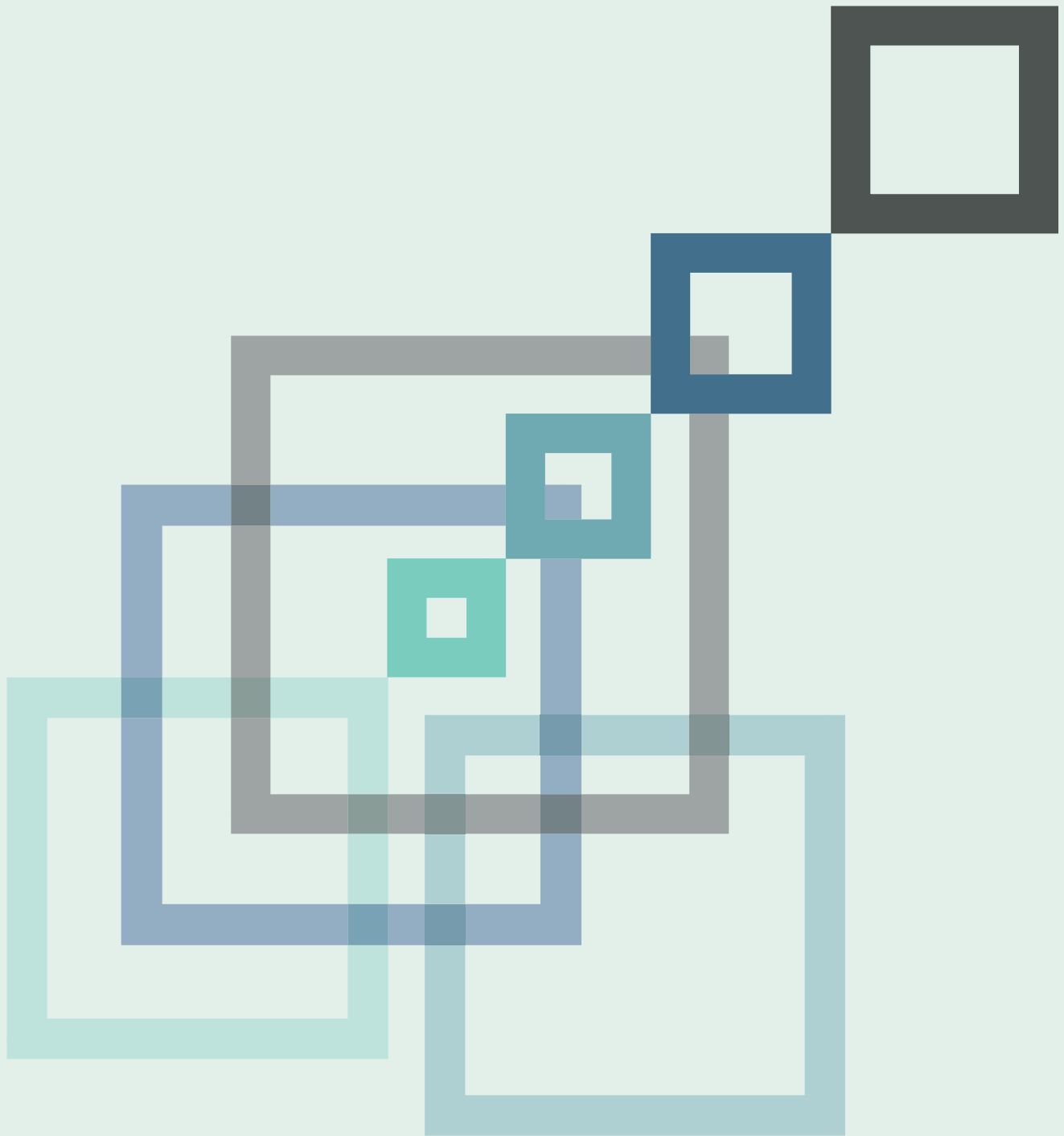
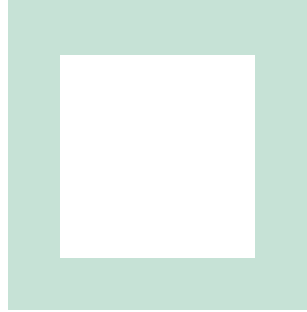


Skills Alliance:

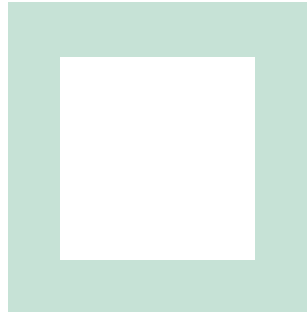
Skills Strategy Progress Report





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Introduction

1. In July 2003, the Government launched the national Skills Strategy, *21st Century Skills*.¹ Its aim is to ensure that employers have the right skills to support the success of their businesses, and individuals have the skills they need to be both employable and personally fulfilled.
2. The Strategy created the Skills Alliance which has brought together key partners with an interest in skills and productivity – four Government Departments, the Confederation of British Industry, Trades Union Congress, Small Business Council and the key delivery organisations led by the Learning and Skills Council. A full list of the members is at Annex A. Its role is to oversee effective implementation of the Strategy. This report is the Alliance’s first annual report on progress.
3. The Strategy set out a broad agenda, designed to tackle long-standing weaknesses in both supply and demand for training, and so achieve a step change in the skills of young people and adults in England.
4. We are still only at the start of the journey. There is much more to do. It will require sustained commitment over a period of years fully to address the deep-seated barriers to skills investment and so achieve our economic and social goals. But there is now a real momentum for change, and a strong sense of shared purpose and enthusiasm.

¹ The Skills Strategy is primarily a strategy for England, reflecting the devolution of responsibility for education and training to Scotland, Wales & Northern Ireland.

5. During the year 2003–04, colleges and other training providers have continued to expand the flow of young people and adults gaining skills, training and qualifications:
 - a. Basic Skills – 200,000 learners achieved at least one Skills for Life qualification this year. Since 2001, 2.3 million learners have taken up 4.6 million Skills for Life learning opportunities.
 - b. Level 2 – 260,000 more adults in the workforce are qualified at least to full Level 2² at the end of 2003 compared to autumn 2002, so that the proportion of adults in the workforce qualified to Level 2 now stands at 71%.³
 - c. Apprenticeships – 246,000 16-24 year olds were enrolled by the end of March 2004. There have been over 1 million entrants to the programme so far.
 - d. Foundation Degrees – currently 24,500 students are enrolled on Foundation Degree courses, with employers involved in both the design and delivery.
 - e. Overall flow of qualifications – nearly 3 million qualifications were achieved by adults in 2002/3.
6. Employers and learners continue to express high levels of satisfaction with the training they receive.
 - 81% of employers that had used Further Education (FE) provision were satisfied or very satisfied with the training provided.⁴
 - 63% of learners using FE provision were very or extremely satisfied with their learning experience and over 90% were at least fairly satisfied.⁵
7. This continuing flow of people gaining skills and qualifications is an essential part of meeting the needs of individuals and employers. In addition, we have made real progress over the past year in implementing the commitments of the Skills Strategy, with the following highlights.

Employers

8. The 12 *Employer Training Pilots* have enabled over 10,000 employers to sign up over 60,000 low-skilled employees for training to gain relevant workplace qualifications. There are now around 1,000 new employers and 4,000 employees joining every month. We are adding a further 6 pilots to extend coverage to over a third of England.
9. More young people than ever before are undertaking *Apprenticeships*, to gain the skills that employers want. Completion and success rates are rising. We have reformed and re-launched the Apprenticeship family including Young Apprenticeships for 14-16 year olds. We are introducing trials of Apprenticeship programmes for adults.

2 A full Level 2 refers to any qualification equivalent in standard and breadth to 5 GCSEs at A*-C or a national Vocational Qualification at Level 2.

3 Labour Force Survey, Winter 2003/04

4 National Employers Skill Survey 2003

5 LSC Learners Satisfaction Survey 2001/2

10. Reform of the *business support network* is well under way, so that it can help Small and Medium Enterprises get access to a wide range of high quality services focused on skills, productivity, recruitment and business development. The award winning businesslink.gov.uk website, drawing together the full range of Government services for employers, was launched in April.
11. The full new suite of Department of Trade and Industry (DTI) *Business Support products* was launched in April 2004. We are evaluating the impact on skills for each of these products.
12. The Government's *Innovation Strategy*, led by DTI and published in December, incorporates skills development as an integral part of promoting innovation.
13. We have launched a new *leadership and management* programme targeted at SME Managing Directors, and focused on supporting informal learning and coaching tailored to meet the manager's needs.
14. We have worked with small businesses to develop a model for a skills passport which recognises achievement through *informal training* in the workforce.

Sectors

15. There are now 18 Sector Skills Councils (SSCs) in place, providing a new voice for employers in identifying skills priorities for each major sector. The *Skills for Business network* is now fully operational, and continuing to grow.
16. Four pathfinder SSCs are developing *Sector Skills Agreements*, which will reshape public and private skills investment.
17. *Innovation and Growth Teams*, supported by the DTI, are working to improve the overall performance of key sectors and supply chains. Each Team has identified skills as a key issue and is working with the SSCs to implement change programmes.
18. The LSC-led *programme* of sector-based training has identified and met employer skills needs in over 30 occupational groups. The LSC investment of over £20 million in the past year, together with employer contributions, has helped train some 27,000 additional adults. Many are progressing to Level 3 qualifications and beyond.

Learners

19. We have designed a phased introduction of the new *entitlement* to free tuition to a first full Level 2 qualification, giving adults a platform of skills for employability. We are trialling the entitlement in the North East and South East regions.
20. Through the new LSC *business planning* cycle, we are prioritising the allocation of public funds for colleges and other providers, so that we deliver that entitlement and focus on areas of market failure.

21. We have introduced *Adult Learning Grants* of up to £30 per week to help those on low incomes meet the costs of learning in priority areas. Over 2,200 learners have received over £1.37 million.
22. We have published a new National Policy Framework and service standards for *Information, Advice and Guidance* for adults on skills and training.
23. We have identified 26 testbed *Learning Communities*, to test out ways of raising expectations amongst communities as well as individuals about the value of skills, as a contribution to breaking down inter-generational cycles of deprivation and under-achievement. The programme is being managed by Government Offices, with support from the National Institute for Adult and Continuing Education and the Scarman Trust.

Qualifications

24. We have instituted a major reform of the *vocational qualifications* system for adults, to develop a credit framework which will allow individuals to gain recognition for their skills over time, building towards a full qualification.
25. The *Working Group on 14–19 reform*, led by Mike Tomlinson, published their consultation proposals in February, for a new approach to 14-19 qualifications. The Group is currently consulting a wide range of partners and stakeholders to seek their views and to help prepare for the final report due in autumn 2004.
26. We have introduced *new qualifications* for IT users, business improvement techniques and school support staff, to match employer and employee needs. These three qualifications alone are expected to achieve some 40,000 enrolments this year.
27. *E-assessment* National Certificates in Adult Literacy were available, on demand, for the first time this year with over 50,000 tests accessed to date.

Colleges and training providers

28. The new LSC business cycle is driving a new focus within colleges and training providers on meeting employers' skills needs. As part of the *Success for All* programme, all colleges, and many training providers, have agreed this year for the first time targets for improving *employer engagement*.
29. Over 90 additional *Centres of Vocational Excellence* were created in 2003-04, offering specialist training and support for employers and learners in defined vocational areas. The total CoVE network now numbers 262 centres.
30. Local LSC-led *Strategic Area Reviews* are underway across the country. They are assessing whether the pattern of further education and training meets local and regional skills needs and offers choice for employers. New arrangements for plan-led funding for colleges and other training providers are helping to improve the flexibility and responsiveness of training supply to employer demand.

31. We have developed the first four new FE *curriculum frameworks* for science, business studies, entry to employment, and construction, for roll out in September 2004. Over 900 leaders from across the FE sector have taken part in training organised by the new Centre for Excellence in Leadership.

