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## **Third Report** of the National Skills Task Force

Tackling the adult skills gap:  
Upskilling adults and the role of workplace learning





## Foreword

In our first report, *Towards a National Skills Agenda*, we pledged ourselves to creating a clear and coherent approach to learning in the workplace that would boost the skills of adults already in employment.

There is, rightly, a very strong concern in our society with the education and training of our young people. Of course we must invest in their futures: the Task Force has made fundamental proposals on this crucial area of skills for young people in our second report *Delivering Skills for All*, which we are pleased the Government is taking very seriously.

Yet we have in this country a legacy of low skills amongst the **adult** workforce which we all have a responsibility to tackle - Government, employers and individuals - if we are to build a society and economy to which all contribute their full talents and in which all can share. The Task Force applauds the many examples of fruitful initiatives and good practice already in hand to raise skill levels. But at a time when the Moser Report exposes that 20% of adults lack even the most basic of skills, there can be no excuse for doubt or complacency about the importance of doing more - and quickly.

We are at a critical turning point in tackling this issue. Ufi is now coming on stream, and National Training Organisations are establishing themselves as a real force within their industries. Most importantly, the advent of the Learning and Skills Council presents us with an ideal opportunity to clarify our key aims and principles for workforce development and to pursue a coherent and unified strategy.

In this, our third report, we set in train a fresh approach to reaching low-skilled, reluctant learners and to spreading the benefits of learning, both formal and informal, to smaller firms and their employees. I am especially enthusiastic about two of our recommendations: an entitlement to publicly-funded learning for adults up to Level 2; and a joint statement of workforce development principles between employer organisations - including my own BCC - and trade unions, on how employers, unions, and employees can all contribute most effectively to substantially raising UK workforce skill levels.

I must acknowledge once again the dedication, vision and practical thinking of Task Force members, who have patiently confronted the difficult issues at the heart of adult learning in the workplace over recent months. We now look forward to answering our full terms of reference in our final report to the Secretary of State in the Spring, when we will bring forward our advice on the creation of a new National Skills Agenda for the coming years.

I commend this report to you, and encourage everyone - employers, individuals, trade unions, education and training providers, local authorities, National Training Organisations and all other partners - to join with the Government in tackling the adult skills gap. Collectively, and only collectively, we can achieve our ambitious aims.

A handwritten signature in black ink, appearing to read 'CH' followed by a flourish.

**Chris Humphries**

Chairman  
Skills Task Force

# Acknowledgement

The Chairman and the members of the Skills Task Force would like to record their thanks to all those who contributed to the substance of this report and whose help and encouragement were valuable in its production. Thanks go to all those who provided original research papers, surveys of literature, position papers and other evidence, and to officers of national bodies, academic institutions and Government Departments who helped the considerations of the Task Force both through written correspondence and presentation of evidence.

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# Executive Summary

## Introduction

- Too many of our workforce, raised in the routine 'jobs for life' culture of the 1950s, 60s and 70s, left school with few qualifications if any. They lack the basic skills, aspirations, self-belief - and frequently the opportunity - to broaden their horizons through the power of learning. They have become trapped in the decreasing number of low-skill jobs, unable to grasp new opportunities and contribute their latent talents to our increasingly knowledge-based economy. At the same time, failing to utilise the full potential of our whole workforce clearly puts UK businesses and the UK economy at a significant competitive disadvantage. This is a situation we must tackle now if we are to strengthen our position as a world class economy and create an inclusive society in which everyone has an increasing stake.
- Development of skills and knowledge has never been, and should not become, the preserve of traditional education institutions or training providers. The workplace itself offers excellent opportunities to learn formally and informally, through day-to-day problem solving on-the-job and worker involvement in enhancing productivity and handling change. These are only some examples of the circumstances in which people can significantly expand and sharpen their skills at work. A growing proportion of businesses clearly realise the cost-effectiveness of this approach and the competitive advantage that results from raising the skills and capability of their whole workforce. We have the potential to turn all our workplaces into seats of practical learning as important to the skills of our people as our schools, colleges and universities.
- Although many businesses have an exemplary record in investing in their people, and the scale of employer training has increased significantly over the last twenty years, a substantial minority, especially of our small businesses, still offer little or no training for the bulk of their workforce. And, most regrettably, it is the 'trailing edge' of poorly qualified adults who are least likely to receive training from their employer. We must ensure that **all** employers understand the value of skills to their performance and can capitalise on that value, while still meeting the operational needs of their businesses. The benefits of learning must be spread to the most disadvantaged of our workforce as well as reaching those who are already better qualified.
- We have therefore focused in this, our third report, on three questions fundamental to adult learning in the workplace:
  - how to give more low qualified adults the opportunity to upgrade their general skills and education;
  - how to ensure that supervisors and owner managers in small firms have both the resources and skills they need to manage and deliver learning in the workplace; and
  - how we spread learning in the workplace across all firms and to employees who currently have little access to such learning.

## Our analysis and recommendations

### Skills and education for low qualified adults

- The expansion of the education system, especially over the past decade, has offered a growing proportion of our young people the opportunity to study to higher levels. Those leaving school before the late 1980s were less fortunate. A significant minority have no qualifications at all and have little evidence to show for the skills they have gained since joining the workforce. This qualifications deficit compromises their chances of advancing their own and their families' prosperity and their opportunities to return to learning. Furthermore, the Moser report on basic skills has underlined starkly the scale of the basic skills problems faced by around 20% of adults, which prejudices their ability to perform even many of the lowest skilled of jobs - jobs that are anyway dying out as the influence of technological change spreads through our economy.
- Adults who missed out on education and training earlier in life must no longer be disadvantaged relative to their better qualified peers. We recommend steps to help them overcome the obstacles in their path, both material and motivational. Aspirations must be raised progressively, with targets for bringing all individuals up to functional levels of basic skill, then up to Level 2 and even perhaps, over time, to Level 3. This demands a new adult entitlement to learning.
- The creation of this entitlement will generate extra demand for learning by signalling the importance of raising skill levels and by helping to overcome some of the financial barriers that individuals face. But we are concerned that take-up of such an entitlement may be low, initially at least, and we stress the need for all adults to have access to free, high quality advice, guidance and information, and for a concerted effort by the Learning and Skills Council with others to promote the benefits and importance of lifelong learning. A package of income contingent loans should be made available to adults wishing to take up further learning to help them cover costs over and above any public contribution. We must ensure better support, motivation and encouragement for reluctant learners through initiatives such as the Union Learning Fund, which are already proving their effectiveness in this regard.

#### **Recommendation 1:**

All adults who do not hold a qualification at Level 2 or above should be entitled to the opportunity of achieving one through the publicly-funded education and training system.

#### **Recommendation 2:**

A new system of income contingent loans, together with high quality advice and guidance services, should be made available to support adult learners pursuing recognised qualifications.

#### **Recommendation 3:**

The promotion and encouragement of lifelong learning should be greatly increased, building on programmes like the Campaign for Learning, Ufl and the Union Learning Fund, particularly targeted at individuals who could most benefit from learning but are reluctant to become involved.

## Skills for supervisors and owner-managers

- Not all learning takes place in education and training institutions, or even employers' training centres. Recent UK studies suggest informal learning is an important and effective complement to formal learning and that it accounts for the majority of learning at work, arising naturally out of the demands and challenges of working life. As such it is typically integrated with the day-to-day organisation and operation of the workplace.
- Because of its convenience and sharpness of focus, and its immediate benefits for the 'bottom line', informal learning offers many attractions especially to the smaller firm and the less confident learner. This suggests that its flexibility and relevance will be of growing importance in today's complex work environment. Managers and key workers have a central but too little recognised role in inspiring, supporting and facilitating this kind of learning, as well as in encouraging the more reticent in the workforce to become involved in learning both on-the-job and off-the-job. Their skills and enthusiasm form the nucleus of the effective 'learning workplace'.
- Small firms need encouragement and support to exercise their own responsibility for training by sharing knowledge and resources, helping themselves to overcome the barriers of financial constraint and limited access to training expertise. We believe there should be improved learning networks for smaller employers, including IT-based or 'virtual' networks, that capitalise on group training arrangements, Ufl learning centres and the environments in which they operate (e.g. business parks and supply chains). Co-operative employee development schemes among small firms should be developed around these networks - and can offer effective ways of engaging those with basic skills problems and/or reluctant learners in a non-stigmatised way.
- We identify strong links between the introduction into firms of flexible forms of work organisation, offering high employee involvement, and the expansion of workplace learning to more of the workforce. We need to create a quiet revolution in small businesses which helps introduce such new forms of work organisation and thus stimulates greater workplace learning. The Small Business Service should play a positive and pro-active role in promoting new and effective working methods and approaches to smaller firms, and build the capacity of individual managers and key supervisors/workers to help implement such methods and enhance workplace learning. The Government should consider re-introducing the successful Skills for Small Businesses programme to train and support key workers in this way.

### **Recommendation 4:**

NTOs and the Learning and Skills Council should actively promote the use of informal learning approaches in firms, particularly SMEs, and develop, promote and fund accreditation of prior learning to help adults attain formal qualifications building on their prior work experience.

### **Recommendation 5:**

New learning networks for SMEs should be developed, built around group training arrangements and Ufl learning centres, to help pool learning resources, strengthen links between industry and learning, and support adult learners in smaller firms.



**Recommendation 6:**

The new Small Business Service should encourage and promote best practice in management and the organisation of work to small firms, through the facilitation of peer-group networks, the involvement of business schools and the training of key managers/workers in relevant management techniques and learning methods.

**Incentivising and supporting small firms**

- There is mounting evidence that the majority of employers have recognised that the upskilling of their workforce is an important element in the effective development of their businesses. Investors in People has achieved an excellent market penetration, with one third of the workforce now employed in organisations that have achieved or are working towards the Standard. The proportion of the workforce reporting in the Labour Force Survey that they received training in the past four weeks rose from 10.6% to 15.9% between 1986 and 1999. But these optimistic headlines must be heavily tempered by the weaknesses apparent in the more complex underlying story.
- Specifically, the underlying pattern shows a polarisation between firms in the extent of training they fund: from those who do train their people and make provision for the vast majority of their workforce; contrasted with that substantial minority who offer little or no training at all. Small and medium sized businesses, and especially those with less than 25 employees, are significantly less likely to provide formal training for their people than larger organisations. This is by no means to suggest that small businesses do not value their people or appreciate the importance of upskilling to their business performance; it can frequently be a simple reflection of the greater difficulties these firms face in resourcing training and in finding operational cover for workers who are learning off-the-job.
- As we have already noted there is a worrying trend for the skills-rich to extend their learning and competence while the skills-poor fall further behind. Investors in People has been successful in encouraging firms to pay proper regard to developing the skills of their whole workforce. More effort needs to be given to helping smaller firms adopt the Investors in People approach, and we believe that substantial progress can be achieved by incentivising smaller firms with a tax credit for those with less than 50 employees who achieve the Investors in People Standard.
- We also note that employers are in as much need of high quality information and advice on learning opportunities and strategies as individuals themselves and argue that they too must have access to an integrated information service which gives a coherent route to advice from both Ufl and National Training Organisations.

**Recommendation 7:**

A tax credit should be introduced for small firms who demonstrate a significant commitment to developing the skills of their workforces and effective business planning through the achievement of Investors in People, and the Government should review the tax position of other employer activities which support workplace learning.

**Recommendation 8:**

DfEE should require, through its contracts with Ufl and NTOs, that they work together to create a new integrated learning information service for industry which brings together the information services offered by Ufl with the advisory work of National Training Organisations.

## Getting the framework right

- Workplace learning has remained the poor relation of our formal education and training system. One of the main reasons for this situation is that there has been no agreement about whose role it is to address the skills gaps so prevalent in the workforce and to ensure that they do not recur. Only by reaching now - and publicising widely - that agreement can we realise the necessary gains in basic, transferable and job-specific skills, with all parties contributing and benefiting appropriately.
- We must establish a clear framework which sets out Government policy and the roles of employers and individuals to create an effective partnership and complementary action. The Education and Training Bill to establish the Learning and Skills Council provides the vehicle to establish a statutory framework to set out its role and responsibilities in promoting lifelong learning, advising adults on how best to take advantage of the opportunities open to them and producing workforce development strategies linked to the skill needs of national and local economies. Employer organisations and trade unions should play their parts by agreeing a joint statement of principles on workforce development on the respective roles and responsibilities of employers and individuals and actively promoting these to their members. Finally, we must benchmark annually our progress in raising skill levels through a definitive national audit of workplace learning, and regularly review the effectiveness of these proposals and other initiatives.

### **Recommendation 9:**

The roles and responsibilities of the Learning and Skills Council in the development of workforce skills should be recognised in a statutory framework including, where appropriate, in the Education and Training Bill which will implement *"Learning to Succeed"*.

### **Recommendation 10:**

The roles and responsibilities of employers and individuals in the promotion, delivery and monitoring of workplace learning should be recognised in a statement of workforce development principles between employer representative bodies and trade unions.

### **Recommendation 11:**

An annual workplace training audit should be organised by the Department for Education and Employment, building on and extending existing data from the Labour Force Survey and NTOs, to provide an authoritative method of monitoring progress in raising the skills of the adult workforce over time.

## Taking forward our recommendations

- Based on this consensus about how all players can best collaborate to tackle our adult skills gaps, we see clear roles emerging for the major partners in implementing our recommendations and turning the vision of a better skilled workforce into a reality for the new Millennium.
- **Government** must provide foundation learning, pre-job education and basic skills for all, including adults who need them, and put in place the new statutory framework for the Learning and Skills Council with a clear responsibility for workforce development.
- **The Learning and Skills Council**, which we welcome, must provide adult advice and guidance, develop national and local workforce development strategies, promote and market lifelong learning, encourage investment from employers and individuals, and produce authoritative assessments of skill needs.
- **National Training Organisations** have a lead role with Ufl in providing an effective learning information service for industry, measuring progress and sector targets, spreading good practice and supporting the Learning and Skills Council in its skills assessment and workforce development responsibilities.
- **Employers** must provide their workers with opportunities to learn, recognise the value of developing their workforces, and play a full part in supporting other agencies in carrying out their responsibilities - for example, by engaging with the Learning and Skills Council on skill needs and encouraging people to acquire basic skills.
- **Individuals** need to take greater personal responsibility for pursuing their transferable skills and qualifications, collaborate with employers on job-related skills, and co-operate, through their unions where appropriate, to encourage all workers to learn and take full advantage of the opportunities open to them.
- **Education and training providers** must be more responsive to the needs of employers and adult learners, customising provision, and providing opportunities for individuals to participate at the times, pace and places that suit their needs and situation.

## Our final report

- The role of different agencies, including those outlined here, will be one of the key themes running through our final report which we will present to Ministers in the Spring. We expect that report to set out our conclusions on skill needs (based on comprehensive research) summarise key points from our earlier reports, and define the National Skills Agenda - which we envisage as a set of priorities, an approach to managing the market for skills and a set of specific policy actions.
- In drafting our final report we will continue to reflect the views of the many organisations and individuals who have expertise in how our education and training system works in practice, and who have already contributed so much to our thinking.



