

Developing a National Skills Strategy and Delivery Plan: Progress Report

Executive Summary

1. In June this year the Government will publish a national Skills Strategy and Delivery Plan. The Strategy will set a wide-ranging agenda for raising skill levels amongst young people and adults, working closely with employers to ensure their skill needs are met.
2. This interim report summarises progress in developing the Strategy, and sets out our emerging thinking on the main elements.
3. The goal is to maximise the contribution of skills to raising productivity, economic competitiveness and sustainable employment. The Strategy will link action on skills with the other major drivers of productivity – innovation, enterprise, competition and investment. It is being co-ordinated with the Review of Innovation led by the Department of Trade and Industry (DTI) and the related Lambert Review of business/university links ¹.
4. Meeting the skills challenge is not an end in itself, but a means towards the wider goals on competitiveness and productivity. Boosting the skills of young people and adults will not be enough on its own to meet those goals. We need, at the same time, to work with employers to ensure that enhanced skills are used to best effect in supporting improved business performance.
5. The Skills Strategy is likely to address as key elements:
 - a. The scope for working more effectively with employers through:
 - better integrated business support services;
 - support for collaborative arrangements between employers to raise skills and productivity;
 - targeted support for employers facing barriers in raising skill levels;
 - Modern Apprenticeships as a key work-based training route for improving skills and business performance.
 - b. Systematic improvement in provision for 14 – 19 year olds, leading to higher quality, more coherent education and training programmes designed to meet the skills needs of this age group. That would include improvements to Modern Apprenticeships and vocational courses in further and higher education.
 - c. Better targeting of support for low-skilled adults and young adults to encourage them into education and training. That could cover better information, advice and guidance for adults, and more innovative learning programmes.

¹ The Lambert Review is examining how the long term links between business and universities can be strengthened to benefit the economy. It is due to report to the Government by Autumn 2003

- d. A key role for regional employment and skills plans, and sectoral skills plans where appropriate, in determining the pattern of education and training. This could improve the match between the supply of education and training and the needs (both current and future) of learners and employers.
 - e. Ways of encouraging more responsive education and training through:
 - more flexible funding of learning; and
 - more flexible qualifications, offering greater choice for individuals and employers.
 - f. A Delivery Plan that sets out the roles and responsibilities of the main stakeholders and agencies. That includes a role for the Government to lead by example as a major employer in its own right.
- 6.** We would welcome your views on the issues raised in this document, and particularly the key emerging issues summarised in paragraph 5. Please email your comments to skills.strategy@dfes.gsi.gov.uk or write to Emma Kershaw, Department for Education and Skills, W11 20, Moorfoot, Sheffield, S1 4PQ.

Introduction and Context

- 7.** Skills play a vital part in supporting growth in productivity and sustainable employment. Over recent decades, there have been many initiatives aimed at boosting the skills of the workforce. But three things have been missing:
- a. An integrated strategy linked to the other drivers of productivity, particularly innovation, enterprise, competition and investment.
 - b. Joint ownership of the strategy by all the relevant Government Departments and agencies.
 - c. Sustained delivery.
- 8.** In June the Government will take a major step forward in addressing these gaps, with the publication of a national Skills Strategy and Delivery Plan.
- 9.** A key goal of the Strategy will be to ensure that our policies for youth and adult learning link together, not just with each other, but also with private sector investment in skills, so as to meet the short and long term skill needs of the economy. This does not preclude new action where needed to improve particular aspects of the skills system. But any new action must be part of a coherent strategy, and followed through with sustained delivery.
- 10.** This interim report summarises progress so far in developing the Strategy. The report covers the following sections:
- a. The background and context to the Skills Strategy.
 - b. The nature and extent of the skills challenge.
 - c. Our proposed principles for the Strategy and Delivery Plan.
 - d. Emerging thinking on how we can better meet employers' skills needs.

- e. Emerging thinking on how we can provide better learning options for young people and adults, and engage more adults in learning.
 - f. The implications for colleges and other training providers, building on the current reform programme set out in *Success for All*².
- 11.** This report is addressed mainly to the many partner organisations which have a role in developing and implementing the Strategy. They include the representative bodies of employers and learners; national, regional and local agencies; training providers; and organisations providing business support services. We are taking forward work on a wider communication approach for individual learners and employers as part of the Skills Strategy.

Background and Context

- 12.** In preparing this progress report, we have drawn on the helpful contributions made by a wide range of organisations at regional events held throughout the country last autumn, and through many other discussions with key stakeholders. The report is being published with a companion summary of the statistical and research evidence underpinning the Strategy. Together these documents provide a basis for discussions which will be held at local and regional level during April and May. Those discussions will be led by the Learning and Skills Council (LSC) and the Regional Development Agencies (RDAs). The views expressed in those discussions will feed into the final stages of work on the Skills Strategy and Delivery Plan.
- 13.** Work on the Strategy is being co-ordinated with the Review of Innovation being undertaken by the Department of Trade and Industry and the related Lambert Review of business/university links. Innovation is a key driver of productivity and the demand for skills. A linked set of policies on innovation and skills will form the two main pillars of the drive to raise productivity.
- 14.** The Skills Strategy will draw on the major reform agenda already in train across all sectors of education and training:
- a. The reform programme for secondary education, set out in the *Schools – Achieving Success White Paper*³, will raise achievement and expand opportunities for high quality vocational learning in secondary education.
 - b. The proposals in *14 – 19: Opportunity and Excellence*⁴ will strengthen the vocational options for young people, including Modern Apprenticeships, and address the tendency for early specialisation in academic subjects.
 - c. *The Skills for Life*⁵ strategy is tackling the large number of adults without basic literacy and numeracy skills. It aims to offer the opportunity to develop the skills needed to progress further in learning and in work.