Partnerships and delivery

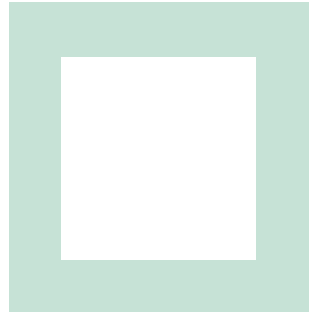
32. Under their new Chief Executive, the LSC has put in place a new Council structure, including a new team of Regional Directors to support delivery of the Skills Strategy.
33. The national *Skills Alliance* is meeting on a regular basis to oversee implementation of the Strategy, and promote coherence across Government and its agencies through the LSC-led delivery group. The CBI, TUC and SBC have agreed a shared statement for the contribution they will make to the wider agenda. These are set out in Section 6.
34. *Regional Skills Partnerships* are being established in each region, co-ordinated by Regional Development Agencies and involving LSC, Jobcentre Plus, Small Business Service and Skills for Business network. They are bringing together skills and workforce development with support for innovation and business development and labour market services in an integrated approach to deliver Regional Economic Strategies.
35. The *National Employment Panel* December report set out ways of linking welfare to work strategies with workforce development, to give those without jobs more help in gaining the work and skills for sustainable, productive employment. That includes closer local working between Jobcentre Plus and LSCs through joint delivery plans. That work is being taken further through the *New Deal for Skills*.
36. *Government Departments* all now have strategies in place for developing the skills of public sector employees to raise quality and productivity in public services. Plans for a central Government Sector Skills Council are well in train.
37. The Government remains committed to active participation at European level in pursuing the Lisbon agenda to promote economic reform in Europe and so become the most competitive and dynamic knowledge-based economy in the world. Implementation of the Skills Strategy is itself a major contribution to achieving the skilled and flexible labour force on which that agenda depends.
38. Subsequent sections provide more detail on progress in each area. Alongside this overview report, we are publishing:
- a. A technical report on data and evidence; setting out the latest trends in productivity, the stock of skills and qualifications in the labour market, and the flow of skills and qualifications into the labour market.
 - b. A report on progress in establishing the Skills for Business Network and its impact so far.
 - c. A report, *Government meeting its responsibilities*, setting out actions being taken by Government Departments to invest in the skills needed for public service reform.

CHALLENGES

39. We have made significant progress during the year. This reflects the efforts of many partners. We have been greatly heartened by the widespread support that the Strategy has received, the recognition that we have to get the implementation right this time if we are to achieve our national economic and social objectives, and the determination shown by organisations and individuals across the board to playing their full part. The shared ownership of this agenda is the Strategy's greatest strength. We are committed to continuing to work in a genuine alliance as we work through its implementation.
40. There is still a lot more we need to do. Much of what we have achieved so far sets the foundation for future activity. But by its nature, it has focused on the establishment of partnerships and getting the necessary infrastructure in place. The real world impact in terms of benefits for employers and individuals is only just beginning to build.
41. So the next twelve months must continue to strengthen those foundations and lead to more tangible outcomes for employers and individuals. Some hard choices and challenging changes of practice will be required along the way. Government and public agencies can create the infrastructure. But success depends on millions of learners and employers seeing the value of skills, training and qualifications in helping them achieve their goals, and choosing voluntarily to commit their time, energy and resources accordingly.
42. So the major challenges we face are:
 - a. To demonstrate to employers and learners real change for the better in helping them to achieve their goals.
 - b. To find ways of engaging far more employers, far more actively in investing in skills – both for their current workforce and reaching out to schools and colleges so that they can help shape the skills being acquired by young people in their initial education. This employer engagement is fundamental to the success of the Skills for Business network.
 - c. To convince both employers and learners that we are making a reality of a demand-led, responsive approach to delivering training. That supports informal training and skills development as well as training leading to qualifications, and enables employers and unions to work together in promoting skills.
 - d. To support colleges and training providers in making the necessary changes to deliver training in that new way. We made clear in the Skills Strategy that we need to rebalance the contributions between Government, employers and adult learners, to reflect better the benefits that all receive from training and skills, including looking again at fees and income targets. But making that shift presents particular demands for colleges. They are already managing a substantial change programme, within inevitably constrained public funds. We must help them build the capacity to succeed.

e. To sustain clear roles for each of the many organisations who are contributing to the agenda, building strong partnerships based on shared understanding of who is contributing what to the common cause. That requires continuing effort in making a reality of partnership working across Government, including bridging the gaps between welfare and workforce development.

43. We will continue to work together to ensure that we foster a culture of learning, continue to raise demand for skills, and improve performance in meeting that demand. Section 7 sets out our priorities for the next year, to ensure that we carry forward the momentum and deliver real benefits for employers and learners.



SECTION 1:

Meeting the Needs of Employers and Employees

- 1.1 In the Skills Strategy we committed to introducing a demand-led approach to developing skills in the labour market. That means employers should be able to access training provision in a way that suits their operational needs – at a convenient time and place, and meeting the needs of both the business and of employees.
- 1.2 In July 2003, we said we would:
- Give businesses greater choice in, and control over, their training;
 - Improve leadership and management capability;
 - Develop a more accessible, coherent and integrated business support network;
 - Provide better information for employers, particularly about the quality of their training.
- 1.3 This section summarises the main actions taken to deliver those commitments.

GREATER CHOICE AND FLEXIBILITY IN WORKFORCE TRAINING

- 1.4 A demand-led approach must help employers get training designed and delivered in a way which meets their business needs. *Success for All* reforms are working to ensure that colleges and post-16 providers become more flexible and responsive to employers' needs. A vital new route for developing this approach is through the Employer Training Pilots (ETPs). Over 10,000 employers and over 60,000 learners are currently signed up to benefit from the type of work-focused, workplace-delivered training they provide.

What does an Employer Training Pilot (ETP) package contain?

ETPs are testing a range of measures to encourage employers to invest in skills. The exact offer varies between pilots but key components are:

- Training designed to meet the skills needs of employers and employees – around 80% of ETP training is delivered on the employer’s premises and during the working day.
- Free or heavily subsidised training leading to a first full Level 2 or basic skills qualification.
- Support of a specialist broker to help source and arrange the training. That training can be sourced from a wide range of colleges and other providers, depending on what the employer wants.
- Training designed to meet identified skills gaps, with the employees’ existing skills being assessed at the outset, so that the training can be designed to build the skills they need.
- Paid time off to learn for the employee.
- Depending upon the pilot and the size of the employer, compensation paid to the employer for releasing the employee to train.
- Information, advice and guidance (IAG) for employers and learners, including help to identify their skills needs.

1.5 An independent evaluation⁶ of the first year of the pilots showed that:

- 70% are small employers (with fewer than 50 employees);
- 40% of employers had no previous contact with government agencies or schemes;
- 96% reported that the skills provided were important to their business and it boosted employees’ self-confidence;
- 93% believed it improved the quality and efficiency of their products and services and helped employees to be more proficient;
- 83% of employees took part because they wanted to get a qualification; 29% wanted to do their current job better; 68% wanted to improve their self-confidence.

1.6 A survey by the Adult Learning Inspectorate found that the overall standard of training was good, as were retention and achievement rates. Much of the training delivery is different from traditional training programmes provided in college premises, with a large element of coaching and on-the-job skills development.

1.7 From September 2004, ETPs will cover one third of England through 18 pilot areas.

1.8 The full evaluation of two years’ operation of the pilots will be completed by the end of the year. But the emerging lessons from the pilots are encouraging, particularly the benefits for both employers and employees of designing and delivering training flexibly to meet their business requirements.

6 www.dfes.gov.uk/research/data/uploadfiles/ETP1.pdf

Advanced Roofing and Flooring Ltd – an ETP employer (East Midlands)

In 1998, David Hartshorn and Gordon Harris set up Advanced Roofing and Flooring Ltd. Their company now works in the specialist market of single-ply membrane roofing and employs 27 people.

Advanced Roofing wanted to invest in training in both practical and people skills but its budget could not accommodate cross-company training for everyone. With the support of the LSC they embarked on an Employer Training Pilot. The funding provided an instant solution, helping to train those who qualified for the Pilot and freeing up the training budget for other staff.

As part of the ETP, assessors carried out a training needs analysis of all 27 employees, identifying who was eligible for funding and the levels of training at which all staff should start. The training was flexible to fit in with employees' requirements and work schedules.

14 employees were eligible for funding and have now completed an NVQ Level 2 in applied waterproofing membranes. Everyone in the company now has, or is close to achieving, an NVQ at Level 2, 3, or 4. The impact has not only been felt within the company. Clients see the company as forward thinking and professional, as it is able to deliver the demands from both industry and clients with their more qualified workforce.

INVESTORS IN PEOPLE

- 1.9 We said we would seek to ensure that, by 2007, 45% of the workforce is employed by organisations that have achieved, or are working towards, Investors in People (IIP) recognition, including at least 40,000 small firms.
- 1.10 Latest data suggest that 39% of the workforce is now employed by the 58,000 organisations who are working with the IIP standard. 35,000 of these are small firms.
- 1.11 The £30 million IIP Small Firms Initiative, launched in February 2003, has successfully engaged almost 8,000 small firms to work towards achieving the IIP standard. Early evaluation findings are positive and show that over 80% of participating firms have never participated on Government funded schemes. For the future, we intend to integrate the initiative within the LSC's mainstream employer engagement programme for SMEs, which will give companies maximum choice to decide the form of support for training, skills and productivity which will best meet their priorities.
- 1.12 IIP UK has been undertaking a wide-ranging review to update the IIP standard. Over the last three years, they have developed a series of supplementary models, including on Management and Leadership, Work-Life Balance, and Recruitment for employers to use to pursue their own priorities for investing in training. They have also developed the Profile benchmarking tool which allows employers to assess themselves against leading practice elsewhere. IIP UK are further developing the standard to support employers in making the most of people and their skills to drive innovation and business success. The revised standard will be launched in November 2004.

- 1.13 liP UK has launched the liP Champions with the announcement of the first 16 organisations to be awarded the status. The programme recognises and rewards exemplar liP organisations, encourages best practice sharing in people management and development and encourages organisations to be more proactive in championing the standard.

IMPROVING LEADERSHIP AND MANAGEMENT

- 1.14 The need to develop high quality leadership and management skills, particularly in SMEs and at middle management level, remains a priority for the success of the UK economy. The Skills Strategy set out a number of actions to address this, building on the recommendations of the report of the Council for Excellence in Management and Leadership.
- 1.15 We have introduced a programme to support Leadership and Management Development for managing directors of private and voluntary sector organisations with 20 – 250 employees. This is being piloted in two regions and seven other Business Link areas and will be rolled out nationally by September this year. There are over 75,000 enterprises in England which are eligible for support. The programme will help employers develop their leadership skills through a range of support from informal mentoring by successful leaders to more formal training in leadership, with free assessment of needs, backed up by grants of up to £1,000 to support development. The pilots include work with Ufi/**learn**direct to provide on-line assessment and signposting to a wide range of leadership and management courses.
- 1.16 New National Occupational Standards for Management and Leadership were approved in May. The Standards, developed by the Management Standards Centre (an independent unit within the Chartered Management Institute), will have a key role in helping employers improve the performance of their managers and in the recruitment and development of the 2 million new managers needed by 2012. They also provide the basis for a comprehensive reform of management and leadership qualifications. Sector Skills Councils will play a leading part in implementing the Standards through their skills and qualifications strategies.
- 1.17 Over 100 managers have now achieved the rigorously assessed Chartered Manager designation launched by the Chartered Management Institute in September 2003.

SUPPORTING INFORMAL LEARNING

- 1.18 One of the aims of the Skills Strategy is to ensure that publicly-funded training is designed and delivered to meet employers' needs across the economy, building the skills needed for future productivity and innovation, and helping learners gain qualifications which recognise their transferable skills. But in developing the skills of their existing employees to meet current business needs, individual employers often attach as much importance to informal training as to formal qualifications. The Small Business Council in particular has championed this form of learning because it is attractive to small firms, who may not have the capacity for staff to undergo formal training off-site and who believe it meets their needs more directly and effectively.

- 1.19** Initiatives such as liP, the management and leadership programme for SMEs, and the development of skills passports (see below) support employers of all types to improve the success of their business through the skills of their employees. A balance needs to be struck between providing opportunities for informal learning which are of immediate benefit to the employer, and opportunities for employees to gain formal qualifications through schemes such as the Employer Training Pilots which benefit both the employer and the individual and support the flexibility of the wider labour market.
- 1.20** We intend to build on the work of various organisations to introduce skills passports more widely. This will be part of the New Deal for Skills, announced by the Chancellor in his March 2004 Budget statement. Skills passports have the potential to benefit employers by helping them focus workforce development activities to achieve improved business performance. They also benefit individuals by providing them with a structured method to record all skills development and offer a progression route to accreditation if desired. An on-line tool to construct a generic passport relevant to small firms will be available through the businesslink.gov.uk portal.