# Chapter 1

## Introduction, vision and next steps

### Introduction

- 1.1 It has been commonplace to remark that eight out of ten of the workforce in 2010 are already in employment. But, commonplace or not, this fact is fundamental for our education and training policy. Many of our adult workforce missed out on the expansion of education which has occurred since 1987, a substantial minority lack basic skills in literacy and numeracy and many more are without higher qualifications. We cannot simply wait for this group of adults to retire and depend on the flow of newly qualified people to upskill our workforce. That would take time that we have not got and it would be a waste of talent. We must look to ways of ensuring that more adults already at work have the opportunity to acquire new skills and develop their existing skills. For many, this will be most natural and effective if their learning occurs in the context of their workplace where they can learn in a familiar and unthreatening environment and can see immediately the relevance of what they are learning. For others, some study away from the workplace may be required to upgrade basic skills or to undertake educational programmes leading to higher qualifications.
- 1.2 In this our third report we deal with three fundamental issues:
- how we give more low qualified adults the opportunity to upgrade their general skills and education;
  - how we ensure that supervisors and owner managers in small firms have both the resources and skills they need to manage and deliver learning in the workplace; and
  - how we spread learning in the workplace across all firms and to employees who currently have little access to such learning.
- 1.3 The proposals we set out in subsequent chapters are aimed at creating, for perhaps the first time, a coherent and systematic approach to workplace learning which clarifies for all the players how individual initiatives should combine to achieve key social and economic objectives. We aim to relate our approach to workplace learning to a framework of rights and responsibilities for individuals, employers and the Government. And we integrate it with clear commitments to the educational upgrading of adults, and the effective engagement of employers in the assessment of learning needs and the provision of learning in and through the workplace.

- 1.4 Our deliberations and proposals have been focused on a number of objectives. In our last report we set out the economic case for investment in skills. That applies with equal if not greater force to our present proposals. In a strong economy, low unemployment makes it essential for a society to make the most productive use of every individual available for employment. It is true that some adults will have a shorter time in which to use their upgraded skills to contribute to improved productivity and business performance and to achieve a better standard of living for themselves. But we should not accept that adults are too old to learn. No one is. The economic case for adult learning is strengthened by the pace of technological change and by the need for adults to continue to adapt to changing skill requirements even if they do not change job. Partly this is a matter of having a good foundation of general skills but it also involves being able to pick up new and more specific skills quickly and easily.
- 1.5 There is also a strong social case for upskilling adults who may have missed out on the expansion of education opportunities in the last 15 years, and who have low basic skills. It cannot be right to have an increasing polarisation of the labour force between those with and those without sound current skills. We have ample evidence that higher levels of skills and education have benefits for the life of families and future generations, helping to ensure that young members of these families learn more effectively themselves and benefit from increased awareness and expectations. In addition, it is important for the maintenance of social cohesion that as many people in the workforce as possible feel able to participate in the new knowledge economy.
- 1.6 In terms of specific objectives we would like to see the following:
- an increase in the proportion of adults holding at least a Level 2 qualification to 85% over a 10 year period;
  - substantially more businesses providing workplace learning to a significant section of their labour force and attaining the Investors in People Standard;
  - a large reduction in the number of low qualified adults who report never having been offered training by their employer; and
  - many more owner managers and supervisors in medium sized firms who have the confidence and skills to introduce modern management approaches and more effectively engage their broader workforce in relevant and productive learning.
- 1.7 Our analysis of the available evidence shows a substantial improvement in the provision of workplace learning, and the level of skills in the workforce, over the last 20 years. It also identifies key areas of weakness which must be addressed if we are to maintain and grow the competitiveness of our economy and the employability of our current adult workforce. Before moving on to our analysis of the current position (Chapters 2 and 3) and our substantive proposals to achieve these objectives, we set out below our vision for adult workplace learning and set that in the context of our final report to Ministers in the Spring.

## Our vision

- 1.8 We believe that there is an opportunity to put in place a more strategic approach to workplace learning which recognises and responds to changes in the nature of work, builds on new and existing structures, and broadens the availability of learning opportunities for adults. Our vision is one of an effective shared investment in workplace learning which will:
- meet today's challenges, as set out in our earlier reports, and better equip us to meet the challenges of the future in an ever changing market place;
  - capitalise on and make the best use of new technologies;
  - put in place an entitlement for those with low skills to increase their skills and enhance their employability;
  - make the most effective use of new forms of funding being put in place following *Learning to Succeed*;
  - recognise the key role of the individual employee in both learning and in achieving flexibility within the workforce;
  - build on the strongest elements of existing policies; and
  - recognise the roles and responsibilities of all the key players in the provision and effective use of workplace learning.
- 1.9 Realising the vision demands commitment in making the necessary investment in learning from all those who will benefit from higher levels of skills among the adult workforce. Government (representing wider society which reaps the rewards of economic and social benefits accruing from an employable and competitive workforce) must invest in foundation learning, which we consider now lies at Level 2 for adults. This includes the basic skills of literacy and numeracy, reinforcing the point that the state must discharge its duty of supporting a minimum level of achievement that adults should have reached when they were young. And we expect Government's responsibility to move progressively to adult learning at Level 3 as both achievement and employers' skills needs rise.
- 1.10 Individuals have a greater responsibility for general and transferable learning, which is of value in a diverse range of jobs, not only with their current employer. Employers' responsibility for workplace learning increases directly with the relevance of learning to the specific requirements of jobs in their workplace. Despite strong views from some members of the Task Force, we decided that compulsion on employers to offer a minimum level of training would not be appropriate and that there is much more we could do to establish an effective voluntary approach. The success of our proposals must, however, be subject to review to ensure that they actually achieve the vital improvements in the skills of our workforce that we seek.

## Our final report

- 1.11 We have now deliberated on the key themes of our work programme as set out in our first report *Towards a National Skills Agenda*. But much remains for the Skills Task Force to accomplish over the last months of our work to produce our final summative report as well as separate evidence reports on the skill needs of the economy. Those reports will answer fully our terms of reference. We will set out our conclusions relating to evidence on skill needs, based on a comprehensive programme of research; summarise the main themes from our previous reports; explain the role of different agencies; and define the National Skills Agenda, which we envisage as a set of priorities, an approach to managing the market for skills and a set of specific policy actions.
- 1.12 But we cannot - nor would we wish to - crystallise our thinking and advice on the National Skills Agenda without actively seeking the views of those on whom the effectiveness of the system depends. Throughout our work programme we have reflected the useful ideas and commentary of the many organisations and individuals who have contributed to our debate and deliberations and we are grateful for the support and innovative approaches they have provided. In the final stages, we will continue to seek input from a range of sources to make sure that our proposals will be successful in practice.
- 1.13 It is our intention that when we complete our work in Spring 2000 we will have laid the groundwork for real and tangible improvements in the quality and responsiveness of our vocational education and training system that will form a firm foundation for the new Learning and Skills Council's operations, and for a forward-looking culture for skills and lifelong learning to increase this country's economic competitiveness in the new Millennium.



# CHAPTER 2

## Developing the skills of the adult workforce: the challenge

### Introduction

- 2.1 In making the most of our adult workforce we face two challenges. The first is to upgrade the skills of those individuals who missed out on the opportunity to acquire a sound foundation education and qualifications. The second is to develop and enhance the skills of everybody in the existing workforce so they keep pace with changing skill requirements brought about by technological and industrial change. Learning in the workplace, both on- and off-the-job, will play a large part in meeting both these challenges, because it directly involves employers in its specification and organisation, and because for many adults, it is the form of learning that they find most comfortable and effective.
- 2.2 Many of the recent developments in initial education and training have been impressive. Well over half (58%) of 17 year olds were participating in full-time education in 1998 compared with just over a third (35%) in 1988<sup>1</sup>. As recently as ten years ago, half the proportion of young people were entering HE as do so now, around 15% in 1989 compared to around a third in 1998. However, most of this expansion has impacted primarily on those under 30, rather than on the bulk of adults in the existing workforce.
- 2.3 We live in a changing world where the demands of work are continuously evolving. The industrial make up of our economy has changed radically over the last twenty years and we can expect the pace of change to increase over the next twenty. Even within existing industries, the skills and technologies which are essential for economic competitiveness are changing. For businesses and individuals to be successful, they must constantly adapt to change; the most successful businesses at the leading edge are actually driving change. Even those amongst the adult workforce who are relatively highly qualified will have to continuously update or improve their skills.
- 2.4 There has been substantial growth in the volume of workplace learning in recent years and many UK employers are committed to the continuous training and development of their workforce and are actively engaged in its organisation and provision. However, it remains true that many individuals do not have sufficient access to productive learning opportunities through their place of work. This in part reflects an uneven distribution of opportunity resulting from less training activity by smaller employers and less provision for those with lower levels of foundation qualifications. It also reflects the fact that many adults appear to be reluctant to participate in education and training, even when employers offer it.
- 2.5 What is particularly worrying is that many of those lower skilled adults who missed out on the expansion of basic educational opportunities when young are amongst those in the workforce who are least likely to be involved in education and training through the workplace, and so are in danger of becoming increasingly limited in their future employment opportunities.

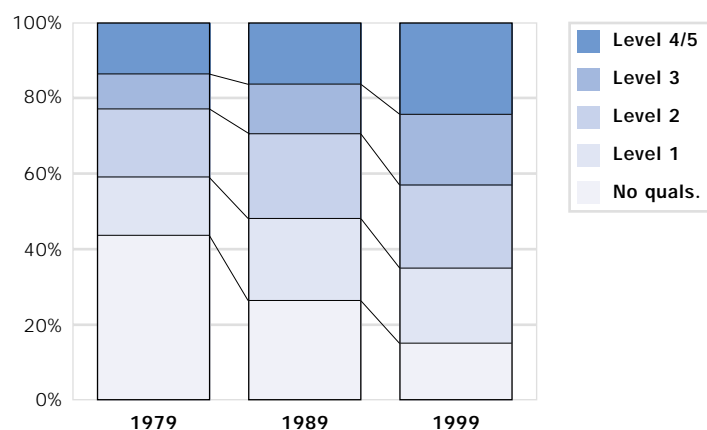
2.6 In this chapter, we present our analysis of the skill levels of the existing adult workforce and of the extent to which they are getting access to, and taking advantage of, the learning opportunities which they require. We then highlight the areas for improvement for which we bring forward recommendations in Chapter 4. Our account of the position today also includes an assessment of existing initiatives which relate to learning in the workplace, an analysis of practices in small and medium enterprises, and the gaps and opportunities for further development which they present.

## The skills gap amongst the adult workforce

2.7 The overall level of qualifications of the UK workforce has increased significantly over the last 20 years (Figure 2.1) with those holding at least a Level 3 qualification increasing from 23% to 45%, and with those holding at least a Level 2 qualification growing from 41% of the workforce to 68%. However, a substantial proportion of this improvement is accounted for by the upgrading of qualifications amongst the young. Of those aged 25 to 65 (Figure 2.2), the proportion with no qualification at Level 2 or above increases from 23% amongst those aged 20-24 to 39% of those older than 50. More than one in five adults aged over 50 have no qualifications at all, compared with only 5% of those aged 20-24. This pattern of lower adult qualifications sits against a background of an increasing requirement for intermediate level skills across the whole workforce and a decline in the number of genuinely low skilled jobs.

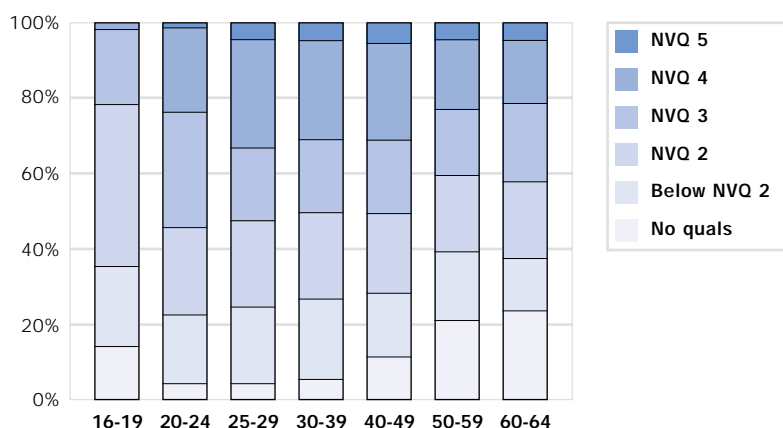
2.8 Further, too many of the adult workforce lack even the most basic literacy and numeracy skills. As the Moser<sup>2</sup> report and the International Adult Literacy Survey<sup>3</sup> have shown, over 20% of the adult population in Britain has very low literacy and numeracy skills (rated at level 1 in a ranking of 1 to 5 used in the survey). Of the 13 countries reported on in the Survey, only Ireland and Poland had a higher proportion of their workforce in this lowest category. The low level of attainment in these basic skills is a matter of grave concern with worrying implications for basic employability and social inclusion. It is also a factor preventing many individuals from taking part in, and succeeding in, learning which could raise their job-related skills.

**Figure 2.1: Highest qualifications of the employed workforce, 1979 to 1999**



Source: Labour Force Survey

**Figure 2.2: Highest qualifications of the employed workforce, by age, 1999**



Source: Labour Force Survey, 1999

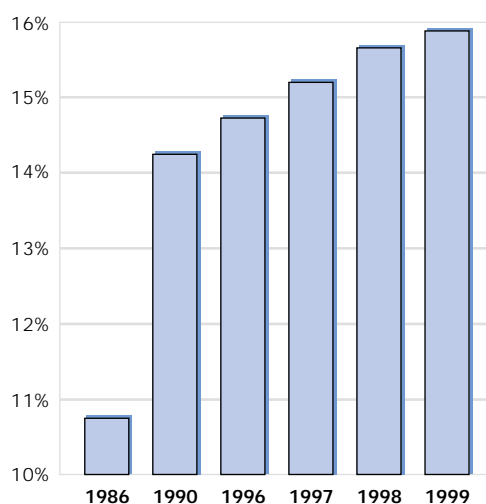
2.9 A lack of formal training and qualifications is not necessarily a barrier to employment. It does however affect the range of employment opportunities available to individuals and their ability to adapt to changing skill requirements. Even those individuals with sound job specific skills acquired over many years of on-the-job experience can often lack the broader base of knowledge of technical principles and theory which would complement those skills. This means they can be less well equipped to deal with changes in their existing jobs and less able to make the transition to a new field of employment. In addition, a lack of a good foundation of education and training makes it more difficult for individuals to engage in further learning and often makes the provision of such learning more expensive for employers.

2.10 Many of the skills gaps amongst the adult workforce are often not fully recognised either by adults themselves or their employers. As we noted in our first report, many employers have coped with skills gaps simply by reducing their output or productivity to match internal capability. Nevertheless, in the 1998 Skill Needs in Britain<sup>4</sup> survey, 15% of employers (18% in 1997) stated that there was “a significant gap between the types of skills that [their] employees have.. and those that they need to meet [their] current business objectives”. These skills gaps applied to a range of specific and general skills including *technical and practical skills* (64% of those employers who reported a gap); *computing and IT skills* (55% of employers reporting a gap); *communication skills* (55%); and *customer handling skills* (53%). These results suggest that a significant number of employers believe they could operate more effectively and better meet their business objectives if their workforces were more highly trained and skilled.