² "Success for All: Reforming Further Education and Training – Our Vision for the Future" (DfES 2002)

³ *Schools – Achieving Success* (White Paper, DfES 2001)

⁴ *14 – 19: Opportunity and Excellence* (DfES 2003)

⁵ *Skills for Life – the National Strategy for Improving Adult Literacy and Numeracy* (DfES 2001)

- d. *Success for All*² set out a vision and commitment from the Government to reform further education and training, backed by substantial new investment. Its key elements are:
 - i) action to improve the pattern, responsiveness and quality of provision in each area to meet learner, employer and community needs;
 - ii) putting teaching, training and learning at the heart of what we do, through the work of the new Standards Unit;
 - iii) action to develop the leaders, teachers, trainers and support staff of the future;
 - iv) developing a framework for quality and success through new planning, funding and accountability systems.
- e. The White Paper on the *Future of Higher Education*⁶ set an ambitious agenda for reforming higher education. It includes expansion of foundation degrees in vocational areas, and closer contacts between Higher Education Institutions and employers.
- f. The Regional Development Agencies, in collaboration with the LSC and other partners, have developed Frameworks for Regional Employment and Skills Action (FRESAs). These identify regional skill needs. In four regions, the RDAs and local LSCs are piloting the pooling of funds for adult skills and business support to deliver a common skills agenda.
- g. The Employer Training Pilots are testing out different approaches for supporting employers to release staff for training as an integral part of business development. Pilots are underway in six local LSC areas. The programme is being extended from September to cover around a quarter of LSC areas.

15. Between them, these reforms will have a major impact in raising the quality of education and training to meet the needs of individuals and employers. They will be reflected in the Skills Strategy and Delivery Plan.

The Skills Challenge

Summary of this Section

The Evidence Paper, published alongside this Progress Report, summarises the analysis underpinning the Skills Strategy. Key points are:

- Skills play an important role in increasing productivity alongside other factors. The drivers of productivity are mutually reinforcing.
- Meeting the skills challenge is not an end in itself. It enables firms to raise their business performance, so as to compete more effectively in high value-added products and services, based on a high skilled workforce. It also enables individuals to continue to develop their skills.

² "Success for All: Reforming Further Education and Training – Our Vision for the Future" (DfES 2002)

⁶ The Future of Higher Education (White Paper, DfES 2003)

- In order to achieve our objectives for raising economic competitiveness, we need to support employers to raise their ambition to compete in higher value added markets.

The principal skills gaps we need to tackle are:

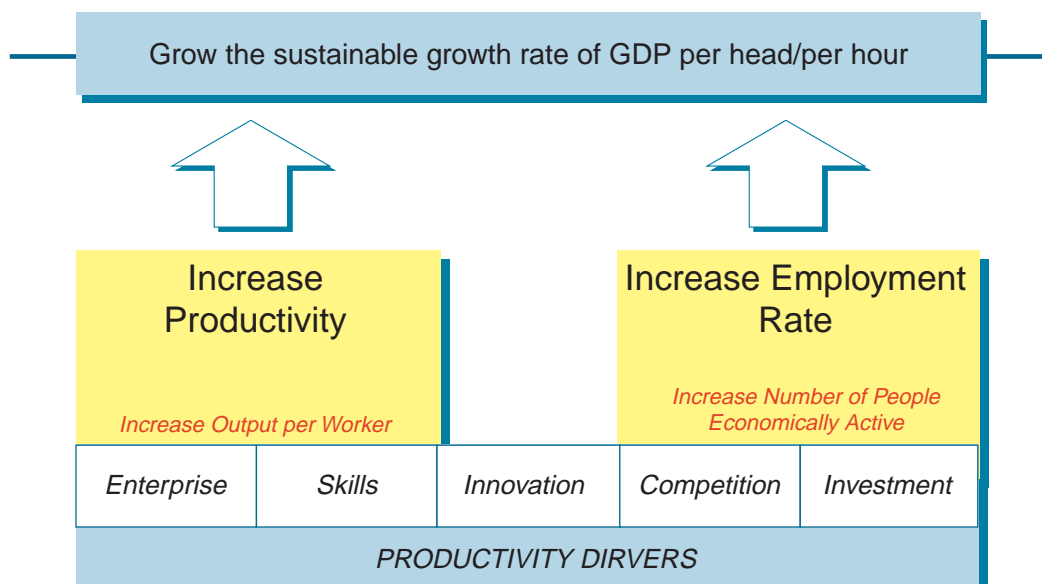
- The basic skills for employability of those in work or seeking work. These skills provide the foundation for future learning and progression.
- Mathematics, which is an essential basis for further technical training.
- Intermediate-level skills for skilled trades, scientific technicians, and associate professional jobs.
- Management and leadership skills, to drive forward innovation and apply the best work practices.

Productivity and Innovation

16. To maintain our international competitiveness and support social cohesion, Britain must develop a high-skill economy. We must use everyone’s talents to compete through high quality products and services. Meeting the skills challenge must be a key part of delivering this agenda, together with support for businesses to adopt innovative product strategies.

17. The productivity gap between the UK and other key industrial countries is significant. Output per hour worked in Germany is 25% higher than in the UK. In the US it is 26% higher, and in France 33% higher. The Government is pursuing a wide-ranging strategy to tackle the barriers to productivity growth and close the productivity gap. A key element is the need to improve skills through better education of young people and greater training opportunities for those already in the workforce.