DEVELOPING BETTER BUSINESS SUPPORT SERVICES

- 1.21** Employers, and particularly SMEs, often need support and advice in developing their businesses. That support and advice may need to cover a wide range of areas, including finance, tax and planning. But skills are one vital means of helping employers to achieve success. So advice about skills and training needs to be integrated within a broad ranging support service, and provided in a way which is accessible and easy to understand. At the same time, if we are to achieve the increase in productivity that we need across the economy, we must support businesses to move up the value chain, and raise their demand for higher level skills to develop future operations, not just meet current needs.
- 1.22** For example, through its diagnostic work and in-house workplace training, Acas assists organisations to identify and address leadership and people skills issues. It delivers good practice training events to SMEs to develop management skills that deal with the ‘people’ issues within their organisation.
- 1.23** We have strengthened the links between DTI’s new Business Support products and the principles of the Skills Strategy. All DTI products now measure their impact on skills through their evaluations, and skills are a key performance indicator on the scorecards for both Best Practice products, Selective Finance for Investment in England and the Grant for Investigating an Innovative idea. The full suite of products was launched by April 2004.
- 1.24** The Small Business Service (SBS) has been working to improve the quality of the support provided through Business Link organisations. The Action Plan for Small Businesses includes work to transform the Business Link network of operators. Last year a record 435,000 small businesses were helped by Business Link, an increase of over 40% compared with the year before. Business Link helped over 170,000 people thinking of starting their own business.

This increase in volumes is matched by improvement in the quality of support provided. The latest Business Link client satisfaction survey found that overall satisfaction was 88%, up from 81% in 2001/2.

- 1.25 From April 2005, the Regional Development Agencies (RDAs) will become responsible for contracting with the Business Link network. This is designed to ensure that business support services are fully integrated with regional economic strategies. Together with the ongoing work with the SBS, this will transform the quality of support provided for small businesses, focused on regional and local needs. As part of that reform programme, we want to improve the signposting of services and the use of intermediaries, so that businesses are helped to get support from whichever source is best placed to provide it. The Business Link service should link the range of programmes set out in this section, so that we can move away from the piecemeal approach to individual initiatives which causes employers so much frustration.
- 1.26 The LSC has in parallel been consulting widely on the design of a new, more coherent offer for employers to support skills development of their workforce. It combines the best features of earlier piloting work and includes support towards gaining the liP standard, subsidies for informal learning and the development of skills passports and internal skills champions. The offer will be rolled out by the LSC from the Autumn. It will be integrated with the development by RDAs of their regional business support service.
- 1.27 Ufi/**learndirect** have continued to improve the engagement of SMEs in skills development through the expansion of Ufi/**learndirect** Premier Business Centres. There are now 50 of these Centres with plans to extend this to 70. Last year almost 200,000 Ufi/**learndirect** courses were undertaken by SME employees. Ufi/**learndirect** have also worked with large employers to deliver Skills for Life national tests in the workplace.

BETTER INFORMATION FOR EMPLOYERS

- 1.28 The Skills Strategy recognised that many employers want better information about the training and support on offer in their local area. This is being met in the following ways:
- a. A key element of the Employer Training Pilots is that they provide integrated advice for employers on what training is available and how to source it.
 - b. The LSC is developing an Employer Guide to Good Training, to be published by December 2004. The Guide will bring together data on services funded, inspection results from Ofsted and the Adult Learning Inspectorate, and information about Centres of Vocational Excellence and colleges with Beacon status.
 - c. The new businesslink.gov.uk website, launched in April 2004, brings together the full range of Government information, advice and support tools for business. It includes on-line training and a database of training providers.

- d. The SBS and the high street banks are working together to provide information as part of the banks' services to small business, which signposts businesses to the range of support available. Ufi/**learn**direct is providing a portfolio of courses to support small businesses as part of the Small Firms Training Directory.
- e. DTI has developed the Benchmark Plus toolkit, building on the established Benchmarking Index. This helps companies to benchmark themselves on a range of indicators linked to productivity and competitiveness, including measures of skills investment.

STRENGTHENING THE ROLE OF TRADE UNIONS

- 1.29 Trade Unions and their Union Learning Representatives (ULRs) are making a major contribution to the Skills Strategy. They are helping take forward work across a range of activities including the ETPs, Adult Basic Skills, Sector Skills, Agreements and Regional Skills Partnerships.
- 1.30 The Union Learning Fund continues to be a success story, enabling unions to use their influence with employers, employees and training providers to encourage more people back into learning. In the last year, the Fund has helped to encourage over 25,000 workers to try some form of workplace learning.
- 1.31 There are over 7,000 Union Learning Representatives. Over 3,500 new ULRs have received training this year. Following the introduction of new statutory rights for ULRs, through the Employment Act 2002, there could be as many as 22,000 in place by 2010, helping over 250,000 workers a year with their training and development needs.
- 1.32 We have piloted a scheme to support the identification and training of internal training champions in small firms. The results were encouraging and we plan to introduce this type of support as part of the LSC's new offer for employers.

Dave Pugh, Learning Representative, First Group, Yorkshire

Dave Pugh left school with no qualifications. Since being elected in 2000 as a Trade Union Representative at First, the UK's largest bus operator, he has completed a range of union courses, attended an Advanced Communication and Tutoring Skills course and has just completed a Masters Degree in Lifelong Learning at Hull University.

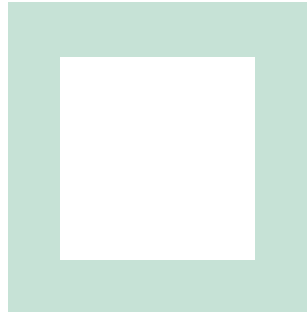
In 2001, when First introduced Lifelong Learning, Dave became one of three Union Learning Representatives, liaising with senior management and external learning organisations, to provide learning opportunities for 1,300 staff at three depots.

He recently won the 'Learning Representative of the Year' award at Leeds College of Technology. In April 2003, he was appointed project co-ordinator for First Group's Yorkshire Division providing on-site learning centres at 10 depots for 5,000 staff. Through his trade union, he is now a part time tutor at Hull University, where he lectures on Health and Safety and Labour Law.

SUPPORTING INNOVATION

- 1.33 Skills and innovation are twin pillars of productivity. The Innovation Report and action plan *Competing in the global economy: the innovation challenge* published by the DTI in December 2003, set out how we will ensure that all organisations have the incentives, services and skills to move up the value chain, adopt new product strategies and achieve higher levels of productivity.
- 1.34 Key recommendations are:
- A stronger partnership between the sector interests of the DTI and the Skills for Business network, so that the business strategies of those sectors and their skills requirements are better linked.
 - Collaboration at regional and local level, including through Regional Skills Partnerships, to make sure that skills training provision meets the needs of the local and regional economy.
 - Integration of services for skills and business support so that the brokerage between, for example, Business Links and CoVEs is transparent to the business customer; and ensuring that the DTI's streamlined portfolio of Business Support products reflect the skills required to make best use of those products.
 - Development of a business led Technology Strategy and Programme, underpinned by a long-term funding commitment (initially £150 million over the next 3 years). This will identify technology priorities critical to the growth of the UK economy, and support businesses in sharing the risk of their development. This will raise the demand for specialist technological and marketing skills to ensure technologies are developed and successfully exploited.
- 1.35 The Higher Education Innovation Fund (HEIF) supports activities to boost the capability of Higher Education Institutions to respond to the needs of business. HEIF is now a permanent stream of funding for universities and colleges, and has been increased from £60 million in 2003-04 to £100 million by 2005-06.
- 1.36 The new HEIF programme has two priorities. First, to build on success which has been achieved so far in knowledge transfer activities. Second, to broaden support for more applied forms of knowledge transfer. Awards will stimulate closer working between HEIs and business, including the exploitation of inventive work, consultancy and tailor-made continuing professional development training courses.
- 1.37 DTI are currently consulting on the statutory requirement for the directors of quoted companies to publish an Operating and Financial Review. The purpose of the OFR is to provide shareholders with better information on the business. In preparing their OFR, Directors will need to consider a wide range of factors, including information on their employees, where this is relevant to an understanding of their business.

- 1.38 In response to the recommendations made by the Accounting for People Report, published in November 2003, the Accounting Standards Board is taking forward work in Human Capital Reporting as it develops OFR standards.



SECTION 2:

Skills for Sectors

- 2.1 In setting their priorities for skills, productivity and business development, many employers look to their sector for benchmarks and support. So it is essential to have a strong sector dimension to skills. In each sector of the economy there needs to be a driver to identify and deliver the skills that employers need to raise productivity to internationally competitive levels. The new Sector Skills Councils (SSCs) are leading that drive through the Skills for Business Network.
- 2.2 We said that we would:
- a. Expect each SSC to deliver top quality analysis of international, national and regional trends in labour, skills and productivity of the sector;
 - b. Expect each SSC to develop occupational standards defining the skills needed in their sector, and which can be used to design high quality, up-to-date qualifications and learning programmes;
 - c. Expect each SSC to work with its employers to broker a Sector Skills Agreement (SSA) for its sector demonstrating employers' commitment to maintaining and improving their skills base;
 - d. Provide Government support through the Sector Skills Development Agency (SSDA), with development funding to back up and implement SSAs.

2.3 This section sets out progress in delivering those commitments. The SSDA is publishing in parallel a fuller progress report on the Skills for Business (SfB) Network, with details of the work of each SSC.

CREATION OF THE SKILLS FOR BUSINESS NETWORK

2.4 When we published the Skills Strategy in July last year, two Councils had been licenced – e-skills UK and SEMTA – the Science, Engineering and Manufacturing Technologies Alliance. A year later, there are now 18 Councils licenced or recommended for license. There are a further seven aspirant SSCs, most of which are well advanced in their development. The SfB Network will cover around 85% of the workforce.

SSCS licenced and recommended for license

Automotive Skills	The retail motor industry
Cogent	Chemical, nuclear, oil and gas, petroleum and polymer industries
ConstructionSkills	Construction industry
Energy & Utility Skills	Electricity, gas, waste management and water industries
e-skills UK	Information technology, telecommunications and contact centres
Financial Services Skills Council	Financial services industry
Improve	Food and drink manufacturing and processing
Lantra	Environmental and land-based industries
People 1st	Hospitality, leisure travel and tourism
SEMTA	Science, engineering and manufacturing technologies
Skillfast-UK	Apparel, footwear, textiles and related businesses
Skills for Health	All staff groups working in NHS, independent and voluntary health organisations
Skills for Justice	Police, prisons, probation, youth justice, immigration, detention and courts
Skills for Logistics	Freight logistics industry
SkillsActive	Active leisure and learning
Skillset	Audio-visual industries
Skillsmart	Retail
SummitSkills	Building Services, Engineering (Electro-technical, heating, ventilating, air conditioning, refrigeration and plumbing)

Aspirant SSCs (*in italics where names not yet finalised*)

Asset Skills	Property, housing, cleaning and facilities management
<i>Central Government</i>	Central Government departments and NDPBs
<i>Creative and Cultural Industries</i>	Arts, museums and galleries, heritage, crafts and design
GoSkills	Passenger transport
Lifelong Learning UK	Community-based learning and development, Further Education, Higher Education, library and information services, work-based learning
<i>Process and manufacturing</i>	Processing and manufacturing industries
<i>Social Care, Children and Young People</i>	Social care and work with children, young people and families

2.5 Each SSC is employer-led, with a board representing leading employers from the sector.

The core role of each SSC is:

- To be the most authoritative source in the country of information and analysis about the skills that the sector needs to drive up productivity, and the scale and distribution of any skills gaps and deficits.
- To articulate on behalf of its employers what their current and future skills needs are, and work with employers and the training supply side to ensure those needs are met.
- To develop National Occupational Standards which set out those skills needs, as a basis for designing qualifications and training programmes which will equip those employed in the sector with the skills needed for productive and sustainable employment.
- To work with the LSC, RDAs and partners, to shape the supply of training so that it delivers those skills.
- To develop a collective understanding of the actions which employers in the sector wish to pursue, as a basis for developing a Sector Skills Agreement.

2.6 During the past year, the SSDA has been working with the emerging Councils to ensure that the network has the capacity to deliver this remit. It is on this basis that the licences have been awarded and the network's performance will be judged.