## The amount of workplace learning and how we compare internationally

- 2.11 In examining the quantity of workplace learning, we are forced to concentrate on the narrower concept of training rather than work-related learning more generally. This is simply because formal off-the-job training and the more easily identifiable parts of on-the-job training lend themselves more readily to being measured through statistical surveys. More informal learning does however play an important part in the development of workplace skills, as we discuss in Chapter 3.
- 2.12 Even that element of workplace learning which is susceptible to statistical measurement is a very large activity. In the 1993 Continuing Vocational Training Survey<sup>5</sup> employers in the UK reported that 45% of their employees had attended formal training courses and 47% had received on-the-job training in the previous year. In total, 49 million days of formal training were provided and the total cost of training was £10.6 billion. A substantial proportion of this was accounted for by internal salary costs (£6 billion), and expenditure on fees for external training accounted for £1.4 billion. The remainder covered a range of other costs, of which training management and training centre costs were the most significant. Comparable data is not available for training reported by employees, but 15.9% of respondents to the Spring 1999 Labour Force Survey reported having received job-related training in the previous four weeks (equivalent to 3.5 million employees). Around 70% of this job-related training reported in the Labour Force Survey is funded by employers.
- 2.13 The incidence of job-related training has increased significantly over the last fifteen years, although this increase was most dramatic during the late 1980s and early 1990s, levelling out particularly over the last three years. The Labour Force Survey, as indicated above, asks respondents whether they have been in receipt of any job-related training in the four weeks preceding the survey. Figure 2.3 below shows both the growth over time and demonstrates the slowdown from the mid 1980s to the Spring 1999 survey. The proportion of the workforce receiving training over the four weeks prior to the survey has grown from 10.6% in 1986 to 15.9% in 1999. Growth was substantially greater in the four year period 1986 to 1990, when it grew by 3.7 percentage points, compared with an increase of only 1.1 percentage points over the three year period 1996 to 1999.

**Figure 2.3: Proportion of workforce receiving training in last four weeks**



Source: Labour Force Survey

- 2.14 What limited data there is available on international comparisons suggests that training activity in the UK is broadly comparable to that in other European countries. It is necessary though to set these comparisons against the fact that the overall volume of qualifications of the UK workforce, particularly at Level 3, is lower than is the case for many of our competitors, and the initial investment in training is lower in the UK than in say Germany or France.
- 2.15 The Continuous Vocational Training Survey<sup>5</sup> (Table 2.1) shows that 82% of UK enterprises provided training for their workforces, compared to a twelve country EU average of 57%, with only Germany and Denmark reporting a higher proportion of employers providing training. However, we suspect that the lower figure for other EU nations in part reflects the fact that some of the more formalised initial training which takes place in a number of those countries will have been excluded as being outside the scope of the study, so the comparisons need some caution.

**Table 2.1: International comparisons of employer provided training**

Country	Proportion of enterprises offering training	Proportion of training time spent on:	
		External Courses	Internal Courses
<b>United Kingdom</b>	<b>82%</b>	<b>37%</b>	<b>63%</b>
Belgium	46%	36%	64%
Denmark	87%	72%	28%
Germany	85%	46%	54%
Greece	16%	27%	73%
Spain	27%	34%	66%
France	62%	62%	38%
Ireland	77%	37%	63%
Italy	15%	36%	64%
Luxembourg	60%	42%	58%
Netherlands	56%	50%	50%
Portugal	13%	28%	72%
EU12 (all countries)	57%	47%	53%

**Source:** Continuing Vocational Training Survey (1993 data)

- 2.16 In terms of the estimated amount of time spent in training, the UK results are around the EU average, with the UK providing an average 10.5 training hours per thousand working hours compared to 10 across the EU as a whole. However, the split between internal and external provision of training, and the UK's preference for on-the-job learning, is clearly visible through this survey. Across the EU as a whole, training was split roughly half and half between internal and external courses, with some countries such as France and Denmark having over 60% of training covered by external provision. The UK in comparison recorded 37% of training falling into external courses and 63% as internal. The results for the UK may also reflect the growing importance of NVQs in employer provided training, and the on-the-job competence approach on which these are based.
- 2.17 The survey also shows that a larger share of the provision recorded in the UK was accounted for by *job and environment* training - around a third in UK manufacturing compared to 5 - 10% in Germany and France. In conjunction with this finding, less of the activity in the UK fell into the category of training in *production techniques* - around 8% in the UK compared to 25% in Germany and 45% in France.

## The unequal distribution of opportunity

- 2.18 One-third of respondents to the Labour Force Survey (LFS) say they have never been offered training by their current employer, and there are clear patterns in the distribution of training showing that some people in particular are likely to miss out. There is a dramatic difference in the likelihood of individuals being involved in training depending on their prior qualifications, with those who are already well qualified being much more likely to engage in training and to develop their skills further. Those who are less likely to receive training also include people working for smaller firms, with employers being less likely to provide training the smaller they are.
- 2.19 Differences in the incidence of training according to prior qualification levels are striking (Table 2.2). The LFS shows that 19% of those qualified at Level 4 or above (sub-degree and degree level qualifications) received training funded by their employer in the previous four weeks, compared to 8% or less of those qualified below Level 2. The results by qualification level are mirrored in the incidence of training by occupation, with *professional* and *associate professional* level employees in particular being significantly more likely to receive training than those in lower-skilled jobs. Over 19% of employees in these categories had received training compared to 9% of craft employees and 6% of operatives.

**Table 2.2: Employees receiving employer-funded job-related training, by highest qualification, occupation and terms of employment**

<b>Measure of employer provided training:</b>		
	<b>LFS</b> (percentage receiving training in the 4 weeks before survey)	<b>IALS</b> (percentage receiving training in the 12 months before survey)
<b>All employees</b>	<b>11.5%</b>	<b>39%</b>
<b><u>Highest qualification</u></b>		
Degree or equivalent	18.8%	55%
HE below degree level	18.6%	49%
GCE A level/equivalent	11.0%	39%
GCSE grades A*-C/equivalent	10.9%	45%
Other	7.5%	30%
None	2.9%	20%
<b><u>Occupation</u></b>		
Managers and administrators	12.5%	45%
Professional	21.9%	56%
Associate professional, technical	19.1%	56%
Clerical and secretarial	10.4%	42%
Craft and related	8.8%	28%
Personal and protective services	11.0%	34%
Sales	7.7%	35%
Plant and machine operatives	5.8%	30%
Other	3.8%	19%
<b><u>Employment status</u></b>		
Permanent employee	11.5%	n/a
Temporary employee	12.2%	n/a
<b><u>Hours of work</u></b>		
Full-time	12.8%	46%
Part-time	7.3%	28%

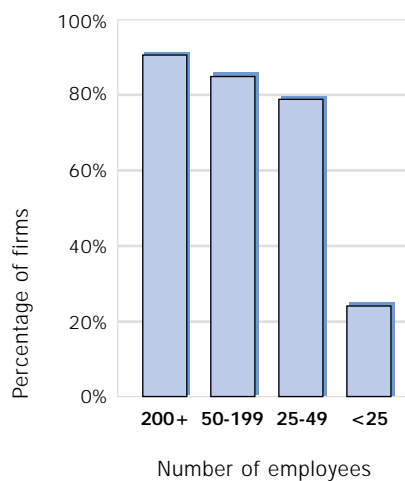
**Source:** Labour Force Survey, Winter 1998; International Adult Literacy Survey

2.20 Part-time workers are less likely to receive training than those who are on full-time permanent contracts. For example the LFS shows that 7.3% of part-time employees had received employer-funded training compared to 12.8% of full-time employees. Little significant difference between permanent and temporary workers is shown by the LFS data, but this may in part be accounted for by a higher incidence of induction training, and other research shows that temporary workers receive less training.

## The varied provision of training between employers

2.21 One of the most significant differences is in the extent to which smaller firms, particularly the smallest, provide training. The Skill Needs in Britain survey (SNIB)<sup>4</sup> shows some variation in provision between firms with 25 employees or more, with 79% of firms employing 25-49 people providing some off-the-job training increasing to 92% of firms employing 200 or more. However, the difference is particularly significant when a comparison is made with the SNIB<sup>6</sup> survey of firms with less than 25 employees, only 36% of which provided some off-the-job training for their employees.

**Figure 2.4: Proportion of firms providing off-the-job training, by size of firm**



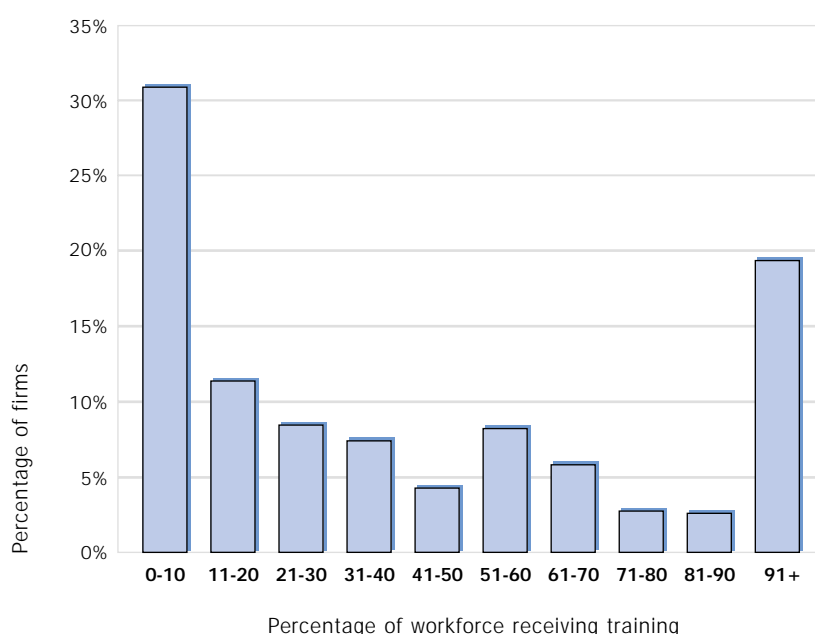
**Source:** DfEE, Skill Needs in Britain surveys

2.22 There are well understood reasons why it can be harder for smaller firms to provide training, especially more formal and more costly types, and evidence on these factors is discussed towards the end of this chapter. It is also important to remember that much of the data available from the Skill Needs in Britain survey<sup>4</sup> measures off-the-job training, and smaller firms are less able to organise and offer such provision than their larger counterparts. Small firms are more likely to offer on-the-job provision and use informal learning as this reduces costs and causes less disruption to employee productivity.



2.23 Aside from differences between small and larger firms, there is a substantial polarisation in the provision of training by employers. Figure 2.5 shows the proportion of firms providing training according to the proportion of their workforce for which training was provided. A third of all employers provided training for between none and 10% of their employees, whilst a fifth provided training for over 90% of their workforces. This pattern of polarisation is repeated when the analysis is broken down by size of firm and industry and suggests that there is a polarisation even amongst similar types of firm.

**Figure 2.5: Distribution of training provision - proportion of firms providing training, by percentage of workforce covered**



Source: Skill Needs in Britain

## The quality of training

2.24 In addition to concerns about the distribution and quantity of training activity, the other major area of potential concern is the quality of training provided. Unfortunately this aspect is particularly difficult to measure and at best we have to rely on proxies such as whether a training course leads to a formal qualification, or measures of the duration of training.

2.25 The LFS shows us that 39% of employer-funded training leads to either a qualification or a credit towards a qualification. It also shows that in many cases the qualifications being aimed for are relatively high level ones, with 23% being accounted for by degree level qualifications. As regards duration of training, a substantial proportion covers only short periods. 44% of employer-funded training recorded in the Labour Force Survey lasts for less than one week. However, 28% is described as lasting for over three years, or as ongoing.

## Benefits and barriers to more adult learning

### Benefits

- 2.26 Evidence on the wage returns from work-based training provides an interesting insight into the scope which exists for individuals to benefit from additional workplace learning. One study by the Institute for Fiscal Studies (IFS)<sup>7</sup>, based on data from the National Child Development Survey is a good example. This shows a 3.6% increase in male earnings resulting from on-the-job training provided by an individual's current employer, and an increase of 6.6% resulting from off-the-job training. Returns are higher where the training leads to a qualification. For example, males acquiring a higher vocational qualification benefited from a 15% increase in earnings when the qualification was gained through off-the-job training and by 12% when it was gained by on-the-job training.
- 2.27 An important finding from the IFS work is that there is some evidence that the wage return from training is higher (in percentage terms) for workers with lower prior qualifications than it is for more highly qualified workers. The study suggests that those individuals holding intermediate levels of school qualifications, such as 'O' Levels, could benefit from greater wage returns after acquiring middle and higher level vocational qualifications through employer provided training than more highly qualified individuals. This result is of particular interest because those holding 'O' Level and lower qualifications are generally less likely to receive job related training than their more highly qualified counterparts (as we have already shown); yet this work suggests that greater levels of training can be justified by the returns to lower qualified workers and presumably, since the employers are willing to pay the higher rates of pay, to the employers themselves.

### Barriers

- 2.28 There is no simple answer as to why those employers and individuals who do not get involved in learning choose not to. A variety of different reasons apply in different situations, so our recommendations in Chapter 4 propose action on a number of fronts to tackle the main factors we have been able to identify.

### *Factors limiting employer involvement*

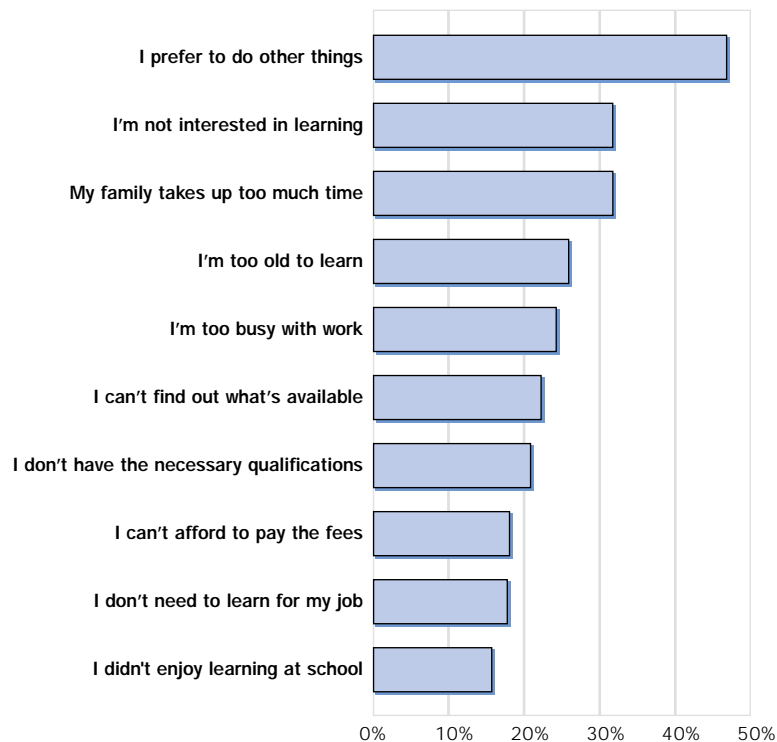
- 2.29 There are three main reasons which are most frequently put forward to explain why employers might not train, or might train less than is thought to be desirable. These are: what is commonly termed the "poaching" argument, whereby trained workers may be lost to another firm before the employer who provided the training has recouped his costs; that employers fail to recognise or under-estimate the benefits of training; and finally, that there are financial constraints which limit the ability of firms to fund training.
- 2.30 The poaching argument is based on the fact that most people have some scope to move around between jobs and that many of the skills they possess, and much of the training they receive, will have a transferable element. Under these circumstances, it is possible that an employer could invest in training an employee only to find that shortly afterwards that individual moves to another firm. This represents a risk which may restrict the extent to which some employers invest in training. We are not convinced by the available evidence that poaching is actually a widespread problem, although we are aware that the fear of poaching can act as a significant barrier to smaller firms' willingness to invest in training for many of their employees.