Chart 1: Overarching Objective of Government Economic Policy

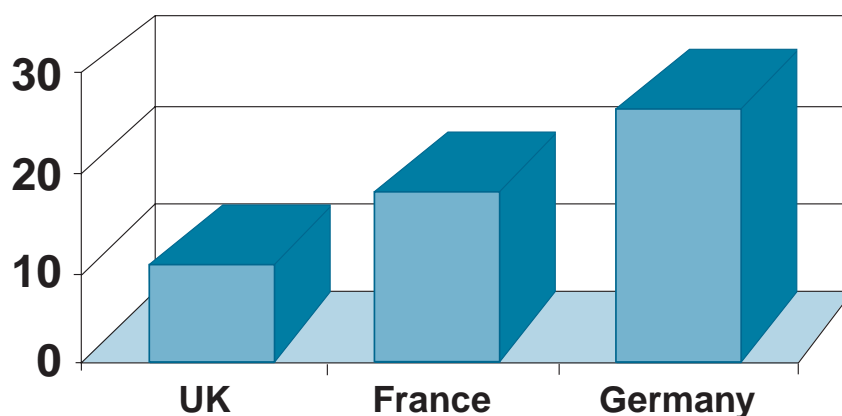


18. The Chancellor's Pre-Budget Report of November 2002 set out the Government's programme for reform to target historic weaknesses in the five key drivers of productivity performance (see chart 1). In addition to boosting the **skills** of the workforce, they include:
- Promoting **enterprise** to help new businesses to start up, and established businesses to develop.
 - Supporting science and **innovation** to use the potential of new technologies and to develop more efficient ways of working.
 - Strengthening the **competition** regime to encourage firms to innovate in order to minimise costs and deliver better quality goods and services.
 - Encouraging **investment** to improve the stock of physical capital in all sectors.
19. These key drivers of productivity are mutually supporting. In the case of skills, there are strong links to investment as well as innovation. Investment in physical capital often increases the demand for skills, and investment is encouraged by the presence of a skilled workforce.

Priorities for Developing Skills

20. The UK skills record includes some important successes. Since 1987 the proportion of 16 year olds staying on in education has increased from under 50% to over 70%. In 1987 only 15% of under-21-year-olds went into higher education, compared with 43% of 18 – 30 year olds in England today. Many employers provide high quality training and development for their staff.
21. But there remain areas where the UK skills profile is weak compared with other countries. Key areas are:
- The base of *general skills in the workforce*. We estimate that there are 7 million adults who lack basic literacy and numeracy skills. Some 30% of the workforce do not have a Level 2 qualification (that is, a qualification equivalent to 5 GCSEs at grade A* to C or a National Vocational Qualification at Level 2).
 - Intermediate skills*. These include skills for craft and technician jobs and their equivalents in the service sectors. For example, the proportion of the workforce in Germany with vocational qualifications at this level is three times higher than in the UK.
 - Mathematics, science and technology*. Only 45% of young people gain a grade C or above in GCSE mathematics at age 15. Fewer than 10% gain a GCE A level in the subject. This reduces the pool of those qualified to progress on to higher technical training. As Chart 2 shows, our performance on this measure falls significantly behind France and Germany.

Chart 2: % of Young People gaining Level 3 Maths



- d. *Management.* The quality of management in the UK is ranked behind many other countries in international surveys. According to the Employer Skills Survey 2002, some 30% of employers report gaps in the proficiency of their managers.

Proposed Aims and Principles for the Skills Strategy

Summary of this Section

The Skills Strategy should be based on a shared understanding of the rights and responsibilities of the state, employers and individuals to support the necessary increase in skills, training and qualifications. These rights and responsibilities will be different for young people as compared with adults.

In order to respond to the needs of employers and learners, the system of publicly funded learning covered by the Skills Strategy must become more demand led. This includes reforming the qualifications system so that it better reflects the needs of individuals and employers, with training programmes that are easily understood and responsive to needs. At the same time, we must minimise bureaucracy for both users and training providers.

The key principles we will therefore seek to address in the Skills Strategy are:

- clarity about rights and responsibilities;
- transparency and simplicity for users and providers;
- responsiveness to the demands of individuals and employers;
- a focus on the needs of different business sectors and on the local and regional dimension.

Aims and Success Criteria

- 22. A key aim of the Skills Strategy will be to link together those public programmes and policies which promote development of skills for young people and adults, not only with each other but also with private investment in skills. The ultimate goal is to create a system of education and training that meets both the needs of employers for business success and the needs of individuals for employability and progression in the labour market.
- 23. The following table sets out our proposed success criteria for the Strategy.

HOW WILL WE KNOW WHEN WE HAVE SUCCEEDED?

BEFORE	AFTER
Productivity levels lagging behind those of US, Germany and France	Productivity levels significantly closer to those of US, Germany and France
Many employers competing in low value added markets with low demand for skill and little engagement with learning	Most employers competing in high value added markets with high demand for, and significant investment in, raising workforce skills
Gaps in the supply of skills for management, craft skills (e.g. plumbers) and technician level skills (e.g. nurses and computer technicians). This results in skills shortages or sub-optimal business performance	High levels of business performance and effectively delivered public service less hindered by a shortage of skills
Long tail of poorly qualified adults, many lacking basic skills, in low paid jobs and with low levels of productivity	High skilled, high earning workforce generating world class levels of productivity
Low level of youth participation in education and training, in an education system delivering inadequate choices	World class levels of youth participation in education and training, in a system providing suitable learning opportunities for all
Fragmented system of publicly funded learning, with unclear division of roles and responsibilities between institutions and high levels of bureaucracy	Easily navigable system of publicly funded learning with minimum levels of bureaucracy.

- 24.** These ambitions have important implications. First, meeting the needs of employers is not just about responding to short-term recruitment requirements. It is also about supporting and encouraging businesses to develop their business performance over the longer term, raising their competitiveness so as to respond to future challenges. Second, individuals also have a vital and distinct stake in the skills system, which must respond to their needs as well as the needs of employers.
- 25.** Some commentators have seen a tension between developing skills on the one hand, and promoting lifelong learning on the other. The former has been seen as having a strictly economic purpose, whereas the latter is about wider personal development. In reality, the boundary between the two is blurred. The Skills Strategy will embrace both training focused on the specific requirements of existing jobs and broader programmes of learning and development that contribute to the skills and knowledge people can bring to bear in the workplace.