2.7 The SSDA recently commissioned an evaluation of the SfB Network. This is setting baselines which will provide the basis to track future developments and is collecting information to give an early indication of progress. Some key findings of that evaluation were:

- The SSDA has now been fully established and is on track to ensure that the full network is established as forecast. This is a significant achievement. In most cases it has involved establishing new organisations or major development of existing ones through mergers and growth to create larger sector bodies of more strategic significance.

- Whilst employer awareness and satisfaction with the work of the SSCs has increased, there remains much more work to do to embed this. To address this, the SSDA will build on the evaluation undertaken and develop a programme of work to ensure that employer engagement is enhanced.

2.8 Fundamental to the network's effectiveness is the availability of excellent labour market information and business intelligence which can improve the relevance of training provision. The website at www.ssdamatrix.org.uk offers an increasingly rich evidence base, identifying skills and productivity trends by sector. It also provides access to deeper and richer intelligence provided by each SSC.

2.9 The Network is a key player in the range of current work to develop new qualifications. For example:

- All SSCs will have a qualifications strategy for their sector.
- All SSCs are developing the new Apprenticeship frameworks.
- A number of SSCs are preparing to trial Apprenticeships for adults.
- With the Qualifications and Curriculum Authority (QCA), a number of SSCs are developing credit-based qualifications, standards and training programmes for their sectors, linked to the QCA's proposed new credit framework.
- Seven SSCs are developing Foundation Degree Frameworks which will be launched this summer.
- LSC is piloting nine compacts between SSCs and HE Institutions designed to facilitate progression from apprenticeship routes into HE.
- Eleven SSCs are working with Ufi/**learndirect** to deliver e-learning and IAG services through Ufi/**learndirect** to their client groups. Ufi will continue to work with new SSCs as they come on board.

Some examples of SSC projects

Many of the projects below have been developed by SSCs with a wide range of partners, including the LSC, Jobcentre Plus and Ufi/learnirect.

- **e-skills UK (IT, telecoms and contact centres):** the SSC has developed an on-line e-skills Passport which enables users to assess their IT skills and create a plan for improvement. 4,800 people have registered so far to use the passport. 3,600 girls in the South East are benefiting from Computer Clubs for Girls, the e-skills UK programme to address misperceptions about IT skills and equip girls with up-to-date technical skills. 88% of girls said their first experience of CC4G was good and over 2,200 girls are more likely to enter technology careers as a result.
- **ConstructionSkills:** The On-Site Assessment and Training (OSAT) scheme is a way for experienced skilled workers within the construction industry who have no formal qualifications to gain a National Vocational Qualification. ConstructionSkills, working with the Learning and Skills Council who are supporting the project with £9 million, has been piloting a new way of delivering OSAT to enable the assessment and qualification of an extra 10,000 workers, aged over 25, to NVQ Level 2 or 3 by July 2004.
- **Skillset (audio-visual industries):** Skillset has pioneered a £50 million five-year Film Skills Strategy and has launched 120 people from under-represented groups into the industry through the Skillset Millennium Awards scheme.
- **Skillfast-UK (apparel, textiles, footwear and related industries):** In its two years of operation since becoming one of the five original 'trailblazer' SSCs, Skillfast-UK has engaged with 1,400 businesses. As a result, over 4,600 individuals have benefited from training, and 450 companies have received help in developing strategic business and linked training plans.
- **Energy & Utility Skills:** Through its management of the Government's *Ambition:Energy* welfare to work training, Energy & Utility Skills has filled more than 1,100 job vacancies in the gas industry over the past two years, giving previously long-term unemployed people the training to become qualified installation and maintenance engineers and gas network operatives.
- **SummitSkills, Energy & Utility Skills, Cogent, ConstructionSkills:** These four Sector Skills Councils are working together to upskill 65,000 heating installers to help them meet the new requirements of the building regulations relating to the installation of energy-efficient boiler systems.

SECTOR SKILLS AGREEMENTS

- 2.10** In the Skills Strategy we undertook to develop Sector Skills Agreements (SSAs) to provide a vehicle for SSCs to pursue collectively their priorities for action on both supply and demand for skills. The Agreements will put a framework in place which allows sectors to conduct a robust analysis of current gaps and weaknesses in skills supply and use. On the basis of that analysis, sectors will work with the main funding and delivery agencies to agree what actions collectively will be taken, both to shape training supply and to raise employers' own willingness to engage in skills investment.
- 2.11** Since January 2004, the first four SSCs (Construction Skills, e-skills UK, SEMTA and Skillset) have been developing SSAs. They are on track to complete their Agreements by the end of the year. For example, SEMTA will be doing specific work with the marine, automotive, aerospace, electronics and bioscience sectors, in particular, developing the framework for over 25s and Apprenticeships for adults to address technician shortages. Skillset are focusing on three sub-sectors for their current SSA: film; television; and interactive media. ConstructionSkills will be focusing on on-site training and assessments to achieve a fully qualified and competent workforce by 2010. Building blocks for the e-skills Agreement are likely to include the use of the e-skills Passport to link training to employer need.
- 2.12** The SSDA has been leading work to identify the full range of options potentially available for inclusion in SSAs. The aim is not to prescribe what SSAs should contain, but to raise expectations and ambition about what is potentially achievable, in the following areas:
- Maximising company productivity, competitiveness and profitability, linked to effective skills development;
 - Strengthening the links between general business support and specific action on skills utilisation and training;
 - Boosting the effectiveness of skills development through employers acting together and co-investing;
 - Developing a set of qualifications that meets the sector's needs, provides a clear ladder of learning and helps people keep raising their skills;
 - Shaping the type of training that is delivered and the way it is delivered;
 - Strengthening the industry image, working with schools and colleges to shape the future 'skills supply chain', and providing better advice about what opportunities are available;
 - Maximising the available workforce and diversifying the sources of labour supply.
- 2.13** We have provided £0.5 million to each SSC to support development of its Sector Skills Agreement. That is in addition to up to £4 million core funding over three years for each Council, and up to £0.5 million as a 'one off' sector investment package to build the Network's capacity.

2.14 To achieve the impact we want, it is essential that all SSAs can directly shape training supply. That is why the SfB Network are core partners in Regional Skills Partnerships, so that their analysis of sectoral skills needs and the actions required to address them feed directly into regional plans, developed with the LSC, RDAs, Jobcentre Plus and the Small Business Service for collective action on skills, training, labour market services and business support. To ensure the Network can play its part effectively, the SSDA has created nine regional Sector Skills Forums comprising the SSCs' regional representatives and chaired by an SSC Chief Executive. Each Forum has developed a business plan which sets out the Network's priorities in the region and the contribution it will make to the region, acting as a focal point for intelligence to support sector planning and development and articulating the voice of employers to support a demand-led agenda.

OTHER SECTOR BASED ACTIVITY

LSC Sector Policy Development

2.15 In the past year, the LSC has invested over £20 million, together with additional employer contributions, to develop specific solutions to meet the skills needs in over 30 occupational groups. This has brought some 27,000 additional adults into cost-effective, employer-led NVQ qualifications with high success rates and high business impact, in sectors as diverse as construction, health care, IT, retail, manufacturing, childcare and hospitality. The pilots are now beginning a formal evaluation phase to consider how the key features can be incorporated into mainstream provision.

CBI Work on the Supply Chain

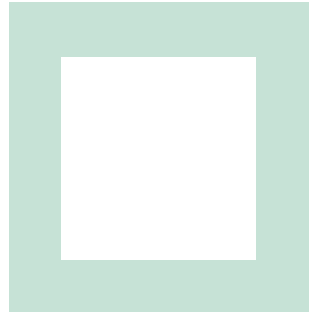
2.16 The CBI has been leading a project on enhancing skills and innovation within supply chains and clusters. It is on track to report by November this year. So far over 400 organisations have participated in the employer survey. The final report will include detailed case studies of good practice, together with policy recommendations on ways in which employers and intermediaries can build skills investment through supply chains.

DTI Work on Sectors

2.17 In February 2004 we agreed that DTI would jointly sponsor the SfB Network with the Department for Education and Skills (DfES) and the Devolved Administrations, in order to get closer integration between the Network and DTI's own sector teams.

2.18 The DTI's Innovation and Growth Teams in the automotive, environment, aerospace and chemicals sectors are working closely with the relevant SSCs in defining skills priorities, disseminating and developing best practice and promoting specific sectors to attract new entrants.

2.19 DTI and SfB Network will work together in areas such as innovation, management and leadership, skills for employability, diversity, sustainability, inward investment and manufacturing.



SECTION 3:

Skills for Individuals

- 3.1 The Skills Strategy aims to put in place a framework which gives every young person a firm foundation of the skills they need for adult and working life, and which gives adults opportunities to keep developing their skills throughout their careers and for culture, leisure, community and personal fulfilment. Skills and learning are not just about economic goals. They are also about the pleasure of learning for its own sake, the dignity of self-improvement and the achievement of personal potential and fulfilment.
- 3.2 We said we would:
- a. Introduce a new entitlement to free tuition for all those studying for their first full Level 2 qualification to help them gain the platform of skills for employability;
 - b. Provide targeted support for higher level skills in priority areas to meet sectoral and regional needs;
 - c. Introduce a new Adult Learning Grant of up to £30 a week for full time learners studying for their first full Level 2 qualification, and young adults studying for their first full Level 3 qualification;
 - d. Improve information, advice and guidance services for adults;
 - e. Strengthen the range of 'first step' and 'return to learn' opportunities for adults by ensuring there is a coherent range of learning programmes which promote personal fulfilment, community development and active citizenship;
 - f. Offer better opportunities for adults to gain basic ICT skills.

3.3 The Skills Strategy aims to promote skills at all levels, for both young people and adults. We have to focus the use of public funds in areas of market failure where they will make most difference, particularly in skills up to a full Level 2. But we need to provide a wider framework that supports progression to achieve higher levels of qualifications as well, while rebalancing the contributions which individuals and employers make to reflect the benefits they receive. This section summarises progress in developing that framework, from basic skills to higher education.

TARGETING LEARNERS WITHOUT FIRST QUALIFICATIONS

3.4 As set out in the companion technical report which we are publishing on latest trends in skills and productivity, we are making good progress in raising levels of achievement amongst young people and adults. More people are achieving qualifications at every level. Participation in education and training by young people is rising and the 14-19 reforms will help more young people to access learning programmes that are suited to their needs and abilities, and provide progression routes into Higher Education and skilled employment. So both the flow and stock of skills are improving. That is projected to continue year by year, giving us a progressively better skilled and qualified workforce.

3.5 Even so, there remains an unacceptably high number of adults lacking basic literacy, language and numeracy skills, and without the platform of skills for employability that is represented by a full Level 2 qualification. The Skills Strategy set out our ambition to address both the retention of young people in learning, and to give adults who had not succeeded in school a second chance to gain the skills they need to be employable and personally fulfilled.

Skills for Young People

3.6 In 1997, more than a third of children failed to achieve the expected level for their age in either English or mathematics at age 11. Now 75% in English and 73% in mathematics achieve that level. Latest available data show that:

- In 2003 53% of 16 year olds achieved at least 5 good GCSEs.
- By autumn 2003, 52% of 19 year olds had achieved at least 2 A levels or an equivalent qualification at Level 3.
- At the end of calendar year 2002, 60% of 18 year olds were participating in some form of education or training.
- By 2003, 76% of 19 year olds had achieved a full Level 2 qualification, as a foundation for further learning or employment.

All these are significant increases since 1997.

Tackling Poor Literacy and Numeracy

- 3.7 Skills for Life is the national strategy for adult basic literacy, language and numeracy skills. Our target is to improve the basic skills of 1.5 million adults by 2007, with an interim target of 750,000 by 2004. The July 2003 milestone of 470,000 achievements was met. From April 2001 to July 2004, we estimate that 2.3 million learners will have taken 4.6 million Skills for Life learning opportunities, and 550,000 qualifications have been awarded.
- 3.8 We remain on track to achieve the basic skills target, and work to engage employers in that programme continues. An Investors in People Guide for Employers is being developed to link Skills for Life and the IiP Standard, to embed Skills for Life within the processes that engage employers in addressing employees' learning needs. Business in the Community has now engaged over 60 large companies at national and regional levels to promote adult basic skills. Union Learning Representatives play a crucial role in supporting this work.
- 3.9 The LSC have engaged colleges and training providers to deliver more basic skills training in the workplace and through on-line provision, supporting large employers who want an integrated approach to training and funding. LSC and Asda are, for example, agreeing the first national contract for basic skills provision. Ufi/**learn**direct now has 1,500 on-line test passes each month in Certificates in Literacy and Numeracy at Level 2. SMEs are supported by workplace advisors in each local LSC and at national level.

