented. While Leitch concentrates on "stock" of skills, Hutton is more concerned with "flow". 79% of the flow of people in the UK workforce are currently at level 2. Leitch wants us to achieve 90% by 2020. As many current workers who are illiterate and innumerate are over 45, many of them will be retired by 2020, so achieving the Leitch target should not be so difficult as some people think.

One should not make too many assumptions based on current assessment of "stock". Many people wrote off Germany a few years ago after the East, with all its economic problems, had been absorbed. But there has been a skills revolution in East Germany since 1989. Productivity throughout the republic is now very high and Germany's position as the largest exporter is growing. This illustrates the importance of "flow".

While UK "stock" levels in skills remain very low, "flow" rates since 1990 have been very high. Both Tory and Labour Governments have tried hard and been successful in making the system more responsive. In relation to turnover, UK employers actually spend more on training than most EU companies.

In Germany, the federal government and individual states pick up more of the cost of training than in Britain. Most systems in Europe are tripartite. Holland and Denmark are two countries with successful individual learner accounts. There have not been the same scandal as occurred in the UK.

Both the Kok Group and "Mind the Gap" argued for more lifelong learning with units recognised across sectors.

The Work Foundation has found vast progress in the Knowledge Economy across the world. Managerial jobs are growing fastest, which is a proxy for the Knowledge Economy. The UK has greater employment in the Knowledge Economy than most other countries, which is a positive signal for the future.

Hutton believes that Leitch was right to beef up sector skills councils. It is right that the union voice should grow. It is right that a system of lifelong learning should grow with transferable units across sectors. Leitch and Hutton share the view that Tomlinson was right on the need to unify qualifications. The Westminster Government was insufficiently brave on this. Leitch should have been bolder on the need for compulsion where employers do not do enough. But he could not get CBI buy-in.

Political and economic commentators have a major responsibility for how well or badly our systems work. The middle classes can play the system and enable their children to go to the best schools and then the best universities. Not one major political commentator sends their children to state schools. But the needs of the disadvantaged are ignored by these same commentators. We simply have got to develop policy and practice in ways that are comprehensible to kids who can't cut it and their families.

There is a danger that Leitch is raising the bar for the disadvantaged. There is a danger that there will be more flux in the system during which the needs of the disadvantaged will be ignored further. Will either Labour or the Tories do enough to cut the custard on this? Hutton doubts it.

A lot of what colleges do at the moment they do because they have done it in the past and are able to do it now. Much of what they do is not necessarily what is needed. How much of this will be changed in all the flux of coming years?

There is a danger in too much of skills and learning policy becoming employer-led. So much of UK business is being bought up by foreign interests. Where these are equity houses they might not have the slighted interest in skills or HR matters. Local councils are finding that such foreign-owned companies will not come to the table to discuss issues of regeneration. This being the case, what hope have we on skills of individual workers. In some ways, Britain is being

sold out under our feet with little regard for the consequences. This could have a major adverse effect on skills and learning policies. As John Monks has said : “Where is UKIP when you need them?”

## DISCUSSION

There is a massive disconnect in some communities today because of take over, mergers and even globalisation of companies. We need to get back to some form of localism to tackle this. TECs were a successful attempt at local engagement which has been lost subsequently. New mechanisms are required to achieve more local employer engagement.

Few SMEs get spoken to by SSCs or are engaged in the debate on skills. Digby Jones will have a major role in addressing this. Concepts of Skills Brokers and Train to Gain will be lynchpins in the likelihood of any significant success on this.

3% of turnover is currently spent on training, which could be a major offset for some companies against corporation tax.

Leitch anticipates that much employer-led training will not work. If this is the case, then compulsion can be brought in quite legitimately, with backing from CBI and others.

Most of the debate on Leitch implementation is about employees. Not enough attention tends to be given to self-employed contractors, which sometimes make up considerable numbers. Policies and programmes need to reflect this and more attention should be given to the needs of the small entrepreneur.

There is a vast number of unskilled jobs available at present, for which people are over-skilled. How can we tackle this effectively?

Research and development tax credits have not worked well to date. R&D expenditure has stayed stable rather than expanded. The Lisbon target for this is 3% of GDP. This will be difficult to realise in Britain.

After 12/13 years of employment growth, 35% of the population are now in secure jobs. However, 17% of the population still lives in workless households and many others have their skills marginalised or do not have adequate pension rights.

Apart from the top band of city-slickers who take enormous bonuses, income distribution largely remains the same as it has for several years..

The position of women in the workforce has greatly improved. There is a higher demand for them than men, There are more women undergraduates now than men. Women’s median wage is now 20% higher than men’s. For me with level 2 skills, the position of women is a growing challenge to their role and masculinity.

When people (and especially women) can get reasonably high-paid jobs without skills, why do they have to bother with apprenticeships and other state interventions.

Constant fiddling with the architecture on skills and employment can mean that we fiddle while Rome burns.

## FINAL CONCLUSION

The Chair commented that the senior attendance and very lively debate at today's seminar demonstrated that we have a very high buy-in to implementing Leitch the notion of effectively developing skills. The more that one goes into the detail of Leitch the more questions are raised.

The value of the day has been the bringing of do much of the agenda and so many people from a wealth of relevant interests together to debate the issues. LSC has been very pleased to be involved so centrally in the debate and all are most grateful to CPPS for organising it.

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