Proposed Principles

- 26.** The Cabinet Office Strategy Unit *Report on Workforce Development*⁷ set out a number of principles that have been emphasised throughout the consultations so far. These are:
- a. Greater clarity about the *right and responsibilities* of the key stakeholders, particularly the state, employers and individuals.
 - b. Greater *transparency and simplicity* for the users of the education and training system, both individuals and employers.
 - c. More *responsiveness* in publicly-funded education and training to meet the demands of individuals and employers.
 - d. A stronger focus on the needs of different business *sectors* and on the local and *regional* dimension.
- 27.** This section sets out emerging thinking on how we will take forward these principles.

Rights and Responsibilities

- 28.** The Skills Task Force⁸ proposed a statement of rights and responsibilities for the state, employers and adult learners, set out in the box below. The challenge for the Skills Strategy is to develop this statement, to set out what these principles mean and how they should be applied.
- 29.** The Strategy will also aim to provide greater clarity about the roles of the key agencies, including Regional Development Agencies, Government Offices, Local Learning and Skills Councils, Sector Skills Councils, and Business Link. This must be part of the drive to simplify the system, and make a reality of joining up activities to support business performance and skills.

⁷ In Demand: Adult Skills in the 21st Century (Cabinet Office, 2002)

⁸ Skills for All: Proposals for a National Skills Agenda (DfEE 2000)

STATEMENT OF RIGHTS AND RESPONSIBILITIES RECOMMENDED BY THE SKILLS TASK FORCE

The **state** should assess the learning needed to achieve national economic and social objectives, and take lead responsibility for ensuring that the education and training system is equipped to meet those needs. It should ensure that all citizens have equitable opportunities to obtain a minimum foundation of learning for their future employability, and contribute to the costs of continuing training through fees, grants or loans, according to economic priority and individual need.

Individuals should take responsibility for reviewing their skills and initiating action to keep their employability skills up to date. They should co-operate fully with their employer in job-specific training designed to meet business objectives. Those who can afford to should make a reasonable contribution to the time and costs of transferable learning to improve their continuing employability.

Employers should plan, deliver and evaluate the effectiveness of learning for all their employees to meet their business objectives. They should bear the full costs of job-specific learning, and contribute through encouragement, support and investment to developing the transferable skills and continuing employability of their staff commensurate with the benefits that accrue to them by so doing. They should co-operate through sector training bodies to assess the future skills needs, and inform and support providers in meeting those needs.

Rights and Responsibilities: Government Leading by Example

30. The Government's responsibilities include that of leading by example as a major employer. Over five million people are employed in the public sector. About a fifth (just over one million people) have qualifications below Level 2. The Skills Strategy must set out what Government is doing to address skill needs amongst its own employees.
31. There are many examples of good practice. The National Health Service has set out ambitious plans for raising the skills of its workforce, making lifelong learning part of the culture of the NHS. The Ministry of Defence has established a Defence Accreditation Cell to identify the transferable skill needs of its workforce and monitor progress. This is advised by a Defence Accreditation Board, comprising members of the MoD, other Government Departments and non-governmental bodies. More generally, the Government has committed to encouraging employees below level 2 to achieve this level, building on the commitment already in place to address basic skill needs.

Transparency and Simplicity

32. The second principle is that the Skills Strategy should aim to increase transparency and simplicity. The education and training system is often seen as complex and bureaucratic. Factors contributing to this perception include the assessment system supporting qualifications, fragmented sources of funding and information, and the lack of co-ordination between different organisations.

- 33.** Work is in hand to address many aspects of the bureaucratic burden. That includes the implementation of the proposals in the Bureaucracy Task Force report on further education, and the remit given to the 14 – 19 Working Group to look at the assessment burden in the qualifications system. The Skills Strategy must set out what more will be done to meet these concerns.

Responsiveness

- 34.** The third principle in the *In Demand*⁷ Report, to be addressed within the Strategy, was that publicly-funded learning for adults should be more demand-led. Demand will inevitably be subject to resource constraints. Beyond that, we need to distinguish two types of demand:
- a demand from adults as learners and potential learners; and
 - b demand from employers to meet current and future skills needs.
- 35.** In some respects, the flow of public funding to colleges and training providers is already highly responsive to the choices made by students and trainees. But the 'leverage' of adult learners could, in principle, be increased in two ways:
- a by giving learners more control and ownership of the public funds allocated to support their learning, as was done through Individual Learning Accounts; or
 - b by giving greater weight to learners' views in the performance monitoring arrangements.
- 36.** Greater responsiveness to the needs of employers raises different issues. Again, there are potentially two approaches:
- a by giving employers more control of available public funds for adult learning and skills. This would have to be done in a way which did not lead to public funding substituting for training that would have happened in any case; or
 - b by linking the allocation of funds for adult learning and skills to regional, local or sectoral analyses of skill needs and priorities.
- 37.** A key issue for the Skills Strategy will be to determine what combination of these or other mechanisms might best give effect to the *demand-led* principle. This must be balanced against the need to avoid destabilising colleges and training providers.

Responsiveness in Qualifications

- 38.** A recurrent theme in the discussions so far about the Skills Strategy has been the need to increase the responsiveness of qualifications to learner and employer needs. There is a growing consensus that the qualifications framework is not sufficiently flexible, either in terms of allowing individuals to build up units of learning over a period of time, or in terms of giving employers forms of qualifications which are relevant to their needs.
- 39.** The Skills Strategy must address these concerns. Ministers have accordingly asked the Qualifications and Curriculum Authority, working with the Learning and Skills Council and the Sector Skills Development Agency, to advise on a way forward. Paragraph 87 below sets out the issues being addressed.