Tackling Low Skills Through the Level 2 Entitlement

- 3.10 We set out in the Skills Strategy the case for focusing public funding more directly on helping low skilled adults achieve their first full Level 2 qualification, as a platform of skills for employability, because that is where some of the major market failures operate. That focus is reflected in the Government's target set in 2001:

"to reduce by at least 40% the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010; and, working towards this, one million adults in the workforce to achieve Level 2 between 2003 and 2006."

- 3.11 The latest data from the Labour Force Survey suggest that 71.3% of adults in the workforce are qualified to at least a full Level 2.⁷ That is an increase from 70.6% the same time last year, and from 68.2% over the past 5 years. In 2001, 7.1 million adults in the workforce lacked a full Level 2 qualification. Now 6.7 million adults do not have that qualification, which represents a decrease of 6.1 percentage points towards the 40% reduction planned for 2010.
- 3.12 Current figures are broadly in line with the planned trajectories for meeting the PSA targets for 2006 and 2010. But we have a long way to go, and the trajectory accelerates substantially in later years. That is why we are putting in place the infrastructure for reducing the numbers of individuals without a full Level 2 qualification, while recognising that it will require

7 Labour Force Survey, Winter 2003/4

commitment and resources from very large numbers of individuals and employers, as well as from Government and delivery agencies, if we are to achieve the target.

3.13 To support the target, the Strategy announced a new entitlement to free tuition for those without a full Level 2 qualification who commit to achieving one. We said we would implement this entitlement from September 2004 onwards, and we are on course to deliver this. The roll out will begin in the North East and South East regions. These regions provide contrasting labour markets and regional economies. We will trial key components of the Skills Strategy, prior to extending the entitlement nationwide from 2005.

3.14 It is vital that, for both individuals and employers, the various elements of the Skills Strategy combine to form a coherent whole, not a set of disconnected initiatives. We want individuals, and employers, to experience an 'offer' that integrates the help that is available to them. The components we are trialling together are:

- The Level 2 entitlement;
- Support at Level 3 for those with no or low skills for training in areas of regional and sectoral priority;
- Extension of the new Adult Learning Grants and Learner Support Funds better focused on these priority groups;
- Extension of Employer Training Pilots, so that the pilots will be implemented across the whole of the North East region;
- Improved free IAG on skills, training and related services with a focus on adults without a full Level 2;
- Improved business support services.

3.15 We are in discussion with the LSC to agree how high quality independent training providers might contribute more effectively across the range of Government funded skill development programmes.

IMPROVED DATA SHARING

3.16 The Skills Strategy set out the intention to consult on a Unique Learner Number (ULN). This has been overseen by the DfES-led Managing Information Across Partners group supported by organisations across the Learning and Skills and HE sectors. The feasibility work confirmed that a ULN supported by more effective sharing of information across schools, FE, HE and awarding bodies would bring benefits, though the costs and savings would vary depending on the level of service provided. We will trial a number of options and the infrastructure required to deliver real benefits.

SUPPORT FOR HIGHER LEVEL SKILLS

- 3.17** One of our long-standing skills gaps is that, compared with countries such as France and Germany, we have too few people with technician, higher craft and associate professional qualifications (equivalent to Level 3). The majority of new jobs created over the next 10 years will require at least Level 3 qualifications.
- 3.18** The Skills Strategy stated that targeted support would be provided for higher level skills, focused on those developing their skills and qualifications to Level 3 to meet sectoral and regional priorities. The main mechanisms which are being put in place are:
- a. Reform of the Apprenticeships programme, to expand Advanced (Level 3) Apprenticeships as the primary vocational route for young people wanting to develop job-related skills. All Apprenticeships are designed and delivered in partnership with employers.
 - b. Introduction of Apprenticeships for adults, mostly at Level 3.
 - c. Using Sector Skills Agreements to identify sectoral priorities at Level 3, and Regional Skills Partnerships to identify regional priorities at Level 3. Both will feed into the LSC's annual business cycle, so that they directly inform LSC's decisions on the planning and funding of training programmes in each area.
- 3.19** At higher education level (Level 4 and above) we are making good progress. We already have a relatively high proportion of young people achieving HE qualifications, and will be further expanding that supply towards our target of 50% of young people entering HE. The continuing high rates of return to HE qualifications, and projections of future demand for high level skills, demonstrate the importance of that expansion in meeting the wider skills agenda.
- 3.20** It is, however, essential that HE programmes do equip students with the skills that employers need. The HE reform programme is designed to secure this, particularly through:
- Focusing the expansion of HE on vocational Foundation Degrees, designed and delivered in close partnership with employers.
 - Closer working between the Skills for Business network and HE institutions, so that employers' skills priorities can directly shape the design and delivery of HE courses. The memorandum of understanding between the SSDA, HEFCE, DfES, AoC, Universities UK and Standing Conference of Principals provides a framework for this.
 - Strengthening the influence of RDAs in shaping HE programmes for knowledge transfer, innovation and business development, in support of Regional Economic Strategies.
- 3.21** HEFCE, DfES and LSC are exploring the scope to support progression by establishing Lifelong Learning Networks. These will bring HE Institutions and FE Colleges together with other partners, including work based learning providers, to create new opportunities for progression in vocational qualifications. A network will, for example, offer a guarantee to learners that they will be able to progress from any award offered by one of the partners, to any other programme offered within the network.

FINANCIAL SUPPORT FOR LEARNERS AND ADULT LEARNING GRANTS

- 3.22 The Skills Strategy recognised that one of the barriers which prevents some individuals taking up learning opportunities is financial.
- 3.23 For 16-19 year olds, we are making the Education Maintenance Allowance (EMA) available nationally for those who stay on in full time education. The allowance is paid on a means-tested basis, at a rate of up to £30 a week. Based on evaluation of the EMA pilots we expect that the introduction of EMA across the country will boost participation. In its report *Supporting Young People to Achieve*⁸ the Government set out its intention to ensure that young people are given the support they need to follow their preferred route into further learning up to Level 3. The comprehensive measures set out in that report include the proposal to extend the same package of support currently available to those in full-time education to young people in unwaged training, including the extension of the EMA model to this group.
- 3.24 For adults, we have introduced on a trial basis a new Adult Learning Grant (ALG). This is the first time that eligible adults in Further Education have been guaranteed funding to help them meet the costs of learning. Consistent with the priorities set out in the Skills Strategy for the investment of public funds, the grant provides up to £30 a week, means-tested, to full time learners studying for their first full Level 2 qualification and young adults studying for their first full Level 3 qualification.
- 3.25 There are currently 10 ALG pilots fully operational in local LSC areas across the country. So far over 2,200 individual learners have received the grant. We expect £1.37 million in grants to have been paid to learners by the end of June 2004.
- 3.26 Results of the evaluation of the impact of ALG are due shortly. But early information shows that:
- 76% of beneficiaries are aged 19-21;
 - 52% are women;
 - Over 90% of learners are receiving the maximum grant of £30 per week;
 - The grant is helping people stay in learning. Over 90% of ALG learners have completed or are on target to complete their learning, which is significantly higher than the norm.
- 3.27 ALG will be expanded to cover the whole of the two regions which are trialling the Level 2 entitlement, North East and South East, in 2004/05 (see paragraph 3.15). Subject to continuing evaluation of its impact, it will then be rolled out nationally from 2005/06.

IMPROVED INFORMATION, ADVICE AND GUIDANCE SERVICES

- 3.28 High quality, easily accessible IAG has a key role to play in helping people to understand the opportunities and support available to them in skills and training.

8 *Supporting Young People to Achieve: towards a new deal for skills*: <http://www.dfes.gov.uk/consultations/>

- 3.29 For young people up to the age of 19, the Connexions service is the key mechanism for providing impartial IAG. We are undertaking a review of the adequacy of current systems for Careers Education and Guidance for young people and this will report to Ministers in the summer.
- 3.30 Most adults get information and advice on skills, training and career development from their employers; whilst those people without work get information and advice through Jobcentre Plus. We identified in the Skills Strategy that there is a gap for those adults who cannot access advice at work and who cannot afford to pay for services.
- 3.31 We have made good progress over the past year:
- a. Working with Ufi and the LSC, we have brought together into an integrated IAG service Ufi/**learnirect**'s national learning advice helpline and website, with the locally tailored IAG provision funded, contracted and managed by the LSC. This integrated service goes live from 1 August 2004 .
 - b. An IAG National Policy Framework was published in December 2003. This defines the information and advice services that adults should be entitled to expect and the standards those services should meet. The LSC has set out how it will implement these standards in its strategy *Coherent Information Advice and Guidance Services for Adults*. Ufi/**learnirect** have also developed a national resource service to support the delivery of consistent and high quality IAG services.
 - c. The LSC has issued new, more robust contracts for the delivery of IAG services in each local LSC area. Those contracts incorporate the standards set out in the National Policy Framework and require all publicly funded IAG services to meet the **matrix** national standard. So far, nearly 1,000 organisations from the public and private sector have been accredited against the **matrix** standard.
 - d. A fully revised version of the Worktrain website has been released by DWP, which links information on job opportunities with relevant training. The website has been enhanced to provide help and support on Labour Market Information for service users and IAG advisors.
- 3.32 IAG will be a central part of the New Deal for Skills, announced in the 2004 Budget. Within the constraints of available resources, we hope to develop a new skills coaching service to provide more intensive individualised support to help individuals secure the skills and training they need to gain sustainable, productive employment. This new service, for both the employed and the unemployed, will be targeted at those with few or no skills and qualifications who need most help to make the transition from welfare to workforce development, and from lower to higher skilled employment.

ENCOURAGING RETURN TO LEARNING

3.33 For many low skilled adults, returning to learning is a daunting prospect. They do not have the confidence to enrol on programmes leading to full qualifications, but need less formal ways back in. In the workplace, Union Learning Representatives have an important role in building that confidence, and advising on options. But outside of work as well, individuals should be able to access learning opportunities that suit them.

3.34 Over the past year, we have taken the following steps:

- a. Ufi/**learn**direct have provided over 900,000 learning opportunities to nearly 500,000 learners during the year in three main subject areas – Skills for Life, ICT and Business and Management. They are mainly in the form of short learning programmes in specific skills and vocational areas, lasting on average 12 hours.
- b. The LSC runs an annual ‘bitesize’ campaign to encourage adults back into learning. In 2002, 52,000 adults accessed bitesize taster courses. Early findings from the most recent campaign, which ended March 2004, suggest that over 100,000 adults accessed these courses, of which over half were learners with no or low qualifications.
- c. In September 2003, the LSC published a paper *Successful Participation for All: Widening Adult Participation*, setting out the Council’s strategy for extending access to learning. The strategy requires local LSCs to adopt measures to support disadvantaged groups. It will be supported by a regionally-held £2.5 million Widening Adult Participation Fund. Every local LSC has identified groups which are under represented in learning and set targets for improvement.
- d. In May 2004 the LSC published its strategy *Working Together* to create a step change in its relations with the Voluntary and Community Sectors (VCS) and to open up access to mainstream LSC funding for more VCS organisations. These organisations have a unique ability to bring into learning people from socially excluded groups.
- e. The LSC has identified, within the funding allocations for 2004-05, a budget of £207 million for non-accredited provision provided through Local Education Authorities, family and neighbourhood learning. This delivers the Skills Strategy commitment to safeguard the provision of a wide range of informal learning opportunities in each area, for individual pleasure and leisure purposes as well as skills development. The LSC continues to work with NIACE to ensure this commitment is taken forward in subsequent years. The LSC will be consulting shortly on proposals for a new approach in the planning and funding of non-accredited learning.

3.35 Exclusion from learning affects not just individuals but some whole communities. If people in those communities are to be encouraged back into learning we need to address community expectations. Testbed Learning Communities are trying out new approaches to tackle these problems. They will draw on the resources that are already available in all communities – skills,

knowledge, buildings (for example schools, colleges and libraries), and Government funding – to support the development of individuals and their communities, with involvement of local employers. Learning Communities are being developed by Government Offices with their local partners. 26 pilots will be run over two years. Eleven started in April and the rest will be in place by September this year.