- 2.31 A simple lack of awareness or scepticism about the benefits of training for the business is another reason why employers might be reluctant to invest. It is particularly easy to imagine that, even if an employer believes that a particular learning activity is likely to bring benefits, quantifying those benefits may still be difficult. We would typically only expect an employer to be willing to incur the costs of a training investment if they expect to accrue benefits which exceed those costs; if they have sufficient doubts about the extent to which those benefits exist, they are very unlikely to make that investment.
- 2.32 Financial constraints may be a significant factor restricting training in some cases. The first aspect of this is simply that training can be a significant investment (and often perceived as a risky one given factors such as poaching), and costs can be particularly high for smaller firms. The other aspect of the financial constraint problem is that in circumstances where firms need to borrow funds in order to finance training it can be difficult for them to acquire loans. The 1995 Skill Needs of Small Firms in Britain<sup>6</sup> survey showed that the cost of training was the main factor discouraging training for 43% of small firms, with a lack of staff cover being cited by 26%.
- 2.33 Many of the factors which restrict the level of investment by employers are likely to be felt more keenly by smaller employers. The fear of losing trained staff who become more mobile through the possession of transferable skills may be greater, both because turnover is typically higher in smaller firms and because any lost worker will be a more significant loss the smaller the workforce. Another important factor for smaller firms is that they typically have less access to information on the availability of training, both because only one fifth of employers with less than 50 employees have in-house personnel managers and because they are also less likely to have contact with outside organisations who can provide advice.

### ***Factors limiting the involvement of individuals***

- 2.34 Two recent and related surveys provide us with a very useful insight into the attitudes of adults to learning. These are the National Adult Learning survey (NALS)<sup>8</sup> and the Pathways in Adult Learning (PAL)<sup>9</sup> study which is a recently published follow-up to NALS. The results in the Pathways in Adult Learning survey show that one in five adults had no involvement in learning of any kind over the full survey period of four and a half years. This includes formal on- and off-the-job training, informal learning, self-taught courses and also includes learning that is not job-related.
- 2.35 One of the most worrying aspects of the evidence on the attitudes of individuals towards learning is the significant proportion who report that they have little interest in it. When asked to identify what they felt were the key obstacles to learning, 43% of respondents said that they preferred to spend their time doing other things, with 26% saying that they were not interested. The figures were far more disturbing when the reasons given by those who had not recently participated in learning were examined (Figure 2.6 below). Here 47% preferred doing other things to learning, and a third (32%) simply said they were not interested in any learning at all. Almost one in five said they did not require any additional learning for their job.

**Figure 2.6: Reasons why adult non-learners don't participate in learning**



**Source:** National Adult Learning Survey

2.36 Family pressures, age and prior learning experience were all presented as major barriers for more than one in five of the non-learner respondents. Financial difficulties were cited by 19% of respondents who said they would find it hard to pay fees, and a lack of available time due to family commitments was cited by 32%. A number gave reasons which suggested that the obstacles relate in part to a lack of confidence, including those who said they had not done any learning for a long time (24%), or who felt that they might not be able to keep up with others on the course (17%).

## Existing policy and the changing institutional landscape

2.37 It is, of course, important to remember that there are already a wide range of initiatives on workforce development in operation, and Government has announced a number of new programmes over the last two years. It would be inappropriate to develop new proposals for action without properly reviewing the initiatives already underway or under development, and then positioning our recommendations in the context of these existing activities.

### Investors in People

2.38 Investors in People provides a national standard which is designed to help employers to look critically at their training needs, and links their investment in training to the improvement of company performance and the achievement of business goals. It is based on four principles of: commitment to develop all employees; the regular review of training and development needs; action to train; and the evaluation of outcomes. The Investors in People Standard is marketed and maintained at a national level by Investors in People UK and organisations can

apply to be assessed against the Standard locally or, for large multi-site organisations, nationally. The UK position (at August 1999) was that 15,042 organisations were recognised, with 21,483 committed, covering 35% of the employed workforce. The relevant National Learning Target aims to have 45% of organisations with 50+ employees and 10,000 small organisations (with less than 50 employees) recognised as Investors in People by 2002.

### **University for Industry**

2.39 Ufi's role will be to support the development of skills amongst adults in a full range of areas from basic literacy through to technical and management skills. The initiative is intended to support businesses and individuals through a range of approaches designed to make learning more accessible. In particular it is intended to help people learn at times and places which are more suited to their needs, including allowing people to learn at work, at home or through a network of Ufi learning centres. The approaches which Ufi will adopt include distance learning and flexible learning packages, intended to be adjustable to people's needs. The initiative is still in development.

### **Individual Learning Accounts**

2.40 The basic aim of Individual Learning Accounts (ILAs) is to help anyone in the workforce, and not in full-time education, to fund work-related training. ILAs will be based on contributions from individuals themselves, with a possible contribution from Government (for a limited period) and from employers. Account holders will also be able to claim discounts on a range of work-related courses, including up to 80% off some IT courses. Some aspects of Individual Learning Accounts are still in the process of development, but the initiative is up and running. A small number of accounts became available from April 1999 and the aim is to have 1 million people with accounts by 2002.

### **National Training Awards**

2.41 The National Training Awards are an annual competition designed to raise the profile of training activity by publicly acclaiming and rewarding excellence in training. This is designed to encourage participation in, and raise the profile of, skill development both by firms getting involved in the initiative and more widely through media coverage. The initiative is to be re-launched in 2000.

### **People Skills Scoreboard**

2.42 The People Skills Scoreboard is a pilot scheme based on an initiative developed in the engineering sector. The primary aim of the scheme is to develop a method of recording organisations' investment in the development of their workforce skills and placing this in the public arena. A secondary aim is to raise the profile of, and encourage debate about, training and development issues. For 1999-2000, DfEE/DTI are extending the Scoreboard to around 20 sectors.

## **Union Learning Fund**

2.43 The Union Learning Fund offers the opportunity for trade unions to bid for sums of up to £50,000 to support innovative training projects. The Fund is designed to support projects which cover one or all of three central objectives: providing advice and guidance for learners; ensuring equality and access; and supporting organisation and employee development. There is £10.5m available over four years which has supported 45 projects from 21 unions in 1998-99 and a further 67 from 41 unions in 1999-2000. Extra funding recently announced included some for bids from smaller unions and bids with an explicit basic skills focus.

## **Workforce development plans**

2.44 Training and Enterprise Councils are currently producing integrated workforce development plans in conjunction with local partners. These are designed to ensure that existing learning and development services are demand-focused and co-ordinated in delivery, and that gaps in provision are filled. Over the coming year, these plans will be brought together into local Learning and Skills Council areas. The local plan will be the basis for the flexible local funding of workforce development activity under the new arrangements for post-16 learning. The Department for Education and Employment is also now working with the NTO National Council and 10 NTOs (National Training Organisations) to produce a framework for sector workforce development plans. In time, all NTOs will be expected to produce such plans to guide workforce development activity in their sectors.

## **The recommendations from *A Fresh Start***

2.45 In the recently published report from the working group chaired by Sir Claus Moser<sup>2</sup> on adult literacy and numeracy it was recommended that the Government should launch a National Basic Skills Strategy for Adults, in order to reduce the number of adults with low levels of basic skills. This included proposals for:

- increased participation, helped by a new Adult Basic Skills Promotion Task Force;
- adults with basic skills below Level 2 to be entitled to an assessment of their skills on demand;
- New Deal clients to be assessed and offered appropriate basic skills support; and
- Trade Unions, Ufi, and Colleges to all take an active role in making basic skills a priority.

## **Summary of the proposals in the *Learning to Succeed White Paper***

2.46 The White Paper, *Learning to Succeed*<sup>10</sup>, published last year, announced the Government's intention to set up a new body to take charge of the delivery of post-16 education and training (excluding HE) in the form of the proposed Learning and Skills Council. The White Paper sets out a new framework which brings together, for the first time, this whole section of post-16 education and training into a single planning and funding system. The Council will replace the Further Education Funding Council and the Training and Enterprise Councils. It will be responsible for the use of £6 billion of public money, and for almost 6 million learners.

2.47 The stated aim of the new structure is to provide a more coherent planning and funding system, and higher quality learning opportunities which focus much more sharply on the economy's needs for skills. It is also intended to provide an

improved framework of support to individuals, and encourage wider participation in all forms of education and training, particularly among non-traditional learners and those at risk of dropping out, and ensure that everyone has an equal opportunity to reach their potential. The Council will operate through 47 local Learning and Skills Councils responsible for managing and developing the local provider infrastructure and planning to meet the National Learning Targets.

- 2.48 The new Learning and Skills Council will have an important role to play in promoting and marketing Individual Learning Accounts against the clear national framework. It will work closely with Ufl to improve the overall coherence and responsiveness of education and training provision for adults. The Government has also stated that it is keen that there should be strong links between the Learning and Skills Council and Investors in People UK, with the new Council taking responsibility for meeting the targets for Investors in People recognitions, along with other National Learning Targets. In addition it is recognised that it will be important for Investors in People UK to work effectively through the Small Business Service in engaging businesses.

### **Action at local level**

- 2.49 Local Learning and Skills Councils will draw up robust local strategies for skills within a national framework. Working with Regional Development Agencies and through the Small Business Service, local Learning and Skills Councils will ensure practical help is available to individual businesses, providing for example:

- support in developing effective training plans which match the skills of an employer's workforce to the current and future needs of the business;
- advice and support in the implementation of the Investors in People Standard; and
- targeted help in addressing critical skill needs and shortages especially for upskilling and retraining of key personnel.

### **Conclusions**

- 2.50 There is little evidence from international comparisons that there are general grounds to label UK employers as poor trainers, or that we face problems of widespread market failures which are restricting the provision of training by UK employers as compared to employers in other countries. We have also seen that until recently there appears to have been a growth in the provision of and participation in training over the last fifteen years. However, we do not believe that this evidence provides a basis for complacency, nor that it demonstrates that we are doing all that we could.

- 2.51 There are two important caveats. Firstly, we do not believe that all employees should receive identical amounts of training. It is clear that different occupations and different industries will have varying requirements for the volume and regularity of training and development to meet the needs of both competitiveness and employability. Secondly, we would not wish to see a redistribution of training, based on a reduction in the quantity or quality received by those currently receiving the most, in order to increase provision for those who currently receive little. We recognise that the amounts of training which some individuals, such as the more highly qualified, are receiving may well be justified by need, and by the returns which are generated, and that such training should be maintained wherever possible.

- 2.52 We do however believe that it is essential to raise the minimum skill levels of the least skilled amongst the workforce, and to increase their continuing access to training. This is necessary if we are to support those individuals to achieve their full potential and to maintain their employability in a dynamic and demanding labour market. We can also see a justifiable business case for providing learning opportunities to many of those who are currently unlikely to receive them. In some of the studies on wage returns referred to earlier, there is evidence that training results in proportionally greater wage increases for the lower skilled than for the more highly skilled. We believe there is a genuine capacity amongst these individuals to learn and to become more effective and productive in their jobs, which is not currently being matched by their access to and involvement in structured training provision.
- 2.53 It is also clear that there are many organisations who could improve their performance and who could better equip their workforces by raising their awareness of and involvement in training to the levels of the best employers. This is demonstrated by the wide variation in the provision of training by different firms.
- 2.54 There are a number of strands within existing policy toward adult learning which are very useful and have considerable potential to help us achieve our goals. Nevertheless, a number of important gaps and problems remain:
- we still do not have the necessary drive to spread workplace learning across all firms and to ensure that many more adults with low qualifications have access to such learning. Progress is especially slow in relation to SMEs many of whom remain unconverted to modern management practices and the benefits of training and development;
  - there is still not a strong enough culture and appetite for learning amongst our adult workforce, and there is insufficient awareness of the benefits of lifelong learning for either individuals or firms;
  - existing policies still have the appearance of a loosely related set of often quite small initiatives because they are not set within a clear framework of objectives and a clear framework of rights and responsibilities covering the Government, individuals and employers;
  - despite recent experimentation with new technologies and new forms of financing much remains to be done to develop these and to make links between them. In particular, we lack a system comparable to that which exists for HE students which gives individuals access to the finance they need on reasonable loan terms to undertake the learning they need; and
  - the formation of NTOs was a positive development, but many remain fragile and under resourced. We therefore lack the capability for leadership at the industry sector level, for setting targets and monitoring performance and for spreading best practice amongst employers.
- 2.55 The introduction of the Learning and Skills Council provides a new window of opportunity to strengthen the links between business and education. By ensuring that business is involved in every level of the Council and that there are locally-held budgets with a clear focus on workforce development, it will help greatly. But it is not a panacea. Much more remains to be done to address the issues set out above.