⁷ In Demand: Adult Skills in the 21st Century (Cabinet Office, 2002)

Regional and Sector Approaches

- 40.** The fourth principle concerns the focus we should give to the regional and sectoral aspects of the skills agenda.
- 41.** In recent years, increasing emphasis has been put on the regional and local dimensions of post-16 education and training. Skills are widely recognised to be an important driver of regional economic growth. The Frameworks for Regional Employment and Skills Action (FRESAs) have enabled key regional partners, led by the Regional Development Agencies, to identify the skills needs associated with regional economic strategies, and develop an agreed plan to meet those needs. The pilots to pool RDA and LSC funds for adult skills and business support, which are currently being introduced in four regions, will provide important pointers for the Skills Strategy in considering how the regional and local dimension could be developed.
- 42.** By contrast, up until recently less weight has been given to responding to the varying skill needs of different sectors. The establishment of the Sector Skills Development Agency and the Sector Skills Councils is a major opportunity to get this balance right.
- 43.** Sector Skills Councils, as key employer partnership organisations in each sector of business, will have a major role in the Skills Strategy. They are critical to developing a vision for each sector of future skill needs and their contribution to raising productivity. They also have important roles in linking skills development with DTI programmes supporting growth and innovation, and in mediating the effective supply of training programmes in response to employer skill needs.

Delivering Skills for Employers

Summary of this Section

Many employers feel that the education and training system does not respond effectively to their needs. The training, advice and support services available may appear bureaucratic, disjointed, and hard to understand.

At the same time, however, we need to act on skills demand as well as skills supply, raising the profile of skills as a major contributor to improved business performance. While many employers provide first class training opportunities, others could contribute more to raising the skills of their employees to meet organisational objectives, for example by participating in apprenticeship training.

Any successful approach to responding to employers' skills needs must address their concerns with the existing system, support their business development needs, and raise ambition in skills investment, much of which does not currently lead to qualifications. Our approach must also address the range of market failures identified in the Evidence paper.

Engaging employers on the basis of their business needs

- 44.** The Skills Strategy must start from the recognition that employers' demands for skills and training are derived from their business needs. We propose the following principles:
- a. The priority for employers is that staff should have the skills, competencies, knowledge and understanding to meet current business needs and objectives. Skills are not an end in themselves.
 - b. Advice and support services to employers must start with the wider objective of organisational success, recognising that skills are only one contributor to that success.
 - c. Qualifications are valued by employers in recruiting new staff, and are valued by individuals as a means of certifying skills and knowledge which are transferable from one job to the next. Qualifications are therefore an important element in achieving a flexible labour market. In relation to existing staff, however, the priority for employers is often that staff should acquire the skills needed to meet business objectives, rather than achieving qualifications for their own sake.
 - d. It is in the interest of the nation, and society as a whole, to raise our economic competitiveness. So it is a proper role of Government to encourage those forces which over time will promote higher productivity through the adoption of higher added value products and business practices.

Joined up Advice and Support

- 45.** At its best, the advice and support available to employers on training and development is very effective. But provision is patchy, and many employers find the system complex. The goal must be to provide business support services in an integrated way so that advice on business performance can, where appropriate, lead seamlessly into advice on training needs and how they can be met.
- 46.** The options being considered are:
- a. A *no wrong door* approach, such that, whatever the initial point of contact by an employer seeking advice or support, there is effective referral to whichever organisation is best placed to meet that employer's needs. This implies better signposting and co-ordination of the range of existing activities promoted through Business Links, Regional Development Agencies, local Learning and Skills Councils, and Sector Skills Councils.
 - b. Better support for employers to help themselves through business to business links.
 - c. Support for *intermediaries* (such as banks, accountants and business advisers) to introduce employers to the range of business support available, and to signpost training. This could be an integral part of the "no wrong door" approach, making the system more transparent to employers, especially Small and Medium sized Enterprises (SMEs). We also need to consider how we can build on the early experience of the successful role of Union Learning Representatives in encouraging employees to train.

- d. Helping employers, and particularly SME owner-managers, to build networks which can develop their skills through advice from peers and mentors on dealing with real world business problems, rather than through formal training programmes. For many people, this form of skill development is likely to offer the greatest value.

Stronger Incentives for Training and Development

- 47.** Many employers already invest substantially in the skills of their workforce. Some estimates place this as high as £23.5 billion, including wage costs. Programmes like Investors in People are successfully helping employers take a structured approach to identifying, and acting on, the skills need to achieve business objectives and improve business performance.
- 48.** But while there is much good practice, there are also major gaps. Historically, the emphasis of skills initiatives has been on encouraging action by individual employers and learners. As noted in the Evidence paper, some of the market failures we are seeking to address may reflect the existence of a low-skills equilibrium and a fear of trained staff being poached by other employers. Market failures in the availability of finance to support investment in skills, and in the provision of clear information about training and its benefits, may also result in many employees receiving little training. That applies particularly to those with no or low levels of qualifications, and those working in SMEs.
- 49.** There may, therefore, be a case to provide support for collaborative arrangements between employers to raise skills and productivity in appropriate sectors, as a means of addressing the skill gaps caused by these types of market failure. Any proposals for such action would be considered on a case-by-case basis, on the understanding that any instrument must have the support of those affected by it, and that it must operate in the consumer interest.
- 50.** There is already a range of co-ordinated voluntary and statutory mechanisms in place or under discussion in different sectors which are raising, or have the potential to raise, skill levels in the workforce. Examples include the following:
 - a. In construction and engineering construction, the statutory training levy arrangements remain in place.
 - b. In specific sectors, such as the care sector and engineering, health and safety and consumer protection legislation has resulted in requirements for those employed in those sectors to achieve certification and qualifications.
 - c. The model of `licences to practise` or `licences to operate` is being considered more widely as a means of establishing common expectations of the skills and knowledge which should be expected of those working in specific sectors.
 - d. Voluntary training levies to provide grants for training can potentially reduce the perceived threat of free-riding and poaching.
 - e. Skills passport schemes (as recently introduced in part of the construction sector) can demonstrate the skill levels within a firm, and so be used as evidence to a contractor about the quality of work that a business is able to do.