BETTER OPPORTUNITIES USING ICT

3.36 Information and Communication Technologies (ICT) can play a key role in enabling individuals and employers to develop the skills they need, both to learn about ICT itself and by using ICT as a medium for delivering learning about other skills. Our goal is to bring greater coherence to the existing range of ICT provision.

3.37 Major developments during the past year include:

- Ufi/**learndirect** has provided over 530,000 courses to over 300,000 learners to develop their ICT skills. ICT is Ufi's most popular subject area.
- Across the LSC-funded provision, ICT is the most popular subject of study up to Level 2. Some 620,000 adults (880,000 learners including 16-18 year olds) undertook ICT learning through further education in 2002/2003.
- DfES published in July 2003 for consultation a proposed e-learning strategy covering the whole of the education and skills service, including post-16. The final strategy will be published during the summer with a more detailed road map in November/December.
- In April 2003 Ufi/**learndirect** took on responsibility for the management of some 6,000 UK online centres, which provide a national network of centres providing access to ICT and e-services. The network of online centres will soon offer a 'First Step' comprising new ICT, literacy and numeracy taster sessions and initial assessment for socially excluded groups or the low skilled. Ufi is leading nine pathfinder pilots to test the capacity of the online network to provide access to and support for the delivery of a range of e-government services.
- The LSC has developed with partners, a new full Level 2 qualification in IT – the "ITQ" programme (see box opposite), to be included in the National Qualifications Framework this summer.
- We are close to completing an ICT User Skills Strategy, introducing new standards for ICT within a coherent suite of high quality ICT programmes. All these programmes can be linked to the 'e-skills Passport' developed by e-skills UK to enable individuals and employers to self-assess their or their employees' ICT skills and signpost them to further training.

- The LSC has worked closely with DfES and their partners to strengthen the use that is made of technology by colleges and other learning providers. This includes improvements to the connectivity and coverage of the ICT network infrastructure which now includes 50% of specialist colleges as well as all further education colleges.
- A programme of support, information and training for the further education workforce is being run. e-learning content and resources are being developed for use in teaching and learning – over 600 hours of materials across 13 curriculum areas are now available and another 400 hours have been commissioned.

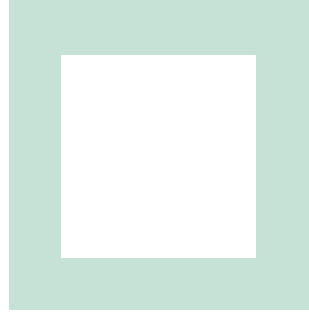
ITQ – the IT user qualification

60% of all current jobs in the UK, and 80% of new jobs, require good IT skills. There is a wide array of training programmes available. But until now there has been no single qualification that demonstrates competence in the workplace.

In 2002 e-skills UK, the Sector Skills Council for the ICT industry, and the LSC set out to change this. e-skills UK revised the occupational competences for using IT, matching employer needs across all sectors. In a major collaborative project, LSC and e-skills UK, in partnership with the QCA and a consortium of awarding bodies, created ITQ as a vehicle for proving competence in using IT in the workplace.

The main features include:

- an up-to-date, nationally accredited qualification, matching latest employer-defined standards;
- a 'small core and many options' approach, with recognition for existing skills, and integrating with the e-skills Passport;
- individualised training programmes, which can combine units at different levels to fit job profiles;
- on-line learning delivery, and simplified assessment in the workplace;
- a consortium of five awarding bodies have agreed cross-recognition of units, facilitating credit accumulation and progression;
- full Level 2 and Level 3 qualifications, contributing towards national targets;
- the programme has been successfully tested with 3,500 learners and 330 employers. The pilot showed substantial productivity gains including reduced need for IT support. Some of these employers now plan to put their whole workforce through ITQ.



SECTION 4:

Reforming Qualifications

- 4.1 Our goal is that learning programmes, and the qualifications to which they lead, will respond fully and quickly to the skill needs of employers and learners. We said that we would:
- a. Ensure that learning programmes enable all young people to develop the skills, attitudes and attributes that employers seek;
 - b. Create programmes of vocational education and training, available from age 14 onwards, which help young people and adults develop their job-related skills, knowledge and competence at all levels through to higher education;
 - c. Encourage more 14-19 year olds to study mathematics and science;
 - d. Raise the quality and effectiveness of Apprenticeships;
 - e. Create a responsive, employer-led, credit-based qualifications framework for adults;
 - f. Give adults with few or no qualifications access to broad programmes that develop the foundation of employability skills.

EMPLOYABILITY SKILLS FOR YOUNG PEOPLE

- 4.2 We published in January 2003 our policy document *14-19: opportunity and excellence*. This set out our proposals for ensuring that, by the time they complete their initial education, all young people have the skills to succeed in adult and working life, and the opportunities to gain recognition for their achievements.

- 4.3 A central part of that agenda is being taken forward through the Review, chaired by Mike Tomlinson, of ways of improving the qualifications and assessment framework for 14-19 year olds. The Working Group published its Interim Report in February 2004 for consultation. This proposed the creation of diplomas that combine recognition of both academic and vocational skills, to give young people the skills and attributes that employers are looking for and provide a platform for further learning post-19. The Group is currently consulting a wide range of partners and stakeholders to seek their views and to help prepare for the final report due in autumn 2004.
- 4.4 The other major steps we have taken during the past year to reform education and training for 14-19 year olds have been:
- a. Continuation of the Increased Flexibility for 14-16 Year Olds Programme. Around 290 partnerships have been formed, largely between colleges and schools. There is at least one partnership in each local LSC area. Initial research indicates that there are approximately 2,000 schools involved, and 80,000 young people.
 - b. More funding has been given to the programme in 2004-2006. This will enable a third group of 14-16 year olds to begin part-time vocational courses from September 2004. This funding will embed GCSEs in vocational subjects in the secondary curriculum as well as offering valuable pointers to the ways in which the 14-19 agenda might develop.
 - c. Whilst first results for the GCSEs in vocational subjects will not be available until August, indications are that these qualifications are proving popular with young people.
 - d. The statutory curriculum at Key Stage 4 is being altered to introduce greater flexibility and choice. The changes will enable schools to offer programmes that better meet young people's individual needs and strengths, whilst ensuring that they acquire the core of general learning and experience essential to later learning and employment.
 - e. The programme of 39 14-19 pathfinders is testing the medium term changes set out in *14-19: opportunity and excellence*, introducing more curriculum flexibility and choice so that students' programmes can be better tailored to their needs and aptitudes.
 - f. In 2003/04, 171 Enterprise Pathfinders commenced, involving over 500 schools. They will inform the production of national guidance on how schools can develop Key Stage 4 pupils' enterprise capability. This is in preparation for the new £60m funding for Enterprise Education in secondary schools from September 2005.
 - g. Specialist schools now make up more than half of all secondary schools in England. They focus on their chosen subject area whilst delivering a broad and balanced education to all pupils. These schools are expected to work closely with businesses, employers, and HE/FE providers in a range of ways, including shared curriculum delivery, work placements,

governance, and (in the case of business) financial sponsorship. This work should be built into their specialist plans. These links promote new 14-19 pathways, including vocational and work-related learning as well as more traditional academic routes.

MATHEMATICS AND SCIENCE

4.5 In February 2004, Professor Adrian Smith published his report of the Inquiry into Post-14 Mathematics. The Inquiry was asked to make recommendations on curriculum, qualifications and pedagogy for those aged over 14 in schools, colleges and higher education in the UK and to provide costed options for the National Centre for Excellence in Mathematics Teaching which was announced in March 2003. The report identified three key areas for concern:

- A shortage of specialised mathematics teachers;
- Failure of the current curriculum, assessment and qualifications to meet the needs of many learners, employers and HE institutions;
- The lack of resources, infrastructure and professional development to support all teachers of mathematics.

4.6 DfES welcomed the report which provided an excellent framework for future strategy. The initial response to the report was issued in June. Key proposals include:

- creating a high level post in the Department dedicated to maths;
- undertaking a marketing campaign in 2004 and 2005 to raise interest in mathematics and encourage progression to Level 3 and beyond;
- attracting more people into the teaching profession by building on measures such as increasing the financial incentives for mathematics graduates to enter Initial Teacher Training;
- establishing a National Centre for Excellence in Mathematics Teaching.

4.7 The 10 Year Science and Innovation Investment Framework to be published shortly will set out our aspirations for science and innovation over the next ten years.

REFORM OF APPRENTICESHIPS

4.8 The Apprenticeship programme has been a major success in developing the skills base of the nation. For the first time in a generation, we are re-building a thriving, expanding and well-regarded Apprenticeship programme as an effective route into good jobs, developing the skills that employers want. Over 1 million young people have now started an Apprenticeship since 1997. 125,000 new Apprentices have started so far this year. There were 246,000 Apprenticeships at the end of March 2004, compared to 75,000 in 1997.

4.9 Nonetheless, we recognised that the Apprenticeship framework needed to be improved if it was going to meet employer needs effectively. So in May this year, the Government launched a new family of Apprenticeships, based on the work of the review group chaired by Sir Roy Gardner. This will ensure that the quality of Apprenticeships is raised; that they are seen as a

respected, worthwhile training route; and that employers are fully engaged in the process and offer more opportunities for young people to take part.

4.10 The new Apprenticeships family includes:

- Young Apprenticeships for 14-16 year olds. The first cohort of Young Apprentices will start in September 2004, at the beginning of the academic Year 10. In the first year it will be a small scale programme covering around 1,000 students in total;
- A Pre-Apprenticeship offer based around the popular Entry to Employment programme;
- Two levels of Apprenticeships – Apprenticeships and Advanced Apprenticeships (equivalent to GCSE and A level respectively);
- Trials to develop Apprenticeships for adults.

4.11 One of the sources of frustration about the Apprenticeship programme has been the age limits on participation. Following the publication of the Skills Strategy, we removed one of those age limits. This allowed people who had started but not completed by their 25th birthday to finish their Apprenticeships within an acceptable time frame.

4.12 Extending the programme to adults without any age restriction is a much bigger challenge, because at current funding rates it would be very expensive to do. But we are trialling the extension of the Apprenticeship model to adults, with a group of SSCs. These adult Apprenticeships will be available mainly at Level 3, so that they can offer a progression route for those who have achieved their Level 2 platform of employability skills through the Level 2 entitlement. The adult Apprenticeships would be equivalent in standard to the Apprenticeship frameworks for under-25s. But, reflecting the prior learning, experience and maturity of adult Apprentices, training would be shorter. We are committed to providing SSCs with as much flexibility as possible to design Apprenticeship schemes which will best reflect the priorities of their sectors.

Catrina Thomson (aged 20) – Advanced Apprentice

Catrina Thomson, from Catterick, is currently undertaking an Advanced Apprenticeship in Civil Engineering. Her hard work and dedication was recognised when she was named in January 2004 as a Champion Modern Apprentice.

Catrina now works at Structural and Civil Consultants in Northallerton. As well as undertaking general duties, she works as a computer aided drawing technician, aids the consultants with calculation and connection details and any other duties the consultants can pass to her. She says the best part of her job is seeing her design work take on a physical reality. "I am learning things at college which I can apply to my work, and I'm learning things at work which I can apply at college. Also, if I get stuck with my course work, then I can always go into work and there is a source of advice there too."

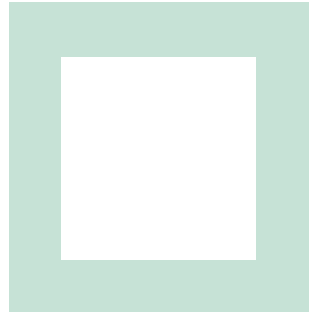
FOUNDATION DEGREES

- 4.13** Foundation Degrees have been developed specifically to meet the vocational needs of employers seeking higher level, graduate skills in vocational areas. £32 million has been provided over three years (2003 – 2006) to support the development of Foundation Degrees in key employment sectors. A national network, Foundation Degree Forward, has been created to act as a centre of expertise and to develop a support service for validation and quality assurance.
- 4.14** The SSDA has funded seven licensed SSCs to develop Foundation Degree Sectoral Frameworks in key occupational areas. Further funding will be available to other SSCs through Foundation Degree Forward. The Frameworks will define employer requirements for the skills needed for employment in these areas.
- 4.15** By January 2004 over 24,500 students were studying for a Foundation Degree in FE and HE institutions, an increase of 100% on 2002-03. Nearly half of them were studying part-time. Foundation Degrees are accessible to people of all ages and circumstances, many of whom might not otherwise have considered higher education.
- 4.16** HEFCE has allocated funding for additional student places which will result in a further 5,000 Foundation Degree places from September 2004 and another 5,000 from September 2005. These additional places along with Foundation Degree courses replacing Higher National Diploma courses will result in 50,000 Foundation Degree places by 2005-06.