## Notes to Chapter 2

- <sup>1</sup> *Participation in education and training by 16-18 year olds in England: 1988 to 1998*, Statistical First Release, Department for Education and Employment (1999)
- <sup>2</sup> *Improving Literacy and Numeracy: A Fresh Start*, The report of the working group chaired by Sir Claus Moser (1999)
- <sup>3</sup> *Adult Literacy in Britain*, Office for National Statistics (1997)
- <sup>4</sup> *Skill Needs in Britain and Northern Ireland 1998*, IFF Research Ltd for the Department for Education and Employment and the Training and Employment Agency (1998)
- <sup>5</sup> *Continuing Vocational Training Survey / Employer Provided Training in the UK*, Eurostat / IFF Research Ltd. (1994 / 1993)
- <sup>6</sup> *Skills Needs of Small Firms in Britain 1994/95*, PAS for the Department for Education and Employment (1995)
- <sup>7</sup> *The Determinants and Effects of Work Related Training in Britain*, Institute for Fiscal Studies, 1995
- <sup>8</sup> *National Adult Learning Survey 1997*, Social and Community Planning Research (SCPR) for the Department for Education and Employment (1998)
- <sup>9</sup> *Pathways in Adult Learning*, National Centre for Social Research for the Department for Education and Employment (1999)
- <sup>10</sup> *Learning to Succeed: a new framework for post-16 learning*, White Paper, Department for Education and Employment (1999)



# CHAPTER 3

## Informal learning, work organisation and the role of managers

### Introduction

- 3.1 If we focus exclusively on the forms of training which are captured in existing statistical surveys, then we will miss a very important dimension of the learning 'provision' and skills development which is taking place inside UK workplaces. Formal education and training, either structured programmes inside firms, or institutional off-the-job provision, plays a key role in ensuring that individuals have access to a broad base of transferable skills and knowledge. But many of the specific skills we need to do our jobs effectively, and which make a vital difference to the day-to-day performance of businesses, are learned at work through a wide variety of informal contacts and experiences with managers, supervisors and other colleagues. Many of these may not be commonly recognised or classified as training.
- 3.2 Inevitably, we know less about these sorts of informal learning than we do about more formal education and training. However, there is a growing body of research, mostly of a qualitative nature, and a base of practical experience in industry, on which we can draw. This body of knowledge has helped to clarify the key role of front line supervisors and managers in initiating and supporting informal learning, and the close connection between 'high employee involvement' work practices and the breadth and quality of informal learning opportunities. It has also helped to identify some of the more structured processes which can help support informal learning, including work shadowing, coaching and mentoring, team working, job rotation and practice combined with constructive feedback. Evidence suggests that informal learning brings greater benefits when firms design it to meet business objectives and maximise productivity gains.
- 3.3 So-called 'learning organisations' epitomise informal learning at work. In these organisations learning is part of the process of production or service development, and integral to the way in which work is organised. The learning that takes place is inextricably linked to company objectives since it typically arises out of the natural demands of work such as problem solving, improving quality, coping with change and interactions with colleagues and customers. Whilst at this time few British firms can be described as learning organisations in this sense, an increasing number use the workplace as a learning environment.
- 3.4 In this chapter we begin by setting out some of the evidence on the extent and nature of informal learning at work and the advantages it offers as a means of skills development. We then examine the role of managers and other key workers in companies, and the spread of 'high employee involvement' work practices, together with their impact on the provision of informal learning.

## The volume of informal learning

- 3.5 It is difficult to measure the quantity and quality of current levels of informal learning due to its continuous, diverse character and because it is often difficult to disentangle much informal learning from the day-to-day operations of working life. What evidence there is suggests that companies with recognised training and development systems are shifting their training emphasis towards on-the-job and away from off-the-job training, due in many cases to the adoption of Investors in People and its emphasis on closely relating training to the objectives of the business<sup>1</sup>. On-the-job training generally tends to range from the very formal to the very informal according to the extent to which learning is deliberate, intentional and structured as opposed to implicit, reactive and inextricably linked to day-to-day work activities.
- 3.6 A survey of managers, professionals and technicians carried out in 1998<sup>2</sup> found that most workplace learning was non-formal and arose naturally out of the demands and challenges of work. It also found that learning from other people at work can be facilitated by organised learning support such as apprenticeships. Overall, the workplace is becoming more important as a site and source of learning, and learning on-the-job is becoming more structured and systematic, whereas the volume of off-the-job training courses is declining. Comparative evidence from the Workplace Training Survey shows that in Canada, which has a similar market-led training system to the UK, informal learning accounts for the greater part of training there too, even amongst firms which also provide significant formal off-the-job training.

## Benefits

- 3.7 Developing skills through informal learning yields many of the benefits associated with other types of training which are well documented, but its distinctive character also means it has some additional advantages. Since informal learning takes place at work, and often as people carry out their normal day-to-day tasks, it avoids some of the costs (travel, accommodation etc.) associated with off-the-job training, which evidence confirms can strongly inhibit training provision by smaller firms<sup>3</sup>. Other recognised barriers to workplace learning which can be reduced or overcome by informal learning include lost working time, poor timing or accessibility of provision, training being too general, or an inappropriate training format.
- 3.8 As a result, informal learning is also more likely to be directly relevant to the worker's current job, and thus directly focused on contributing to an employer's short to medium term needs. It is a highly flexible way to develop skills, which allows organisations to adapt quickly and effectively to changing circumstances. In an economy characterised by growing international competition and rapidly changing technology, it is often the size and flexibility of smaller firms which enables them to compete most successfully. Informal learning can help maintain and enhance that flexibility by ensuring the workforce is equipped to succeed and thrive in change.
- 3.9 However, it is important to realise that the greater relevance of informal learning to an employee's current job does not mean that informal learning can only develop specific skills relevant to an employer's immediate requirements. Employees can develop transferable skills through informal learning. The key point is that the learning will always tend to be linked to the needs of the current employer and the individual worker.

3.10 Informal learning is not, however, a panacea - it has both strengths and weaknesses compared to more formal off-the-job provision. The two approaches are not substitutes but complementary, with best practice companies utilising a diverse range of workplace learning provision carefully tailored to individual and organisational need. Whilst informal learning can enhance both job specific and transferable skills, it does not always offer the depth and stimulation of off-the-job training, and it usually does not provide any form of recognition or certification which an individual can use to support career progression. A number of commentators have suggested that the UK's shortfall in Level 3 qualifications may be due in part to our propensity for unrecognised and uncertificated informal learning, and that an effective process of accreditation of informal prior learning may well help recognise the existing skills of unqualified adults and assist them to re-engage productively in learning. We say more about the potential for accrediting prior and informal learning below.

## **The importance of managers and key workers**

3.11 The capability and commitment of managers and key workers throughout an organisation's hierarchy are the most important factors in determining the provision and effectiveness of workplace learning (both formal and informal). Managers at all levels in an organisation are important. Senior managers need to ensure that sufficient priority is given to coaching and learning in the workplace. Middle managers need to share this commitment and have the training which will enable them to provide learning opportunities and develop the skills of their staff. In general, managers need to ensure that information can flow freely and efficiently across and up and down the organisation. They should also be able to set relatively stretching targets which provide learning opportunities and strike the appropriate balance between informal and formal learning.

3.12 There are a variety of strategies which managers may adopt to encourage informal learning. They include moving the worker to different parts of the organisation to gain wider experience; gradually increasing the level of difficulty in the tasks the worker performs to gradually raise their skills; extending the discretion and altering the range of activities and level of supervision; encouraging workers to recognise their skills and performance by providing feedback and time to reflect on the skills and competences needed to fulfil their role.

3.13 In recent years, competition and new technologies have forced companies to review their organisational structures, reducing or eliminating tiers of management, and placing more direct responsibility on front-line and supervisory staff. In some organisations, centralised training departments have been completely eliminated in favour of making first line supervisors more responsible for learning, instructing and offering developmental feedback to workers. Supervisors or other 'key workers' identify the training needs of the business and individuals, set up arrangements for training on-the-job and evaluate the effectiveness of the learning and training undertaken. Two recent research reports have each concluded that, for all types of organisation, the most successful route to a strong workplace learning system may be to develop key workers, supervisors and managers so they can coach, help and support other workers and create a climate favourable to learning in which people seek advice and help from each other<sup>2,4</sup>.

- 3.14 'Key workers' are prevalent in countries like Germany and Japan where they typically possess high levels of technical expertise, combined with well developed teaching and coaching skills. In Japan the highest level of occupational competence is the ability to pass on one's expertise to others. In Germany, the key worker is embodied in the 'Meister' or Master Worker system. In Britain there is no direct parallel to the German Meister although in many companies, the concept of 'key worker' is evolving to combine technical and managerial/supervisory skills which have more in common with Japanese practices.
- 3.15 Key workers may be managers, first line supervisors or even individual workers, depending on the nature of the organisation and how work is organised. Existing research has explored the role of the key worker and how it varies according to the competitive aspirations, mode of organisation, work structure and time horizon of different companies<sup>4</sup>. In some companies operating in highly competitive markets, where responsiveness and flexibility are paramount, each individual worker can become a 'key worker', supporting and developing the skills and capabilities of others by intertwining learning and work on an ongoing basis. Such companies are relatively few in number and are among those with highly advanced learning cultures. They tend to be those with a flat structure, high-level skill needs and extensive team work.
- 3.16 More commonly, the key worker is the supervisor. This tends to be true in organisations which have de-layered and organise work in teams, but which do not yet have a fully developed learning culture. The skills needed by these key workers vary widely according to the nature of the work and the skills of team members. In some cases these key workers need technical skills; in others, particularly where technical skills are distributed throughout the team, management and organisational skills may be more important. What is clear from this research is that the key to developing effective informal learning arrangements inside organisations is not only the role of the manager, supervisor or key worker, but the way in which the organisation is structured and how progressive the organisation's work practices are.

## **Encouraging informal learning through high employee involvement work practices**

- 3.17 While managers and key workers are the most important determinant of the extent and quality of workplace learning, their effectiveness depends in significant part on the extent to which the organisation's ways of working, reward and recognition system, communications and processes encourage and facilitate learning. Key elements include:
- well trained supervisors, mentors or coaches;
  - promotion and performance incentive systems which reward sharing of information rather than penalise it;
  - introducing greater variety and complexity into jobs, for example, integrating maintenance tasks or quality control aspects which lead to problem solving and decision making;
  - interaction between different Departments in the company, for example design engineers working with shop floor staff;

- systems and practices which encourage the codification and onward transmission of the outcomes of informal learning (for example, Japanese machine operators leave lists of the faults they have found on their machine and how to rectify them);
- career paths and pay structures which reward coaching skills;
- national systems and arrangements for encouraging workplace learning such as those in Japan and the German Meister system; and
- the adoption of new work practices such as team working.

3.18 Over the last twenty years, many employers have introduced new work practices which can encourage and facilitate informal learning more closely linked to everyday work. Table 3.1 below, drawn from a survey of manufacturing companies, shows the limited extent to which high employee involvement work practices have been adopted in the sector. Around a third of companies reported that they were not using such approaches at all, and another third to a half reported using them only a little.

**Table 3.1: Extent of use of selected management practices in 1996 (percentage of sites which use the practice)**

	Not at all	A little - moderate	A lot - entirely
Empowerment	28	49	23
Team-based Working	30	36	35
Just-in-time Production	29	31	40
Total Quality Management	26	32	43
Learning Culture	31	44	25

**Source:** Waterson et al (1999)<sup>5</sup>

3.19 It may be a misnomer to describe such working practices as 'new' at the time of writing this report, when leading edge companies often adopted them during the 1970s and 1980s. However, as Table 3.2 below shows, the vast majority (76%) of manufacturing companies using such practices only adopted them in the 1990s and the take-up of these forms of work practices amongst firms generally is less than we would wish. The 1998 Workplace Employee Relations Survey<sup>6</sup> which covered workplaces with 25 or more employees across the economy found that 65% reported that most employees work in formally designated teams and that 42% had problem solving groups (e.g. quality circles). The depth of team working varied in the sense just over a half of workplaces allowed team members to jointly decide how work was to be done.

**Table 3.2: Year in which management practices were introduced  
(percentage of companies which introduced practice during specified time period)**

	Before 1960	1960-1969	1970-1979	1980-1989	1990-1997
Empowerment	1	1	4	14	81
Team-based Working	1	1	4	16	77
Just-in-time Production	2	2	8	23	65
Total Quality Management	0	1	3	17	78
Learning Culture	1	2	4	13	80

Source: Waterson et al (1999)

3.20 It is important to note that there may be differences between what companies say or believe they are doing and what they do in practice. Numerous studies in recent years have found significant gaps between rhetoric and reality in terms of employers' claims to be using world class work practices<sup>7</sup>. Having said this, it is clearly true that such practices are becoming more widespread. The commercial pressures on companies to adopt higher employee involvement work practices are strong, deriving from a combination of factors including the need to compete in an increasingly global economy; to satisfy rapidly changing and uncertain demand which leads to shorter product cycles; to adopt and/or adapt to technological change; or to offer a more customised and/or higher quality product range to create added value.

3.21 A recent study estimated that around 30% of employees work in organisations which have introduced many new practices and around half work in organisations which have introduced some new practices but still have some traditional features as well<sup>8</sup>. Many firms are now adopting strategies which lead to multi-skilled workers who can respond to increased quality requirements and shorter product cycles. Furthermore, firms in rapidly growing sectors tend to be those where learning and working are increasingly integrated. Most new tasks in such companies have learning and knowledge implications.

## **'New' work practices and informal learning**

3.22 New work practices can provide a greater number of more varied opportunities for learning by doing and learning by example which are also more closely linked to the needs of the firm. The automotive industry is characterised by intense competition and focuses on continuously improving quality at the same time as reducing costs. To compete it has adopted new ways of working such as just-in-time production, job rotation, quality improvement teams and group work. Case study evidence shows that these work practices have helped workplace learning in the sector to become integrated, regulated, formalised and inextricably linked to business objectives<sup>4</sup>. As another example, should problems arise in firms operating a just-in-time delivery system, it is important for workers to be able to collectively solve the problem.



- 3.23 In contrast, there may be companies in other sectors where the pace of change is more sedate and continual and flexible approaches to updating or reskilling are not vital for maintaining and improving competitiveness. That is, the driving forces which have led to new work practices and increased learning in many organisations are not applicable to all firms in all sectors.
- 3.24 Team working has been shown to bring many benefits to companies by increasing flexibility through multi-skilling; providing links across functions and organisational boundaries which enables workers to solve problems on the spot as they arise; providing increased motivation for workers as their jobs become more challenging and interesting and their self-esteem is raised through greater responsibility and autonomy; and stimulating innovation by bringing together complementary skills and experiences out of which new products can be created.
- 3.25 Recent research<sup>9</sup> confirmed that the introduction of team working was more successful when supported by a range of informal learning techniques such as:
- broadening the tasks undertaken by the team and allowing job rotation within the team, integrating maintenance, repair and quality control tasks into the job;
  - empowering the team to make decisions and solve problems;
  - holding team meetings to encourage interaction and communication;
  - ensuring the team comprises members with different skills; and
  - including coaching of colleagues and team members explicitly in job descriptions.
- 3.26 Similarly, job rotation can help employees become aware of what the organisation does and enables them to establish a network of contacts across the organisation. It promotes multi-skilling and better equips workers with the skills necessary to solve problems that arise in the course of their work.
- 3.27 The reasons for adopting high employee involvement work practices will usually be because of the competitive advantage that such practices offer organisations in today's global market-place. Firms will be concerned to increase quality or productivity, reduce costs, increase innovation or maximise efficiency. Nevertheless, many of these practices can generate more opportunities to learn and encourage workers to exploit them. Thus, the reasons for adopting new work practices are similar in many respects to the reasons for doing more informal learning: namely, they tend to be flexible, specific and generate persistent productivity gains in short time scales.
- 3.28 Recent research, some commissioned by the Task Force<sup>8</sup>, has confirmed the correlation between high employee involvement work practices and the level and growth of skills in companies. In particular, the use of quality models such as the Business Excellence Model, quality circles, team working, appraisal systems, registration for Investors in People and better information flows were all strongly linked to the formation of new work-specific skills, plus transferable skills such as problem solving and communication.