Lessons from the Employer Training Pilots

51. We will need to review the lessons that are emerging from the early experience of the Employer Training Pilots in raising the demand for skills from employers. The aim of the pilots is to meet both the employer's needs for training to support business objectives, and the needs of those employees who have no or few qualifications. The pilots are testing the impact of offering employers a package of support combining free training programmes, support with the costs of releasing staff for time off to train, and help in sourcing training. The role of training champions, particularly Union Learning Representatives, is proving effective in encouraging employees to engage in learning. The pilots will provide a basis for deciding whether, and if so how, to proceed to a national programme offering some combination of these elements.

Engaging Employers in the Pre-19 Education System

52. Employers have an important role in helping to enrich the learning experience for all young people, ensuring that they acquire skills relevant to the workplace. Employers' contributions can take a variety of forms, such as providing work experience, mentoring, and helping with the development of the curriculum and learning materials.

53. The task for the Government is to find ways of involving employers in helping the education system without adding layers of bureaucracy and additional cost. In the 14 – 19 area, work is underway to develop forms of employer engagement that can be applied locally and, where appropriate, with a focus on particular sectors.

The principles should be to:

- a. convey clearly the benefits to business from such involvement;
- b. reduce the costs and barriers to business engaging with schools, colleges and universities;
- c. provide consistent, straightforward information.

Skills for Innovation and Enterprise

54. There are certain types of skills and knowledge that are particularly important for technological innovation, ensuring that innovations are taken up in new and developing businesses, and promoting a wider culture of enterprise. They include:

- a. a broad understanding across the whole population of the demands of business and employment;
- b. science, engineering and mathematics skills;
- c. high quality management and leadership skills throughout all businesses and public sector organisations.

55. In all these areas there are important developments in train that will contribute to the Skills Strategy.

Awareness of the Demands of Business and Employment

- 56.** Sir Howard Davies conducted a review last year of Enterprise in Education. As recommended in his report, we are introducing an entitlement to enterprise education for all young people at Key Stage 4 of the National Curriculum. Opportunities for work related learning are being reformed. It will be a compulsory part of the revised curriculum for 14-16 year olds which will be introduced from September 2004. A separate DfES project is underway to review how education in early years, schools, further education and higher education can contribute to developing the generic skills sought by employers.

Science, Technology, Engineering and Maths

- 57.** Sir Gareth Roberts conducted a review last year, which made a number of recommendations about improvements to rewards and training for science, technology and engineering research staff in universities. These are now being implemented with support from the extra funds allocated for science in the 2002 Spending Review. A separate inquiry into the teaching of mathematics in schools and colleges is currently being undertaken by Professor Adrian Smith. The inquiry is considering not only teaching and curriculum issues, but also the requirements of employers and the factors which determine the extent of further study of mathematics after the end of compulsory schooling.

Management and Leadership

- 58.** The work of the Council for Excellence in Management and Leadership has helped to clarify the causes and extent of the gaps in management and leadership skills. The problem is complex, and must be addressed both through action to improve the supply of management and leadership training, and action to raise the standards that all employers expect of their managers and leaders.
- 59.** A planning group is now developing a focused set of priorities for action. Issues being considered include:
- a. how to create clearer pathways through the formal learning and qualifications system for those seeking to develop their management skills;
 - b. how to encourage informal learning through coaching, mentoring and networks between SMEs, as part of the approach described in paragraph 46d above.

Delivering Skills for Individuals

Summary of this Section

The Skills Strategy must address the skills needs of individuals as well those of employers. We need to look separately at the needs of young people and of adult learners.

Compared with most other countries, we continue to have a high drop out rate from learning at age 17. We aim to tackle this through the reforms now in train to develop a coherent 14 – 19 phase of education. A key goal is to ensure that throughout the 14 – 19 phase and beyond, more young people have opportunities to acquire technical and vocational skills through Modern Apprenticeships, further education and higher education.

We must also develop an education and training system that is responsive to the needs of adults, both those in the workforce and those seeking to return to the labour market. There is a very large number of adults with no or low qualifications in the UK, who are not presently engaged in learning, and who should be given the opportunity to develop their potential. That will require better targeting of public support. More generally, the Government, working with employers and a wide range of partner organisations, aims to encourage many more adults to develop and update their skills in line with the changing needs of the labour market.

Skills for Young People

60. We must equip young people with the foundation of employability skills and knowledge, so that they can choose either to continue in full time learning through further and higher education, or can go into employment while still being supported in training and development. Employers need to have confidence that young people who enter the workforce bring with them the skills they need, and the ability to build on those skills as they progress.
61. The reforms of the 14 – 19 phase of education set out a clear direction for change for vocational learning. Their aim is to ensure that the vocational pathway for young people is strengthened, so that it offers a well-regarded, first-choice route to learning and development for many young people.

Modern Apprenticeships

62. Modern Apprenticeships (MAs) prepare young people for an economy based on high level skills, giving them the opportunity to achieve vocational, work-based qualifications. They are central to the drive to improve workplace skills by greatly increasing the supply of young people with skills at craft, supervisory and technician (intermediate) level.
63. Our best MA programmes reach the standards of the best in world. The task now is to make this happen across the whole range. For example, new technical certificates for MAs will ensure in-depth technical knowledge, and promote greater consistency across frameworks. At present, there is too much variation between sectors in terms of quality of training and outcomes.