REFORM OF QUALIFICATIONS FOR ADULTS

- 4.17** The reform of qualifications for adults is a central part of the Skills Strategy. The perceived slowness and inflexibility of the qualifications system in reflecting the skills and knowledge employers need has been a major source of frustration for employers and learners. That has created a damaging and unnecessary distinction between the gaining of skills on the one hand (which all employers agree to be valuable) as against the achievement of qualifications (which some see as an irrelevance). These weaknesses are being addressed. A good qualifications framework is simply a means of giving public recognition to the skills that learners have gained. Done in the right way, it motivates learners, while also giving employers a reliable, consistent guide to use when recruiting people as to the skills, knowledge and competence they bring with them.
- 4.18** Since December 2002, the QCA has been leading a joint programme of work with the LSC, SSDA and partners in Wales, Northern Ireland and Scotland to create an employer-led qualification system for adults. It will be designed to respond quickly to changing skills needs, and enable learners to undertake units, as well as full qualifications, and gain credit for their achievements.

- 4.19 The Skills Strategy recognised that achieving wholesale change in the qualification system would take time. Our aim is to have a unit-based credit framework for lifelong learning in England in place for adults by 2010.
- 4.20 The new framework for recognising achievement will be simple to understand and use. It will comprise credit-based units and will enable organisations to package these together to meet both learners' and employers' needs. It will allow both qualifications and other types of learning programmes to be included within one framework and assigned a credit value and level. In this way it will help employers define the package of training units which will best equip employees with the skills they need, while also enabling those employees to gain qualifications at the end.
- 4.21 We believe that this reform will create a much more inclusive, transparent system, as learners will be able to demonstrate to others the amount and level of learning they have achieved, irrespective of where, when or how it was gained. Employers will be able to compare the different achievements of individuals, which will help to inform decisions about recruitment and training needs. The framework will also allow SSCs to define for their sector both the content and the combination of units that should represent the core training requirement which should be expected of all those wishing to work at a particular level in the sector. Where sectors apply "licences to practice/operate", that definition of the core units could be the minimum requirement to achieve the licence, with individual employers able to add further optional units to meet their particular business needs.
- 4.22 We want to make progress as rapidly as possible. As a starting point, the QCA is working with the LSC to develop a joint plan for implementing a credit system. Four sector pilots have been agreed, as pathfinders to design qualifications and training programmes that fit within this credit framework. The pilots are in Travel, IT, Engineering and Customer Service.
- 4.23 The QCA has acted to address another major concern – namely the time it took for new qualifications to be accredited. The timelags in the system caused frustration to employers, and could mean that training programmes were no longer fully up to date when they came on stream. The QCA has acted to improve timescales. A streamlined accreditation process for qualifications was launched in October 2003. Since its launch all vocational qualifications have been accredited within the predicted turnaround time of 11 weeks. Vocational qualifications are now being accredited within an average of 9 weeks. This compares with an average of 14 weeks in 2003, 20 weeks during 2002 and 44 weeks over the previous three years.



SECTION 5:

Reforming the Supply Side – Colleges and Training Providers

- 5.1 The Skills Strategy emphasised that if we are to raise our national game on skills, we must act on both demand and supply. On the demand side, we need to ensure that we fully understand employers' skills needs and their contribution to raising productivity; that we work with employers to ensure that the skills of their employees are effectively deployed, to support business development; and that skills demand drives the design of training programmes and qualifications.
- 5.2 But at the same time, we need to bring about major changes in the way training is delivered by colleges and training providers. We want to build on the good work already done by these providers and achieve a position where the publicly-funded providers of skills and training are widely esteemed for the excellence of their work; where they become employers' first choice for training supply; and where the value of that training is recognised so that employers and learners are prepared to contribute more to the cost.
- 5.3 To reform the supply side, we said we would:
 - a. Ensure wider choice for employers and learners of publicly funded providers;
 - b. Reform the funding system to give incentives for providers to be more responsive;

- c. Help colleges and training providers to build their capacity to offer a wider range of support for local employers.

WIDER CHOICE FOR EMPLOYERS AND LEARNERS

- 5.4 The *Success for All* reform strategy, launched in November 2002, is designed to raise standards and improve quality in teaching, training and learning; ensure provision is more responsive to the needs of learners, employers and communities; and devolve decision-making power to the front line to cut unnecessary red tape.
- 5.5 The strategy aims to build a network of distinctive providers, delivering high quality provision for post-16 learners. Key elements included Strategic Area Reviews, improved teaching and learning, strengthened leadership and staff development; all supported by a new planning framework which included, for the first time, targets for improving engagement and responsiveness to employers.
- 5.6 The strategy has been in place now for over 18 months. There are encouraging signs that the further education sector is embracing the reforms and that standards and responsiveness are improving.
- 5.7 DfES published in June an evaluation of the new framework for post-16 learning, introduced by the Learning and Skills Act 2000. Key findings are:
 - a. partnership and communication are strengthening across the LSC-funded sector;
 - b. the Success for All policy has been well received, and has created a framework for performance improvement by colleges and training providers;
 - c. the Strategic Area Review process is a valuable way of reviewing the range of local provision;
 - d. Area Inspections are seen as a major trigger for change, helping to move forward collaboration and coherence on the 14-19 agenda.
- 5.8 There is much still to do, but we can already see signs of results coming through. For example:
 - college success rates for all qualifications have increased from 59% in 2000/01 to 67% in 2002/03. The success rate for adults studying full Level 2 qualifications rose from 45% in 2001/02 to 50% in 2002/03;
 - there are record numbers on Apprenticeships, and completion rates are up on average by nearly five percentage points in the past year;
 - we are seeing a substantial increase in capital investment to support learning and skills sector reforms with skills training as a priority area – 60% over three years to 2005-06.

Matthew Boulton College of Further and Higher Education, Birmingham

In April 2002 Matthew Boulton College of Further and Higher Education (Mbc) began work with ALSTOM Transport UK Rolling Stock. The relationship has since developed into an exciting partnership. Over 300 staff have gained NVQ qualifications in a range of vocational areas with the training matching shift patterns. Additional programmes have been delivered in management, logistics, quality and IT.

A Ufi/**learn**direct Access Point was formed on site at Washwood Heath, managed by Mbc. This has now had over 200 learners using Ufi/**learn**direct materials and has proved to be very popular with employees.

This initiative has been an excellent example of the LSC, FE and business working together. It is a model that ALSTOM will replicate throughout the UK.

STRATEGIC AREA REVIEWS AND BRINGING IN NEW PROVIDERS

- 5.9 All local LSCs have now started their Strategic Area Reviews. Most are on track to be completed, and the outcomes published, by spring 2005. The reviews are identifying gaps in the market. Local LSCs will bring in new providers – including those in the private or voluntary sector who offer high quality distinctive provision – to meet these.
- 5.10 The principle of opening up the market to independent providers is being applied now as a significant element in Employer Training Pilots (see paragraph 1.4). The Pilots give employers more power to choose which college or training provider they want to use and, subject to basic quality assurance checks for new providers, the LSC will then source the training from that provider. In some pilot areas, independent providers are supplying a large proportion of the training funded through the pilots.
- 5.11 This represents a substantial challenge to colleges, to show that they too are able to provide training in the way that employers want. The best colleges already see it as central to their mission to provide the skills that employers need, and have an excellent record in delivering. If and when we roll out a national programme on ETP principles, we must learn from their example in building the capacity of all colleges to show that they can respond equally effectively to employer demands.

BUILDING THE CAPACITY OF THE SUPPLY SIDE

- 5.12 Success for All includes improving teaching and training materials and methods. Trialling of the new curriculum developments in construction, business, science and Entry to Employment was completed this year. The national roll out across providers starts in Autumn 2004. Trials are commencing in Land-based provision, Health and Social Care, Mathematics and ICT ready for national roll out next year. SSCs are contributing to the design and roll-out plans of these materials through expert groups.

- 5.13 The Centre for Excellence in Leadership, the national leadership college for colleges and training providers, was launched in October 2003. Nearly 900 managers and leaders have participated in its programmes. We are developing the SSC for the sector, Lifelong Learning UK.

CENTRES OF VOCATIONAL EXCELLENCE

- 5.14 Since its launch in July 2001, the CoVE network has grown from 16 Pathfinders to 262 centres. Over 90 additional CoVEs were created in 2003-04 and we are on track to establish 400 CoVEs by March 2006. The purpose is to have a national network of centres of expertise in each major sector of the economy, able to offer the highest quality training, using industry-standard equipment and facilities. They work closely with employers on the design and delivery of training programmes. The training provided by CoVEs is focused on meeting technician and advanced craft skills at Level 3 although all CoVEs will deliver education and training at all levels.
- 5.15 The evaluation of the CoVE programme so far demonstrates that many centres report or forecast increases in learner numbers and that two-thirds of employers surveyed report high levels of satisfaction with their CoVE partner. By March 2006, when the network is complete, we expect it to be meeting skills needs by delivering 40,000 qualifications each year at both Levels 2 and 3, plus 800 Foundation Degrees. Many thousands of employers will be engaged with CoVEs and 20,000 employees will have their training paid for by their employer.

REFORMING THE PLANNING AND FUNDING SYSTEM

- 5.16 During the past year, the LSC has undertaken a fundamental reform of its approach to the planning and funding of training supply, to ensure that it can deliver the economy's skills needs effectively. Chart 1 summarises the LSC's new business cycle. It is being introduced during this year, and will apply in full for 2005-06.
- 5.17 This will support the new three year development planning process introduced as part of the *Success for All* reform strategy. This includes, for the first time, targets for improving employer engagement. Last year, all colleges and many work-based learning providers signed up to these new targets. The LSC is currently reviewing the first year's operation as part of their annual performance review of development plans. And as part of the new business plan process they will ensure future targets support local, regional, national and sectoral skills priorities.

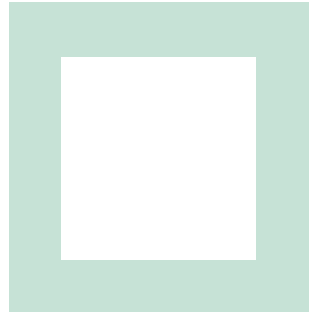
Chart 1: LSC business cycle – key processes



5.18 The Skills Strategy set out a vision for transforming our national investment in skills with the aim of achieving a new balance of responsibilities and funding between Government, employers and learners. This requires an historic shift in expectations and practice about who pays for what. Government continues to have responsibility to secure and pay for high quality initial education and training for young people. It will continue to make a major investment in adult learning. But it cannot and should not fund all the skills investment needed to sustain a competitive economy.

5.19 The contribution that employers and learners make towards the cost of training is not as high as might be reasonably expected when we look at other countries. Many employers invest large sums of money to train their staff, but many are not confident that colleges will deliver the forms of training they want in the way they want it.

- 5.20 Some colleges have long seen it as central to their mission to equip employers with the skills needed for productivity and business success. We want to ensure that every college sees this as a central part of their mission. As we flagged in the Skills Strategy last July, that means looking again at the national funding framework and developing a system which recognises and rewards this way of working. This needs to ensure that we protect those in greatest need whilst providing incentives to colleges to maximise their income as a way of driving up the contributions from employers and learners. We will be working with the sector to develop this new approach.
- 5.21 The DfES, LSC and representatives of providers are working closely together on the best way of implementing the necessary changes. The LSC will be consulting shortly on the proposed approach.
- 5.22 As the first instalment of its new approach, the LSC published in September 2003 a consultation paper on simplifying the funding system, to strip out unnecessary audit requirement and retrospective clawback of funds, while introducing a more flexible approach to allocating funding by reference to a college plan for training outside the qualifications framework. The consultation proposals were widely welcomed. They were implemented in March 2004, offering colleges and other providers more flexibility to deliver customised services to employers.
- 5.23 Following on from that, the LSC's discussions with colleges about their business plans and funding allocations for 2004/05 are refocusing provision on Skills Strategy priorities, such as basic skills and the Level 2 entitlement. The LSC is working with training providers and partner organisations in the two regions (North East and South East) where we are trialling the Level 2 entitlement and associated reforms. The trials are testing out how best to secure the redeployment of public funds to support the introduction of that entitlement, but at a rate which is sustainable for colleges in terms of the management of change.