- 3.29 While more firms are increasingly adopting new forms of work organisation, as is often the case, small and medium enterprises are either less likely, or less able, to adopt such practices, though their potential to benefit from informal learning is likely to be greater than for larger firms. There is thus a strong link to be made for small and medium enterprises between advice and support in adopting newer forms of work organisation - for real business benefits - and their effective use of informal learning systems to increase skills and capability.
- 3.30 Supply chain initiatives, such as that organised by the Society of Motor Manufacturers and Traders in the West Midlands, and similar schemes in South Wales and the North East, provide one mechanism for disseminating such approaches to smaller firms. So too do collaborative arrangements organised at the community level for clusters of small firms through business parks or industrial estates. TECs introduced a variety of successful small firms initiatives in 1995 to 1997. The Skills for Small Businesses programme, operated through TECs over the same period, proved highly successful at training and developing 'key managers, supervisors or workers' in firms with less than 50 employees. Many business organisations, including the CBI and BCC, argued for that programme to be extended.

## Conclusion

- 3.31 Informal learning constitutes the majority of the learning which takes place in the workplace. However, because it is inherently difficult to measure it goes largely unrecognised. Despite this, informal learning has several advantages which merit it being given more attention by individuals, firms and policy makers. For example, it is flexible, specific, can be more cost effective than some more formal types of learning and can lead to immediate productivity gains.
- 3.32 Managers and key workers have a critical role to play in ensuring that the benefits arising from informal learning are maximised. The uptake and success of informal learning is linked to the commitment, enthusiasm and skills of managers and key workers. Managers can encourage and facilitate informal learning by establishing systems and work practices which value and promote informal learning.
- 3.33 In many situations, however, informal learning will not meet the desire and expectation of adults to gain recognised qualifications to assist in their future career prospects, and the development and widespread availability of services to accredit prior learning would encourage more adults to participate in learning to further develop their skills and capability.
- 3.34 Many of the new work practices that are becoming increasingly pervasive in the UK naturally provide opportunities for more informal learning. It is the responsibility of managers and key workers to ensure that such practices are introduced in ways which are conducive to informal learning. The reasons for adopting new work practices and undertaking more informal learning are often similar. That is, they promote flexibility and responsiveness, and enable productivity gains which help firms to compete more successfully. Furthermore, the two tend to be complementary in the sense that new work practices make it easier to accommodate more informal learning.

- 3.35 In short, informal learning is a fundamentally and increasingly important route by which adults learn and develop skills and knowledge which make them more productive in their jobs. Managers and key workers are critical in ensuring this route is exploited fully. One way they can do this is by adopting new work practices which facilitate and encourage informal learning and ensure it complements and enhances more formal training provision.
- 3.36 A key challenge will be to consider how we can increase the take-up of such practices by more employers, and particularly small and medium sized businesses. The following chapter includes some recommendations that we believe can make a significant impact.

### Notes to Chapter 3

- <sup>1</sup> *The return on Investors*, Hillage, J. and Moralee, J., Brighton, The Institute for Employment Studies (1996).
- <sup>2</sup> *Development of knowledge and skills in employment*. Eraut, M. Alderton, J. Cole, G. and Senker, P. Final report on a research project funded by 'The Learning Society' programme of the Economic and Social Research Council (1998).
- <sup>3</sup> *Management development for small and medium sized enterprises 'issues for the East of England'*, Stockley, S. N., paper for the Eastern Region Management Development Network (1999).
- <sup>4</sup> *Key workers: technical and training mastery in the workplace*, Brown, A. Evans, K. Blackman, S. and Germon, S., Bournemouth Hyde (1994).
- <sup>5</sup> *The use and effectiveness of modern manufacturing practices: a survey of UK industry*, Waterson, P. E. Clegg, C. W. Bolden, R. Pepper, K. Warr, P. B. and Wall, T. D, International Journal of Production Research, 37(10) (1999).
- <sup>6</sup> *Britain at work: as depicted by the 1998 Workplace Employee Relations Survey*, Routledge (1999)
- <sup>7</sup> *Towards the learning organisation: explaining current trends in training practice in the UK*, Raper, P. D. Ashton, D. Felstead, A. and Storey, J, International Journal of Training and Development 1(1) (1997).
- <sup>8</sup> *Estimating the determinants of supply of computing, problem solving, communication, social and team-working skills*, Felstead, A. and Green, F., paper presented to the Department for Education and Employment (1999).
- <sup>9</sup> *Innovation, work teams and learning on-the-job*. Onstek, J. Paper for the EU seminar on knowledge and work, Amsterdam (1997).



# CHAPTER 4

## A new strategy for an effective workforce

### Introduction

- 4.1 In previous chapters we have demonstrated the extent of the challenge we face in upgrading the skills of adults, and the fundamental role of workplace learning in raising both the competitiveness of our businesses and the employability of our workforce. We now turn to the policy measures we believe will help create the transformation necessary to help us continue to thrive in the coming decade. We believe that these will lead to a timely rebalancing of priorities in our national policy toward lifelong learning. Understandably, there has been much attention in recent years on raising standards and participation in the public education system. We now need to match that with a renewed emphasis on adult learning in and for the workplace.
- 4.2 Our recommendations are designed to deliver increased opportunities to those with low skills, to spread good practice on workplace learning more evenly across all firms, to enhance the learning resources available to small and medium enterprises and to enhance the capability of managers and front line supervisors in such firms to foster and support a culture of lifelong learning. In a number of cases, our proposals involve increased commitment by Government, and we believe this is in line with the wider benefits to the economy and society which will be generated. But the recommendations are also designed to increase the willingness of both employers and individuals to participate in productive work-related learning opportunities of all forms, and to make the necessary investments of time and finances commensurate with the benefits they will receive.
- 4.3 An essential part of our package of recommendations is a new framework for workplace learning. This would consist of:
- a new entitlement to learning for those adults who have not achieved a minimum level of foundation learning;
  - enhanced support for small and medium sized employers to help them develop and implement more effective workforce development strategies;
  - a new joint statement of principles between employer organisations and trade unions setting out an agreed view on roles and responsibilities of employers and employees for workforce development, and promoting these effectively to create a much stronger culture of lifelong learning in the UK; and
  - clear statutory responsibilities for the new Learning and Skills Council.

4.4 The Task Force has debated whether the framework we recommend should include a statutory obligation on employers to meet some form of minimum training requirement. Some members remain committed to the view that, without such an obligation, we will not succeed in delivering the full increase in adult learning which is needed. Other members, however, were convinced that the new framework described below, together with the proposed mix of practical measures reinforced by incentives, can deliver the necessary progress and that a further statutory requirement is not appropriate. A new statutory obligation on employers does not form part of our recommendations. We spell out these differences in more detail in paragraphs 4.68 to 4.76 below. We do however agree that we must, as a nation, better monitor our progress in raising workforce skill levels over time, and regularly review and adapt our proposals and other initiatives to ensure that significant progress is actually achieved.

4.5 In summary the practical measures we propose are as follows:

- an entitlement for adults with low or no qualifications to further learning;
- a system of income contingent loans to contribute to additional costs faced by those taking up the entitlement and to help other adult learners pursue formal qualifications;
- increased national and local promotion of lifelong learning building on the Campaign for Learning, Ufl and the work of the Union Learning Fund;
- promotion of informal learning approaches in firms, and stimulation of the greater use of accreditation of prior learning to help adults attain formal qualifications;
- the development of new sectoral and local learning networks to support the training and development needs of clusters of small and medium sized businesses;
- promotion by the Small Business Service of innovative approaches to management and work organisation, and programmes to enhance the skills of managers and key workers in small firms;
- a tax credit to encourage small firms to achieve the Investors in People Standard;
- a new learning information service for employers;
- statutory obligations on the Learning and Skills Council to develop effective lifelong learning and workforce development strategies in their local communities;
- the development and promotion by employer organisations and trade unions of a joint statement of workforce development principles setting out the key responsibilities of employers, individuals and Government on lifelong learning; and
- the implementation of a comprehensive annual workplace training audit by the Government to enable the monitoring of progress on adult skills and the regular review of the effectiveness of these initiatives.

## The principle of shared responsibility

- 4.6 The new framework for workplace learning needs to be placed in the context of a set of principles governing the roles and responsibilities of the different parties involved. The Government, employers, individuals, unions and education and training providers all have a vital part to play in delivering a system which provides opportunities for everyone. This was set out clearly by the Secretary of State for Education and Employment in his vision of a learning society and is a position we very much endorse.
- 4.7 In our first report we offered a short description of the roles and responsibilities of the main parties in education and training as follows:
- individuals must review and renew their own skills regularly to ensure their long term employability;
  - employers must assess and articulate their needs effectively and maintain a strong commitment to investing in their people;
  - education and training providers must understand how skill needs are changing and be responsive to the requirements of employers and individuals; and
  - Government must ensure that its resources are directed to priority skills needs and encourage participation in productive learning by those most in need of it.
- 4.8 In considering the specific allocation of roles and responsibilities for adults pursuing lifelong learning, we believe it is appropriate to extend these principles as follows:
- those parties who benefit from learning should share responsibility for it and, generally speaking, their share of the responsibility and costs should reflect the balance of benefits accruing to them. In this context, Government represents the broad social and economic benefits that accrue to society from a better skilled adult population and workforce;
  - the role of Government in foundation learning should be substantially greater than in subsequent learning;
  - the more closely learning is related to the specific requirements of a particular job and the needs of the current employer, the greater the responsibility which should fall on the employer; and
  - the more general and transferable the learning provided, and the less direct benefit accruing to the employer, the greater the share of responsibility that should fall on the individual.
- 4.9 Defining foundation learning in the context of adults is not a trivial matter. We think it would be largely accepted that foundation learning includes the basic skills of literacy and numeracy, together with the broad base of general and vocational education, including the key skills, which provide the essential foundation for life and work. We recommended in our second report that it should now, for all young people, include learning leading to each individual's first Level 3 qualification, whether vocational or academic. However, in the short to medium term, we propose below that the foundation level for adults should be set at level 2. Our aim should be to encourage and help every adult member of the existing workforce, who is capable, to achieve their first Level 2 qualification, including the key skills and the appropriate level of literacy and numeracy.

- 4.10 We make no distinction between the responsibility of the Government for ensuring that young people reach their foundation level and its responsibility for ensuring that adults who did not reach it when young now have the opportunity to do so. It seems to us that such an age distinction is arbitrary, is unhelpful in promoting learning amongst low qualified adults and that we should seek to progressively remove it.

## Recommendations

### Increasing access and support for adult learners

- 4.11 In Chapter 2, we saw how those individuals in the workforce who have left initial education with low or no qualifications are significantly less likely to be involved in further learning and the acquisition of new skills. We believe the Government should make additional opportunities available to these individuals, provide effective marketing to encourage their involvement and offer high quality support through information, advice and guidance, with additional funding assistance in the form of “soft” loans for those who need them.

#### **Recommendation 1:**

**All adults who do not hold a qualification at Level 2 or above should be entitled to the opportunity of achieving one through the publicly-funded education and training system.**

- 4.12 The introduction of an entitlement would send a powerful message on the importance we attach to adult learning and the upskilling of the workforce. It would provide a clear indication of the minimum level of attainment to which we aspire and demonstrate our commitment to ensuring equality of opportunity in reaching that level. Our proposal is that the state should cover the full fee costs of provision for adults to achieve their first Level 2 qualification. We would expect that the vast majority of that provision would be part-time, or open and distance learning based, some perhaps technology based, supported through local learning centres and peer group support arrangements.
- 4.13 In our second report we argued that an entitlement should be introduced for young people up to the age of 24 to public support for their first Level 3 qualification. It would be inappropriate to exclude adults, who have already missed out on recent expansions in education, from similar opportunities - both from the point of view of equity and of achieving the increases in workforce skills which we require. It could be argued that adults in employment have more scope to fund themselves through learning. But as we have already argued, we do not accept that adults in the workforce should have less right to publicly-funded foundation learning than young people who are still in education. In addition, those lower qualified adults who could benefit will be among those who are least able to fund themselves and many will also be among those least likely to appreciate the potential benefits of learning. We therefore believe the Government should take responsibility for ensuring this minimum level of attainment.



- 4.14 Our decision to pitch the adult entitlement at Level 2 is based on the recognition that over one quarter of the existing workforce do not hold a Level 2 qualification and it is appropriate to give priority at this stage to raising as many employees as possible to this level. Proposing an entitlement to Level 3 at the current point in time risks diverting resources away from some of those in most need. We do strongly believe, however, that the level of the entitlement should be reviewed after five years with the prospect of raising it to Level 3 if the proportion of the workforce without Level 2 has been significantly reduced, and the proportion of jobs requiring Level 3 qualifications rises significantly above 60%. We also believe it would be appropriate to target the initial batch of Individual Learning Accounts (into which the Government is putting a £150 per person contribution) on those currently only qualified below Level 2.
- 4.15 We have made some initial attempts to cost this proposal and estimate that a Level 2 entitlement would cost around £90 million a year for each additional 100,000 people taking up the entitlement. Adults aged over 25 are currently completing around 150,000 Level 2 NVQs or equivalent each year, although the statistics do not allow us to distinguish which of these learners held a prior Level 2 qualification (e.g. 'O' levels or GCSEs). Based on the reluctance of disengaged adults to participate in lifelong learning (described in Chapter 2), we believe it would be unrealistic to expect more than an additional 150,000 individuals to take up this new entitlement over each of the first three years, most of which would be part-time. We recognise that substitution costs may also be an issue (with the risk of some employers reducing their own training and relying on provision under the entitlement instead) and that this effect would need to be taken into account.

**Recommendation 2:**

**A new system of income contingent loans, together with high quality advice and guidance services, should be made available to support adult learners pursuing recognised qualifications.**

- 4.16 Our entitlement recommendation would cover the fee costs associated with courses, but in some cases those individuals who take up such opportunities to learn, even part-time or distance learning based, will face significant additional expenses. This could include travel, study materials and childcare and could also include opportunity costs such as forgone wages where people have to reduce their working hours in order to study. In recognition of these potential additional costs, we believe that funding support should be made available to individuals through income contingent loans. Such a system should also be available to support adult learners pursuing formal qualifications beyond the entitlement level. The precise details of the loan, including repayment thresholds, interest rates and the scope for writing off bad debt would require further careful investigation which is beyond the scope of the Task Force's timetable and resources.