- 64. Some 220,000 young people are currently participating in MA programmes. We want to increase this. We are on course to meet the target that by 2004 28% of young people should enter an MA by age 22. That in turn will contribute to the target that 90% of young people should enter programmes preparing them for HE or skilled employment by 2010.
- 65. We are making good progress in implementing an action plan aimed at improving quality and performance of MAs, as recommended by the MA Advisory Committee under Sir John Cassels. The Committee reported to Ministers and the Learning and Skills Council on 28 September 2001.
- 66. Where employers have experience of MAs they are often deeply committed to the programme. They have a sense of ownership which is virtually unique amongst education programmes. This stems from their direct involvement in the development of MA frameworks. However, too few employers are involved, and there is little participation in some key sectors such as retail. In order to meet our goal of matching European levels of participation and quality, we need to step up our engagement with employers.
- 67. The new MA Task Force, launched on 25 February, will have a crucial part to play in helping to achieve the targets to increase participation. As a business led group, its primary role will be to increase the profile amongst the employer community. It is chaired by Sir Roy Gardner, Chief Executive of Centrica plc.
- 68. Alongside this, the Learning and Skills Council is working on a quality improvement plan for Modern Apprenticeships. It will include action to:
 - a. Improve the capability of training providers, including developing the role of Group Training Associations and large employers.
 - b. Improve the quality of trainers working with apprentices.
 - c. Improve the teaching of key skills within the MA framework.

Reform of Programmes in Further Education

- 69. There are many high quality training programmes in further education that offer young people the opportunity to acquire vocational knowledge and skills. But that is not universally true. Not all programmes are well-focused or well-understood.
- 70. The Working Group for 14 – 19 Reform, chaired by Mike Tomlinson, will consider how to improve the coherence of these programmes, as part of its broader remit on 14 – 19. One of the issues it will consider is the balance between specialist and general provision, so that students have the opportunity and choice either to enter directly into skilled employment, or to progress into higher education. Whilst it is important not to pre-empt the outcome of the Group's work, the Skills Strategy will signal their early thinking as it relates to skills.

Vocational Courses in Higher Education

71. We need to strengthen links between Higher Education Institutions and employers. That is important for effective delivery both of vocational courses at degree level, and the expansion of Foundation Degrees heralded in the HE White Paper. The Skills Strategy will set out how we will take forward these proposals, working with Sector Skills Councils, particularly on the development of Foundation Degree frameworks to meet sector needs. Work is already in hand to strengthen the link between Sector Skills Councils and the relevant subject networks in higher education. This should ensure that vocational courses in HE are aligned with the skill needs of the relevant sectors.

Skills for Adults

72. Total public funding for adult learning, including adult basic skills, will rise to over £3.2 billion by 2005-06. A key challenge for the Skills Strategy is to ensure that this substantial investment has the maximum impact in supporting adult skills, alongside investment from employers.

73. The Strategy will set out the actions to be taken to support adults in updating and raising their skills at all levels. But our current thinking is that the Government's priority in allocating public funds for adult learning and skills should be to tackle areas of market failure. As discussed in the Evidence paper, these relate particularly to raising skill levels amongst adults with no or low qualifications, and areas of skill shortage.

Priorities for Targeting Public Funds

74. There are over 7 million adults in the workforce in the UK without a qualification at Level 2. They are less likely to have the platform of skills needed for secure, sustained employability, and less likely than those with higher qualifications to be helped by their employers to get further training. There are also many younger adults who complete the 14 – 19 phase of learning without reaching a Level 3 qualification (equivalent to GCE A levels or a National Vocational Qualification at Level 3), but who could be encouraged back into learning after a period in work.

75. Within an overall approach of focusing on re-skilling and up-skilling at all levels, emerging thinking at this stage is that key target groups for the investment of public funds could be:

- a. Those adults seeking a first Level 2 qualification (or a programme leading directly to it), irrespective of age.
- b. Young adults returning to learning to achieve a first level 3 qualification.

76. Encouraging adults who have no or low qualifications to gain the motivation and confidence to develop their skills is critical in addressing the legacy of past under achievement. Strengthening the incentives and support for such adults may involve better targeting of public funds to meet their tuition costs, and, within the constraints of available resources, to provide some help to meet the other costs of learning. Those may include maintenance costs, travel costs (particularly in rural areas), childcare costs, and costs of examinations and assessments.

- 77.** In addition to the potential priority groups identified above, we need to consider the scope for allocating resources, within overall budget constraints, towards specific skill priorities, determined at regional or sectoral level. There are various options for identifying those skill priorities. We would expect the Sector Skills Councils to play a major role alongside the existing roles of the Learning and Skills Council and Regional Development Agencies. These arrangements might build on the Frameworks for Regional Employment and Skills Action (FRESAs), as a basis for identifying skills priorities.
- 78.** Beyond these various potential priority groups for investment of public funds, the Skills Strategy would encourage wider investment in skills for all adults. But there is a case to expect that the balance of responsibilities between the state, the individual and the employer would alter. The increased rate of return to higher level skills and qualifications may point towards an expectation that individuals and employers should contribute more to the costs of their training, reflecting the greater benefits they receive. Alternatively, it may mean redesigning training programmes, as in some current pilots being run by the Learning and Skills Council so that the average cost to public funds is reduced. The Government's role focuses more on ensuring that the infrastructure to support training works effectively.
- 79.** Any such approach would raise a number of issues which we need to address in finalising the Skills Strategy. These include the administrative feasibility of any targeting regime, and the balance between national, regional and local discretion in determining levels of funding support.

Information, Advice and Guidance

- 80.** High quality information, advice and guidance (IAG) will be key to helping adults gain the motivation and confidence to develop their skills. Within available resources, the objectives might be:
- a. To offer a more integrated service, reaching out to low-skilled adults based on local plans for raising participation.
 - b. To raise quality of the service by wider use of the established IAG Matrix standards, which set out the characteristics of effective IAG.
 - c. Consistent branding so that people can recognise what they are getting.
- 81.** To achieve the greatest potential impact, this integrated service could cover the work of Union Learning Representatives, local information, advice and guidance providers, the Ufi **learn**direct helpline, and Jobcentre Plus. It should also build on the progress being made in reaching out to adults with poor literacy and numeracy skills.

Widening Access and Increasing Engagement in Learning

- 82.** There are many examples of innovative activity to re-engage learners in the education and training system. But there is more to do. The Learning and Skills Council are currently consulting on the most effective means of raising standards in programmes to widen access to adult learning.

- 83.** The Skills Strategy will need to consider action in the following areas:
- a. Improving the integration of the wide variety of existing forms of outreach, first step and return to learn programmes, so as to achieve the greatest impact in helping adults re-engage in learning. This includes the effective use of ICT, such as through UK on-line centres, as well as more traditional forms of community programmes.
 - b. A more consistent system of supporting students. At present the fees which any individual learner may face are determined by a combination of national and local decisions to remit fees for priority groups. There may be a case for standardising fee levels and fee remission arrangements in order to give learners greater clarity in the costs they face.
 - c. Learning lessons from the original Individual Learning Account programme about reaching groups of learners who might not otherwise have engaged in learning, through giving them more ownership and choice in their learning.
 - d. Developing clearer messages about the benefits of skills and qualifications to learners. At present the language is often off-putting and the benefits seem remote to many adults.

Reforming the Supply Side: Education and Training Providers

Summary of this Section

The Government's strategy for reform of further education and training was contained in *Success for All*². It set out a commitment to investment, matched by reforms designed to raise standards, increase responsiveness, raise participation in learning, and improve the outcomes for learners and employers.

There are several areas in which the Skills Strategy could potentially build on the themes and principles of *Success for All*. These include greater flexibility in qualifications, and developing the principle of funding by plan.

84. *The Success for All* reform programme was published in November 2002. A lot of work is now going into its successful implementation. The Skills Strategy will incorporate that work, as the primary means by which we can promote the responsiveness of the training supply side in meeting the skills needs of individuals and employers.
85. The strategy includes action to promote the professional development of those working in colleges and training providers - managers, teachers, lecturers, trainers and support staff. It introduces a new framework for quality and success, focussed particularly on the new Standards Unit. It includes area-by-area reviews, conducted by local LSCs, to ensure that the range of further education and training available in each area meets the needs of the local community and local businesses. All of this is supported by three-year funding for providers.
86. The Skills Strategy will consider how the principles already laid down in *Success for All* might be extended to achieve the greatest impact on skills.

More Flexible Qualifications

87. As noted in paragraphs 38 - 39 above, there is widespread support for increasing flexibility within the qualification structure to allow learners to undertake units of learning that can be built up over time, and which can be tailored to meet the varying needs of individuals and employers. Although the current arrangements do already offer scope for a unitised approach, in many cases, there is a perception that the funding and auditing arrangements can discourage providers from making best use of this. Employers and individuals may also face obstacles in building up units of achievement towards a qualification which meets their needs.
88. In considering the case for reform, there are two important points to bear in mind. First, public funding for education and training, especially for young people, must continue to focus on broad programmes of learning to provide a sufficient foundation of knowledge and skills. Second, there is a need to maintain transparency in the operation of the qualifications system, and avoid excessive fragmentation in programmes of learning.

² "Success for All: Reforming Further Education and Training – Our Vision for the Future" (DfES 2002)

- 89.** Subject to these points, there may be a case for increasing flexibility to allow:
- a. More jointly provided learning between employers and providers on a cost-sharing basis.
 - b. More brokerage of training packages tailored to meet employer training plans.
 - c. Greater recognition of the skills, competencies and knowledge individuals already have, with training provision to fill the gaps.
 - d. Simplified assessment systems.
 - e. Faster turn-around by awarding bodies in approving brokered training programmes as leading to recognised qualifications within the national qualifications framework.
- 90.** The Qualifications and Curriculum Authority, the Learning and Skills Council and the Sector Skills Development Agency have been given a joint remit to consider these issues. The outcome will be set out in the Skills Strategy.

Funding by Plan and the Training Infrastructure

- 91.** The LSC is consulting separately on the scope for developing an approach to funding adult learning and employer engagement on the basis of local plans. This may provide a way of strengthening the incentives for colleges and training providers to respond to employer needs. Potentially, it could allow more local discretion for providers to judge how best to spend available funds to meet local needs, within an agreed framework of priorities.
- 92.** There needs to be greater collaboration between employers and publicly-funded providers in developing the infrastructure needed to deliver the skills and business support services that employers want. Centres of Vocational Excellence (CoVEs) are beginning to have a major impact in this area. The network will build up to 400 CoVEs by 2006. The Skills Strategy will consider:
- a. The scope, within available resources, for further support for colleges and training providers to develop degrees of specialisation and excellence in particular vocational areas.
 - b. How to help colleges and training providers develop their capability to offer a wider range of business development support for local employers.
 - c. What role Sector Skills Councils might usefully play in shaping future developments in the training infrastructure.

Conclusion

- 93.** The Skills Strategy must make a difference. It must bring about a step change in the skill levels of the workforce. To do this it must focus on delivery as much as strategy.
- 94.** Effective delivery will only come about if we have a clear, shared understanding of the roles of various stakeholders and partners. That delivery should focus on:
- a. Higher levels of employer engagement in skills focused on the business case for investing in skills resulting from a shift towards higher value added products and services.
 - b. Simpler, clearer and better integrated support for employers.
 - c. Higher levels of skills flowing into the labour market, as a result of a comprehensive system of learning for young people incorporating a high quality, well regarded vocational route.
 - d. Better targeted support and more relevant learning for lower skilled adults, to enable all to achieve threshold levels of employability skills.
 - e. A more demand led system of learning where decisions about what, how, where and when learning should be provided are more strongly influenced by those best placed to identify regional, local and sectoral skill needs.
- 95.** This interim report, and the companion Evidence paper, set out the case and the challenge for change and identify possible areas and options for reform. We would welcome your views on the issues raised in this document, and particularly the key emerging issues summarised in paragraph 5.
Please email your comments by 14th May to skills.strategy@dfes.gsi.gov.uk or write to Emma Kershaw, Department for Education and Skills, W1 120, Moorfoot, Sheffield, S1 4PQ.