- 4.17 We recognise that it would not be possible to introduce income contingent loans without primary legislation, but believe that the case for doing so is nevertheless strong enough to justify it. The low qualified adults we wish to target are among those least able to fund learning and its related costs, and the risk associated with a conventional loan is likely to be enough to dissuade the vast majority of them from taking one up. We believe a loan approach is more appropriate than additional public funding through a grant because it recognises that the individual has the potential to benefit from their learning and that some investment from them is therefore appropriate. The loan offers the potential to lever in this contribution whilst still providing additional support for those individuals who may face difficulties funding their studies. Such a system is already available for university students, and we believe the potential of such loans should apply more equitably to all adult learners pursuing formal qualifications.
- 4.18 The provision of advice and guidance to this client group is particularly important because they are amongst those least likely to have had any recent learning experiences and are therefore least likely to be well informed. We welcomed the introduction of the new Youth Support Service because it brings together all the services targeted at helping young people through a challenging period of their lives, but it is likely to reduce the focus of local Careers Services on meeting the learning needs of adults. High quality advice and guidance must be made available to adult learners if we are to encourage greater participation in lifelong learning, and should include a diagnostic element which helps them to assess their existing qualifications, the skills which they have acquired through work (including those which are not certificated) and appropriate opportunities for them to develop their skills. This should include providing individuals with advice about the opportunities for the accreditation of their prior learning (which we discuss further in Recommendation 4).
- 4.19 The Learning and Skills Council must take a strong lead on ensuring the availability of these information, advice and guidance services (as we set out in Recommendation 9). In addition, we encourage Ufl to push ahead with its plans to make available on the Internet the data which it holds on learning opportunities, and which it delivers through the *learn*direct information and advice service (which is currently a telephone based service). Appropriate links between this and the JETI (Jobs, Education and Training Information) website proposed in our second report (and now being implemented via the *Learning and Workbank*) should also be developed.
- 4.20 We hope that employers will play their part in making a reality of our proposals by being flexible in allowing time for study wherever possible, and believe that such a principle should form a key part of the proposed employer/employee joint statement of principles (Recommendation 10). In particular, we encourage employers to consider the benefits to themselves of allowing their employees to take up opportunities to learn. These include not only the new skills the individual will acquire but also positive values and attitudes, such as increased confidence and motivation and potentially increased loyalty to an employer who is seen as supportive. We recognise that allowing time off may be difficult, particularly for firms with small workforces, and that it may not happen in all cases.

## Promoting lifelong learning and capturing informal learning

4.21 It is a matter of great concern that many of those who could benefit from additional learning appear reluctant to take up the opportunity to participate, either because they do not recognise the benefits, or because they do not possess the confidence or capability to succeed. Attempts to increase adult participation must therefore include measures to promote lifelong learning more widely and effectively, particularly to those who are the lowest skilled, including steps to recognise and accredit the informal learning which many of these individuals will have benefited from over the course of their working lives.

### **Recommendation 3:**

**The promotion and encouragement of lifelong learning should be greatly increased, building on programmes like the Campaign for Learning, Ufl and the Union Learning Fund, particularly targeted at individuals who could most benefit from learning but are reluctant to become involved.**

4.22 Entitlements, loan schemes, and guidance are necessary, but will not be sufficient, to actively re-engage those adults identified in Chapter 2 as not wishing to pursue further learning. Such individuals need actively persuading that the long-term benefits of learning are as real as the evidence suggests, and that they can succeed as adults even though their foundation learning may have been less than satisfactory. This requires further strengthening of the research base on the tangible returns from workplace learning, together with a more coherent national programme to promote lifelong learning which we believe requires the effective collaboration of the Campaign for Learning, Ufl, National Training Organisations, other employer bodies and trade unions.

4.23 The Campaign for Learning, Ufl and now the Learning and Skills Council will all have responsibility for actively promoting lifelong learning across the population, and we are concerned that their activities must be effectively co-ordinated so as to complement each other and to maximise the impact and effectiveness of their messages. Whilst we recognise that the target audience and purpose of each organisation is different, we are convinced that more could and must be done to ensure these initiatives integrate more effectively.

4.24 In terms of accessing those individuals who have little involvement in learning activities, there is evidence that the Union Learning Fund has achieved initial success. In particular, the Fund appears to have been successful in reaching those individuals who have been lacking in confidence and motivation. Supporting and encouraging reluctant learners is neither the sole purpose nor the sole success of the Union Learning Fund, but it is an approach which we would wish to see expanded. The Government should assess the potential for further development of the approaches piloted in the Fund beyond the expansion announced last year, and also explore the potential for providing similar support to individuals who work in non-unionised workforces through methods which would build on the lessons learned from the Union Learning Fund and similar initiatives. We discuss this possibility under Recommendations 4 and 5 below.

**Recommendation 4:**

**National Training Organisations and the Learning and Skills Council should actively promote the use of informal learning approaches in firms, particularly SMEs, and develop, promote and fund accreditation of prior learning to help adults attain formal qualifications building on their prior work experience.**

- 4.25 The accreditation of prior learning provides a very useful tool for recognising and certificating skills and knowledge which individuals have developed through informal learning and through simply doing their jobs. It allows individuals to attain qualifications, or more typically credits towards qualifications, and maintain quality standards, whilst reducing the element of formal learning that may be required. This provides the opportunity for individuals to engage in further learning and acquire full qualifications if they so desire, and it is a useful method for demonstrating to individuals who may have doubts about their capacity for learning, what they are capable of and what they have already achieved.
- 4.26 Accreditation of prior learning is particularly relevant, though by no means restricted, to competence based qualifications such as NVQs. National Training Organisations should, in our view, take the lead in developing accreditation of prior learning within their sectors, with the active support of the Qualifications and Curriculum Authority and Awarding Bodies. We think that initially this should focus in particular on Level 2 and 3 skills, in line with the targeting of our proposed entitlement. We also believe the local arms of the Learning and Skills Council should develop the capacity of local learning providers to accredit prior learning, and be willing to fund such accreditation for normally funded qualifications. This should be combined with their role in the provision of information, advice and guidance to adult learners in order to identify, for example, additional opportunities for people to gain full qualifications.
- 4.27 Ideally, we must aim for the maximum synergy between formal and informal learning. This would be facilitated by formal learning being available in small units, by maximum use of accreditation of prior learning and through use of individual records of achievement or similar mechanisms which allow individuals and their mentors to see what the contribution of different types of learning has been in the past and what mix of learning would be the most effective in the future.

**Developing the skills of managers and the workforce in SMEs**

- 4.28 There are a number of key reasons why smaller firms are less likely to provide training than their larger counterparts, including their more limited understanding of education and training, limitations on training capacity in their managers, and tighter financial constraints. Steps which help small firms to share their limited resources and which serve to increase their contacts with education and training providers should therefore help them to become more actively engaged in workplace learning and make it easier for them to exploit existing opportunities.

### **Recommendation 5:**

**New learning networks for SMEs should be developed, built around group training arrangements and Ufl learning centres, to help pool learning resources, strengthen links between industry and learning, and support adult learners in smaller firms.**

- 4.29 In our second report, *Delivering skills for all*, we called for measures to help support and develop clustering arrangements such as group training associations for small firms. The primary objective of this was to provide a means for helping small firms to share training resources such as staff and capital equipment. The recommendation was made in the context of supporting apprenticeship provision in small firms, but the sharing of training resources is equally applicable to the ongoing development of the adult workforce. Some of these groupings could be on a sectoral basis, with National Training Organisations having much to offer in terms of group training arrangements and the like. However, many small firms across different sectors will share common training needs, such as, for example, information technology, communication skills, customer care and management approaches. The majority of small and medium sized firms are geographically grouped around industrial estates, business parks and in high streets, which can provide ideal natural and local clusters which could be exploited far more than they are currently.
- 4.30 The development of Ufl is particularly timely as it presents an ideal opportunity to achieve links between industry/employer networks and the new national learning infrastructure through which Ufl will deliver its provision. Ufl has already started work developing its network of *learning centres* and *learning hubs* for delivering their services to local communities and industry. These centres will provide access to Ufl services and local learning facilities (such as PC workstations), and learner support services. The developing links between Ufl and the National Training Organisations provide the opportunity to explore the potential for some, particularly those which are sectorally based linking geographically distant firms, to be virtual, Internet based networks.
- 4.31 Some of the centres and hubs established to date already have sector links and a number of them will be based in large companies. We believe that collective training arrangements, such as those we advocate, provide an ideal mechanism to engage the small business sector with the Ufl network and that their involvement through learning centres will be one method of doing this. The use of employer premises also has the advantage of ensuring access to up to date methods and technologies, and of providing access to learning for a far greater proportion of their workforce.
- 4.32 One important function for these learning networks would be to provide learning opportunities for some of the least skilled amongst the workforce, which could be particularly difficult for smaller firms to provide in isolation. For example, they could offer literacy and numeracy provision, which might also be usefully combined with IT literacy. A number of large employers have introduced effective educational development programmes, such as the Ford EDAP scheme and Vauxhall's "Guidelines". These have been successful in delivering learning to significant numbers of employees including many with relatively low levels of skills and confidence, and include features such as independent advice and access to educational and personal development activities. Many TECs successfully developed local community employee development schemes, offering services similar to the larger company schemes to clusters of small firms, and demonstrating that EDAP type schemes need not be restricted only to large companies. Such approaches should form a central part of local Learning and Skills Councils' workforce development strategies (also see Recommendation 9 below).

## **Supporting effective work organisation and workplace learning - delivering skills for supervisors and owner-managers**

4.33 In Chapter 3 we showed how crucial the capabilities and attitudes of owner-managers in small firms and front line supervisors in large firms were for encouraging learning. There are at least two mechanisms involved here. The first is the capacity of owner-managers and supervisors to adopt new management practices and forms of work organisation which are conducive to learning amongst employees. The second is their capacity to advise and support staff on relevant learning opportunities, implement appropriate training and provide effective mentoring and support to their staff. Many of our owner-managers and supervisors, particularly in smaller firms, lack these important capacities.

### **Recommendation 6:**

**The new Small Business Service should encourage and promote best practice in management and the organisation of work to small firms, through the facilitation of peer-group networks, the involvement of business schools and the training of key managers/workers in relevant management techniques and learning methods.**

4.34 We demonstrated in Chapter 3 that the adoption of new approaches to management and the organisation of work is closely associated with the introduction of more positive workforce development practices in smaller firms. Such innovative management practices can often be more easily promoted to such firms than focused training initiatives because they offer a clearer link to demonstrable business improvements and bottom line benefits. We see this as a key vehicle for stimulating the introduction of more coherent workforce development systems in smaller businesses.

4.35 The Small Business Service should initiate the development of local programmes to introduce new forms of work organisation and high employee involvement work practices that support greater competitiveness and growth, and stimulate greater staff participation in work-relevant learning. We believe that these initiatives should also be developed, where possible, through the same network of local centres described in Recommendation 5, so that the links between management styles and learning can be clearly demonstrated. There would be considerable advantages in trying to involve local business schools and other providers of management training in development, promotion and facilitation of these networks. By directly involving such providers, the networks could also act as a means both of ensuring that smaller firms would be better able to influence the management training available in their area and that they became more aware of what relevant provision already exists.

4.36 It would also be appropriate to build on some of the innovative work in business schools to create a series of special learning modules and courses specifically designed for managers in small and medium sized businesses. Small modules could be effectively delivered through a combination of Internet-based systems supported by face to face tutoring and peer-group support through the local learning networks, and would enable managers to maximise the effective use of the limited time they have available. This sort of approach should be a priority for Ufi which already has identified small businesses as one of its priority client groups.

- 4.37 A specific measure which the Learning and Skills Council and the Small Business Service, working together, could enhance and re-introduce is the Skills for Small Businesses programme. This programme, designed to raise the capability of small firms to deliver quality training to their employees, ran for two years from 1995 to 1997 before the funds were incorporated into TEC Local Competitiveness Budgets. The initiative trained and developed a key manager within participating firms to be able to act as a champion for training in the firm, and to prepare and implement a company training plan. It trained such key managers in appropriate NVQ units at Level 3. The programme was very positively received and was found to deliver a number of benefits including improved staff skills, better staff understanding of the business, increased training volumes and quality, and improved morale. We believe it would be appropriate to consider the re-introduction of this initiative.

### **Spreading good practice across small firms and incentivising investment in workforce development**

#### **Recommendation 7:**

**A tax credit should be introduced for small firms who demonstrate a significant commitment to developing the skills of their workforces and effective business planning through the achievement of Investors in People, and the Government should review the tax position of other employer activities which support workplace learning.**

- 4.38 Investors in People has become widely recognised as a national standard for good practice tying training and development of the workforce to the achievement of business goals. One-third of all employees in the UK now work for organisations that have achieved or are committed to the Investors Standard. This represents good progress given that Investors in People has been in operation for less than a decade. It also means that there is great potential to spread the Standard further and to cover more of the population. In particular, there is a significant challenge to be faced in promoting the Standard among smaller firms. Less than 9% of firms in England employing between 10 and 49 people are pursuing the Standard (with 3% having achieved it) compared to 19% of those employing 50 to 199 and 42% of those employing 200 or more people.
- 4.39 Measures to target small firms should include continuing work to build on the key findings from the recent Small Firms Development Projects which the DfEE has undertaken on increasing the achievement of Investors in People amongst firms with between 10 and 49 employees. The fact that these showed the potential to deliver Investors in People to smaller firms in a more cost effective manner is encouraging, as is the fact that group approaches and the use of information and communications technologies to support delivery appear to have been successful.
- 4.40 It will be important to follow up this recent development work, but take up of Investors in People amongst small firms is so low that we feel stronger measures are justified to get them involved. We think an effective way of persuading small businesses to pursue the Standard would be to offer a reduction in the rate of corporation tax paid by organisations achieving it. This should be relatively straightforward to administer and could be based on the provision of simple evidence such as an Investors in People certificate.

- 4.41 We recognise that the issue of deadweight would be a matter of some concern and that any such initiative should be closely targeted on the main area of market failure. We suggest, therefore, that the incentive should be limited to those firms employing up to 49 people as existing penetration is currently so low amongst this category that deadweight would be extremely limited. Our proposal to restrict the credit to smaller firms is also based on a recognition that larger firms should already have adequate resources to fund their development activities. Those small firms that have already achieved the Standard should become eligible for the tax break when they go through re-assessment.
- 4.42 As with the entitlement, the financial implications of this recommendation are important and the Government will naturally wish to investigate these fully. However, our own illustrative estimates indicate that a 1% cut in the rate of corporation tax for firms employing less than 50 people could cost £20m in terms of lost tax revenue and could benefit each qualifying firm by about £170, assuming a take-up of about 20% of eligible firms. A larger rate cut of 2% would cost around £60m in lost revenue and would mean that qualifying firms benefited by around £500 each, assuming a higher take-up of 30%. The achievement of 30% take-up would mean that potentially an additional 1.4 million employees would be covered by the Standard\*, suggesting a cost per employee of £42.
- 4.43 We understand that the tax position of Individual Learning Accounts is currently uncertain and that there is the potential for employer contributions to them to be taxed as a perk to individual employees. We believe this would be highly undesirable, since it would fundamentally work against the intention of the accounts to stimulate shared investment by employers and individuals in learning. In fact, we think there is a strong case for employer payments into Individual Learning Accounts to be liable to some form of tax incentive. We would also like to see consideration given to the possibility of employer contributions to National Training Organisations attracting a tax incentive, helping to lever in more private funds to the National Training Organisations, thus both strengthening their financial position and increasing employer engagement.

### **Spreading the word - a learning information service for industry**

- 4.44 We have already set out our views on the importance of providing high quality information to individuals wishing to take up learning. The importance of information applies equally to employers who want to make best use of their limited training budgets.

#### **Recommendation 8:**

**DfEE should require, through its contracts with Ufl and National Training Organisations, that they work together to create a new integrated learning information service for industry which brings together the information services offered by Ufl with the advisory work of National Training Organisations.**

- 4.45 Our proposal is that employers should have access to this support through their National Training Organisations and through Ufl, reflecting two key information requirements: a sectoral requirement relating to the types of learning which are appropriate to their industries and relevant occupations; and a geographical requirement helping them identify suitable high quality learning provision in their local area.

\* These figures are based on estimates of around 375,000 firms with less than 50 employees (employing an average of 12 people) being liable for corporation tax, generating £1.9bn in revenue and paying in the 20% tax band. There are an estimated further 300,000 firms of this size who do not pay corporation tax, but most have less than 5 employees and are therefore companies for whom Investors in People is less applicable.



4.46 National Training Organisations should play a vital part in providing information with a sector focus. This should include the provision of details about the national occupational standards, types of qualifications, and learning and courses which are appropriate to the industry. It should also provide guidance for employers on ways of ensuring employees can access suitable training in a cost- and learning-efficient manner, including best practice in their sector. Ufl has the potential to feed information about local opportunities through to employers via its networks of learning centres and hubs and, wherever possible, it should establish effective direct links with the NTO information systems. This will be easiest where learning centres have a sectoral base, but should also be possible in other circumstances, for example, through effective links between Ufl and NTO Internet sites.

### **Getting the framework right**

4.47 All of these recommendations will depend for their effectiveness on placing public policy on workforce development within a clear and effective framework. This should, wherever possible, reflect the principles of shared responsibility described in paragraph 4.8 above and provide a clear assignment of responsibilities, some of which should be underpinned by legislation. It should also cover effective benchmarking of workplace learning and of attainment, and a regular review of mechanisms and programmes designed to ensure positive progress.

#### **Recommendation 9:**

**The roles and responsibilities of the Learning and Skills Council in the development of workforce skills should be recognised in a statutory framework including, where appropriate, in the Education and Training Bill which will implement *"Learning to Succeed"*.**

4.48 The Learning and Skills Council will play a pivotal role in adult learning and workforce development and the arrangements to put it in place will need to ensure that it brings about an effective partnership between individuals, employers and Government. There are a number of key responsibilities which will have to be assigned to the Council if it is to be successful in fulfilling its demanding role. We believe these should be captured in the legislation under which the Council will be established and we set out five key responsibilities below.

4.49 Firstly, in addition to the significant public investment in education and training for which it will be responsible, the Council will need to play a significant part in encouraging individuals and employers to invest in learning. Secondly, it will need to play a major role in the promotion of workplace and lifelong learning and will need to have a corresponding responsibility for marketing. Thirdly, the Council should ensure the availability of high quality information, advice and guidance for adult learners in each of its local areas. Fourthly, we believe the Council should take the lead role in establishing national and local workforce development strategies in partnership with other key players such as National Training Organisations and employers. Finally, the Learning and Skills Council will need to have a responsibility for the assessment of current and future skill needs and this should again be done in partnership with other key bodies.

- 4.50 The Learning and Skills Council will have under its control a wider range of levers to manage the relevance, quantity and quality of post-16 learning than any of its predecessor organisations. This includes its oversight of planning, funding, inspection, and performance management, as well as strong links with the Qualifications and Curriculum Authority on curriculum and assessment. It will be essential in developing its plan and strategies that the Learning and Skills Council utilises each of these levers in the most effective manner to ensure that the provision for which it is responsible is closely matched to employer requirements.

**Recommendation 10:**

**The roles and responsibilities of employers and individuals in the promotion, delivery and monitoring of workplace learning should be recognised in a statement of workforce development principles between employer representative bodies and trade unions.**

- 4.51 To be successful, our proposed approach will need commitment not just from the state and public bodies, but also from key parties outside Government, including most directly employers and individuals.
- 4.52 We would like to see employer bodies and employee representatives, including the CBI, BCC and TUC, produce a joint statement of workforce development principles. This should cover the respective roles and responsibilities of employers and individuals in the effective provision and use of workplace learning. It should clarify the contribution to workplace learning which each party should make, including financial support, commitment of time and the assessment and take-up of appropriate learning opportunities. We would hope that, in developing and agreeing such a statement of principles, the three organisations would also put in place awareness programmes to promote the standards of the statement to all their members.

**Recommendation 11:**

**An annual workplace training audit should be organised by the Department for Education and Employment, building on and extending existing data from the Labour Force Survey and National Training Organisations, to provide an authoritative method of monitoring progress in raising the skills of the adult workforce over time.**

- 4.53 In our preceding recommendations, we have set out a package of proposals which together we hope will deliver the required improvements in the take-up and delivery of lifelong learning amongst the adult workforce. However, we have also stated the importance we attach to regularly monitoring the progress of these initiatives over time to ensure they are effective, or to inform and help shape further action should progress not be as rapid and effective as we hope.
- 4.54 The National Learning Targets have already been established by this Government as headline targets to demonstrate progress on critical measures. We do not see how it will be possible to properly manage our progress on the key adult National Learning Targets unless we undertake a more regular and effective analysis of how we are improving over time, and how we compare with our international competitors. Given that one of the key organisational players that we see driving this programme forward is the network of National Training Organisations, we believe it is essential to establish a sectoral dimension to this analysis. National Training Organisations could choose to set a variety of sectoral targets relating to the key objectives for their sector, including targets for the attainment of Investors in People, training volumes and distribution and the proportion of the workforce holding qualifications at various levels - indeed, some National Training Organisations already have such targets.

- 4.55 We believe the best way for this assessment to occur is for it to be driven by the Department for Education and Employment, engaging National Training Organisations and the Learning and Skills Council as appropriate. We believe the audit of progress should be carried out annually and then examined through a national review process which would include, among others, employers and employee representatives. Employers, trade unions and Government should use this process to review the success of the initiatives proposed here, and others introduced subsequently, and develop new or alternative programmes over time.
- 4.56 Some routine monitoring could be conducted through existing data sources, including the Labour Force Survey, the National Information Service for Vocational Qualifications (which provides information on a broad range of qualifications, not just NVQs) and surveys of employers and individuals. However, much of the existing evidence is piecemeal and we have had some difficulty establishing a coherent picture of current activity in producing this report. It will therefore be necessary for the Government to agree with other interested parties an overall specification for this audit so as to ensure we have robust information on the key areas of interest.

## Conclusion

- 4.57 We set out three key objectives in this report, the first of which was to give more low qualified adults the opportunity to upgrade their general skills and education. Our entitlement recommendation (Recommendation 1) will play a significant part in this, as will Recommendation 2 on income contingent loans. Recommendations 4 and 5, extending informal learning and accreditation of prior learning and supporting employee development schemes in smaller firms to encourage reluctant learners, will also contribute to the provision of opportunities for the least qualified and the least confident.
- 4.58 Secondly, we set out the need to spread learning in the workplace across all firms and raise demand amongst adults in order to increase learning activity among those who currently have little involvement. Our proposals to spread the Investors in People Standard more widely, to promote lifelong learning, to support training in smaller firms through clustering arrangements, to put in place an agreed statement of workforce development principles, and to develop a learning information service should all help in achieving this (Recommendations 7, 3, 5, 10 and 8).
- 4.59 Thirdly, we identified the contribution that the introduction of effective management practices and new forms of work organisation can make to the effective delivery of learning in the workplace, and recognised that smaller firms in particular may benefit from steps to help develop these approaches. Recommendation 6, on the Small Business Service's role in promoting and spreading best practice will be the primary route through which this is met. But the other proposals which aim to support workforce learning in smaller firms will also contribute, including Recommendations 4 and 5.
- 4.60 In addition we are proposing that this package of measures should be underpinned by a clear framework, including statutory measures, and an ongoing review of progress. Recommendations 9, 10 and 11 on the key roles of the Learning and Skills Council, employers and individuals and on the monitoring of activity through a national workplace learning audit will deliver these elements of the package.

## **Taking the recommendations forward: the roles for key players**

4.61 Realising the objectives which we have set out, and delivering the recommendations we have made, will take a collective effort. As a final section to this report we give a brief summary of some of the key roles which we see as coming out of our work for the major players in the field of adult learning.

### **Government**

4.62 We have outlined the role for Government in the provision of foundation learning and pre job entry education and also in making basic skills provision available for adults in the workforce who did not acquire these skills during their initial education. Government will also have a clear role to play in taking forward our proposals for an entitlement, for income contingent loans and for tax breaks. They also have a crucial role in setting out the framework for workforce development and adult learning, including putting in place the statutory measures required to underpin this.

### **The Learning and Skills Council**

4.63 We welcome the setting up of the Learning and Skills Council and the role which it is intended to play in delivering learning to adults. In this report we have set out our wish to see the Learning and Skills Council perform functions in the following key areas: provision of adult advice and guidance; preparation of national and local workforce development strategies; promotion and marketing of lifelong learning; encouraging investment from both employers and individuals and supporting effective partnership; and producing authoritative assessments of current and future skill needs.

### **National Training Organisations**

4.64 Our recommendations propose important roles for National Training Organisations particularly in helping to deliver an effective learning information service for industry. We also want to see them play their part in monitoring and driving progress in their sectors, in identifying and spreading good practice, and in assisting the Learning and Skills Council in the assessment of skill needs and in the preparation of workforce development strategies. Our recommendation on the greater use of accreditation of prior learning also calls for the active involvement of NTOs. In recognition of the extra burdens on National Training Organisations which we are suggesting, the Government will need to ensure that these bodies have the core funding which is necessary to meet these demands.

## **Employers**

4.65 Employers have a key role to play in providing adults in the workforce with learning opportunities, and need to recognise their own requirements for upgrading the skills of their workforces. We encourage them to play a full part in the new arrangements to support the Learning and Skills Council. We would also like to see them support members of their workforce who need to develop their basic skills or who wish to take up the learning entitlement wherever possible. We want small firms to take advantage of opportunities to come together in group arrangements, to share training resources and best practice, and to make effective links with Ufl. Through their representative bodies, such as the CBI and BCC, we would also like to see employers playing an effective part in developing and enacting a joint statement of workforce development principles. Finally, they will need to consider the use of new working methods, and to recognise and develop the key roles of managers and supervisors in the delivery of workplace learning.

## **Individuals and unions**

4.66 Unions, as representatives for individuals in the workforce, will also need to play an active part in the development and promotion of the joint statement of workforce development principles. In addition, we would like to see them continue the positive steps which they have taken to spread workforce learning and to support reluctant and unconfident learners through measures such as the Union Learning Fund. Individuals themselves also need to recognise the responsibility which they have for their own development, for being aware of the skills which they need in order to be effective in work and for taking full advantage of the opportunities with which they are presented.

## **Education and training providers**

4.67 A key contribution from providers must be to make learning more accessible. Adult learners require access to provision at times and places which suit their circumstances and the limited time available to them for learning. They need flexible units and flexible modes of learning, including distance, small group and electronic methods. While Ufl is intended to increase the availability of such flexible learning, there is still a need for existing providers of education and training to become yet more responsive to the needs of learners and employers.

## **The case for a stronger statutory framework**

- 4.68 All members of the Task Force were in agreement on, and fully endorsed, the 11 detailed Recommendations contained in this Report.
- 4.69 However, some members remain committed to the view that, despite a range of Government initiatives over the years, the voluntary system has consistently failed to deliver sufficient effective training activity to create, in the UK, the necessary skilled workforce to match those of our competitors. They noted that the key 2000 National Education and Training Targets have not been achieved.

- 4.70 Therefore, they believe it is essential that a statutory framework is created that, through a system of tax incentives and, where necessary, tax penalties, ensures that the training issue is placed on every company's agenda. The facility should exist for such a framework to be established on a general or sector basis, so that sectors where training and development is satisfactory would be unaffected by these proposals, and sectors where there is consistent ineffective training performance could be targeted.
- 4.71 These members believe that previous voluntary initiatives have demonstrated the challenge of limited resources of agencies such as TECs compared to the huge number of companies, particularly small and medium sized firms, that need to be reached. Any new voluntary proposals will face the same resource problem and therefore only have limited impact.
- 4.72 They emphasised that the UK does not have unlimited time to bring about improvements and therefore measures to ensure maximum impact are required immediately. The human cost of training failure is substantial. Large numbers of people at work continue to be denied opportunities with their futures blighted as a consequence. It was argued that these problems can only be remedied within a new statutory framework.
- 4.73 However, other members were convinced that the mix of practical measures, reinforced by incentives, set out in this report, could deliver the necessary change and progress, and that a further statutory requirement would not be appropriate.
- 4.74 UK training performance, these members believed, had made striking progress over the last decade and now compares favourably with that of our international competitors. Numbers of employees receiving training, investment by employers and overall qualification levels have all increased significantly.
- 4.75 Employers, they argued, have risen to the challenge of heightened competition and the emerging knowledge economy. National initiatives, in particular Investors in People, have gained considerable market share. All of this without a statutory requirement for training. The key challenge now is to ensure that adults with few or outdated skills are improving their employability. This requires more take-up of learning opportunities and a greater range of small and medium sized employers involved in the national training system.
- 4.76 These Task Force members consider that the targeted challenges identified in this Report are not suitable for statutory solutions which would be likely to produce compliance rather than real commitment, and act as a diversion from addressing real needs. Such challenges are far better met by the targeted market based recommendations made in this Report, which are concerned with changing culture and with generating real enthusiasm for learning.

## Annex A

### Skills Task Force members

<b>Name</b>	<b>Organisation</b>	<b>Position</b>
Chris Humphries CBE (Chairman)	British Chambers of Commerce	Director General
Llew Aviss	Llew Aviss Associates	Managing Director
Brendan Barber (Adviser)	Trades Union Congress	Deputy General Secretary
Rita Britton	Pollyanna (Barnsley) Limited	Director
John Cridland (Adviser)	Confederation of British Industry	Director of Human Resources
Eric Drewery	ABB Limited	Chief Executive
Tony Dubbins	Graphical, Paper & Media Union	General Secretary
John Edmonds	GMB	Chief Executive
Denise Hall	Education & Training BT plc	General Manager
Sir Ken Jackson	AEEU	General Secretary
Dr DeAnne Julius	Bank Of England	Member Monetary Policy Committee
Eddie MacIntyre	Birmingham College of Food, Tourism and Creative Studies	Principal
Ashwin Mistry	Brett & Randall Ltd	Managing Director Board Member Leicestershire TEC

John V Palmer	Steel Training Ltd	Chairman
Peter Rainbird CBE	Rainbird Group	Chairman/Chief Executive Chairman, Essex TEC
Iain Roxburgh	Coventry City Council	Chief Executive & Town Clerk
Sharon Studer	3 COM Europe Ltd	Vice President
Julia Tinsley	Pitman Training Centre	Director
Adair Turner	Confederation of British Industry	Director General
Prof Leslie Wagner	Leeds Metropolitan University	Vice Chancellor
Anne Weinstock CBE	Rathbone CI	Chief Executive on Secondment as Director of Millennium Volunteers



## **Annex B**

### **Skills Task Force Terms of Reference**

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

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

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

## More Information

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This report, along with the Skills Task Force's First report, "**Towards a National Skills Agenda**" and Second report, "**Delivering Skills for All**" are also available on the world-wide web at:

[www.dfes.gov.uk/skillsforce](http://www.dfes.gov.uk/skillsforce)

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ISBN: 1 84185 195 7

PP80D2/40390/0100/34