SECTION 6:

Partnerships for Delivery

- 6.1 We said a year ago that successful delivery of the Skills Strategy could only be achieved through strong partnerships. No single Department or agency can deliver the Strategy on its own. It requires the enthusiastic participation of many partners, in both the public and private sectors, choosing to work together in achieving shared objectives.
- 6.2 We said we would:
- Build a new Skills Alliance, with Government, employers, unions and Delivery Partners working together to implement the Strategy;
 - Establish joint working at regional level through the creation of Regional Skills Partnerships;
 - Ensure cross-Government collaboration in three specific areas;
 - DfES and DTI in carrying forward the Innovation Review;
 - DfES and Department for Work and Pensions in joining up the work of Jobcentre Plus and the LSC;
 - DfES and the Home Office in strengthening skills and training for offenders.
 - Ensure that Government leads by example as a major employer, with Departments investing in skills to improve public services.

SKILLS ALLIANCE AND DELIVERY PARTNERS

- 6.3 For the first time, the key agencies responsible for tackling supply and demand for skills have come together to oversee implementation of the Strategy.
- 6.4 As a high-profile champion for the Skills Strategy, the Skills Alliance has made a real impact in driving forward the skills agenda, for example in:
- securing a strong role for partners in the development of Sector Skills Agreements;
 - stimulating Government and agencies to align the range of targets relating to skills, productivity and labour market support;
 - raising understanding of the importance of informal training in SMEs.

CROSS GOVERNMENT COLLABORATION

- 6.5 The DfES, DTI and DWP are developing a shared overarching objective to improve collaborative working, underpinned by Departmental Public Service Agreements targets. This objective will build on the Skills Strategy priorities.
- 6.6 The CBI, TUC and the Small Business Council have developed a shared statement which supports the Skills Strategy priorities, as a basis for encouraging those they represent to take action to promote investment in skills. The shared statement says:

“The Social and Economic Partners and Government are committed to raising skills at all levels to support the delivery of sustained economic growth. Our work will contribute directly to prosperity for all, employment for individuals, improved performance for employers and sustained social and economic development.

This statement identifies our priorities for all partners – to focus our activity and stimulate action by those groups that look to us for leadership in order to raise performance in the priority areas.

We are looking for nothing less than employers, unions, employees, and education and training providers to rise to the challenge of raising the skill levels of everyone to enable businesses to succeed and people to develop. We will work together to raise significantly the awareness of the value of skills development amongst employers and employees, backed by education and training providers offering a more responsive, proactive and flexible capability.

The key challenges for employers, unions, employees, Government and providers are to:

- **improve employability** – people in or joining the workforce to possess the skills – basic and Level 2 skills as appropriate – that provide the foundation for their employability and development in work;

- **improve workforce skills and their use** – employers, unions and employees to work together to build innovative and high performance workplaces in order to improve business competitiveness and the employability and personal development of individuals;
- **respond to customer needs** – education and training providers to put the skills needs of employers, employees and people joining the workforce centre stage, removing barriers to skill development through providing greater choice and control over content and delivery.”

REGIONAL SKILLS PARTNERSHIPS

- 6.7 In July 2003 we launched the development of Regional Skills Partnerships, by inviting the RDA in each region to co-ordinate plans to set up the Partnership, with the LSC, Jobcentre Plus, the Skills for Business network and the Small Business Service as the other key partners. The purpose is to bring together work on skills, training, labour market support, productivity and business support, so that they all support achievement of the Regional Economic Strategy.
- 6.8 Each region put forward its initial proposals in December 2003. Good progress is being made in forming the Partnerships, all of which will be established by April 2005. By then, each region will have published a prospectus to signal the formal launch of their Partnership. The prospectus will set out: the partners’ shared vision for the region; what they will do to address regional skills, enterprise and employment needs; how their actions will impact on the demand side; and how that impact will be measured.
- 6.9 In January, the LSC appointed a new team of Regional Directors. That is already having a major impact in enabling the LSC to play its full part at regional, as well as at national, sectoral and local level. The LSC Regional Directors are key members of RSPs; able to use the LSC’s planning and funding powers to help deliver the skills needed to achieve regional economic development.
- 6.10 We have drawn up a statement of the principles and practices that should underpin future working relations between the RDAs and the LSC. It sets out how they should work together with their regional partners to secure the shared objective of maximising regional productivity and economic development.

NATIONAL EMPLOYMENT PANEL – WORKING WITH DWP AND JOBCENTRE PLUS

- 6.11 The National Employment Panel was asked to review how we can help more people on benefits to gain the skills needed for sustainable, productive employment.
- 6.12 Their Report, *Welfare to Workforce Development*, was published in March 2004. Jobcentre Plus and the LSC are leading the implementation of its recommendations. Key areas include:
- Ensuring that the requisite financial support is in place to encourage individuals on Benefit – particularly lone parents and people with disabilities – to take up training as a route back to work;

- Joint LSC and Jobcentre Plus local delivery plans setting out their priorities for working together, with measurable objectives for key collaborative activities;
- Harmonisation of LSC and Jobcentre Plus contracting for employment and training services, and a strategy for investing in the Jobcentre Plus provider network;
- Improved Information Advice and Guidance services for disadvantaged individuals, and continued training and support once they are in work;
- Better co-ordination of the marketing and delivery of Jobcentre Plus, LSC and Business Link services to employers.

Case study – Welfare to Workforce Development in Action

In the Tees Valley there are over 26,000 adults claiming Incapacity Benefit. The LSC, the North East RDA and Jobcentre Plus are collaborating in a project to re-skill adults on Incapacity Benefit, in order to help them into sustainable employment.

Jobcentre Plus advisers identify Incapacity Benefit customers who are keen to return to work but unlikely to do so without additional support. Individuals agree a skills plan, reflecting the local labour market needs agreed between LSC, Jobcentre Plus and the relevant Sector Skills Council. If agreed criteria are met, the individual is then matched with an employer willing to provide a work placement and a good prospect of a job with training and progression. Where needed the learner also gets basic skills, IT or pre-employment training.

GOVERNMENT LEADING BY EXAMPLE

- 6.13** The Skills Strategy gave a commitment that all Government Departments would have strategies for skills development in place by April 2004. That has been achieved. A separate report is being published in parallel with this report setting out what has been done.⁹ The plans will be reviewed on an annual basis by a Cabinet committee. Work is in train to draw up proposals for a central Government Sector Skills Council, which would lead the ongoing work across Government.
- 6.14** All Government bodies with over 500 staff now have action plans to address employees' basic skills needs. The Skilled for Health joint project with the Department of Health will help adults gain a better understanding of their own health and improve their basic skills.

EQUAL OPPORTUNITIES

- 6.15** In June 2003, the Equal Opportunities Commission (EOC) launched a General Formal Investigation (GFI) into gender segregation issues in Apprenticeships and work-based learning. We welcomed the Investigation as a means to identify best practice and ways of tackling gender segregation issues. The EOC have now published their Phase One findings, and given a presentation to the Skills Alliance. Led by the DTI, we are now working with

⁹ Skills Strategy Progress Report: Government meeting its responsibilities

partners to develop an action plan setting out how we will implement the recommendations. The EOC will produce their final report in the Autumn.

EXPANDING THE OPPORTUNITIES AVAILABLE TO INDIVIDUALS

6.16 The Skills Strategy aims to provide opportunities for all kinds of individuals, learning for different reasons. That includes those in work, those on the edge of the labour market, those learning for personal fulfilment and more specific groups with particular skills needs such as migrants and offenders.

Migrants

6.17 The Skills Strategy set out the need for the UK to compete for internationally mobile, highly skilled people and key workers. They can play an important role in expanding the supply of skilled labour, and so meeting skills shortages. Over the last year, nearly 4,400 people have come to the UK on the Highly Skilled Migrants Programme. The introduction of a new Science and Engineering Graduates' Scheme was announced in the Chancellor's Budget Report in April 2004.

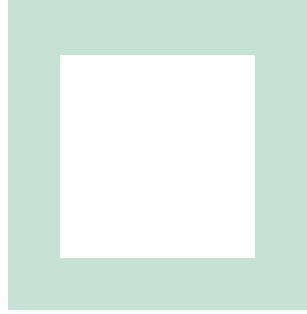
6.18 We have more than doubled provision of training in English as a Second or Other Language (ESOL). We have provided over 400,000 learning opportunities and expect learners to achieve over 290,000 qualifications. Improvements to the quality and responsiveness of ESOL have been made through the introduction of a range of newly accredited qualifications for ESOL learners and a new suite of materials for teachers and learners.

Offenders

6.19 Education and training can play an important role in motivating offenders and reducing re-offending. Funding for offender learning which is jointly administered by the DfES and the Home Office, has risen from £97 million in 2003-04 to £127 million in 2004-05. £7 million has supported the provision of over a hundred Heads of Learning and Skills to manage learning and skills, drive up standards in teaching and increase opportunities for learning. A national Quality Improvement Strategy for prisoner learning has been introduced, which embeds the requirement for annual self-assessment and three-year development plans.

6.20 Encouraging innovation in the delivery of learning in prisons has ensured more offenders get the chance to participate. Ufi/**learndirect** has worked with the DfES to rollout Ufi/**learndirect** delivery in 20 prisons and in local probation services. They have also delivered online tests to prisons through mobile testing units.

6.21 We expect prisoners to achieve over 46,000 qualifications in literacy, language and numeracy in 2003-04, as well as around 115,000 qualifications in work-related skills which will prepare them for employment on release, exceeding national targets in both areas. The Home Office also met its target for getting 31,500 prisoners into employment, training or education in 2003-04.



SECTION 7:

Looking Ahead: Priorities for 2004-05

- 7.1 This report has summarised progress over the past year in implementing the Skills Strategy. But the Strategy is a long term agenda, and it will take a period of years to implement in full.
- 7.2 Much of the work undertaken in the last twelve months has focused on building the infrastructure to deliver. We are not yet at the stage of being able to demonstrate full achievement of the end results which employers and learners are looking for. During the year ahead our goal is to get the Strategy so well embedded in the objectives and operations of all the partners that those results become clear, pervasive and irreversible.
- 7.3 During 2004-05, we shall continue to pursue reform across the full range of activities set out in the Skills Strategy. We have agreed what our priorities for the next year should be in each major area of the Strategy. By July 2005, we will have:

Skills for Employers, Support for Employees

- a. Increased the number of young people and adults gaining the skills and qualifications which they and their employers need, keeping us on course to achieve our major national targets on:
 - i. Achievement at age 19 of qualifications at Level 2 and Level 3;
 - ii. Enrolment and achievement on Apprenticeships;
 - iii. Achievement by adults of full Level 2 qualifications and basic skills;
 - iv. Expansion of higher education, particularly Foundation Degrees.

- b. Implemented the third phase of the Employer Training Pilots, sustaining the high level of employer satisfaction achieved in the first two phases.
- c. Implemented new arrangements for the management of business support services. That will incorporate the new employer engagement service from the LSC. It will be linked to the new DTI business support programmes, and support informal learning and investment in people.
- d. Introduced in all parts of the country the new Management and Leadership programme for SMEs; and achieved the target of 20,000 additional SMEs committing to work with the liP target.
- e. Undertaken an initial report on measuring the scale and impact of informal learning, as part of the action to take forward the targets of the Social and Economic Partners.

Skills for Employers – the Sector Role

- f. Established a full network of at least 25 Sector Skills Councils, covering at least 85% of the labour force.
- g. Completed the first four Sector Skills Agreements and started to implement them; with a further six Agreements in preparation.
- h. Secured a measurable increase in employer engagement in skills, training and their contribution to productivity.

Skills for Individuals

- i. Completed the North East and South East regional trials of the Level 2 entitlement and related support; and completed preparations for national roll out from those trials.
- j. Secured a significant shift in LSC plans and funding allocations across England for 2005-06 to implement the Level 2 entitlement and expand Level 3 programmes in areas of regional and sectoral priority.
- k. Completed preparations to roll out Adult Learning Grants in all parts of the country from Autumn 2005.
- l. Established a framework for planning and funding all learning which does not lead to a formal qualification including its scale and priorities, and the basis for allocating funding to local LSCs.

Reforming Qualifications and Training Programmes

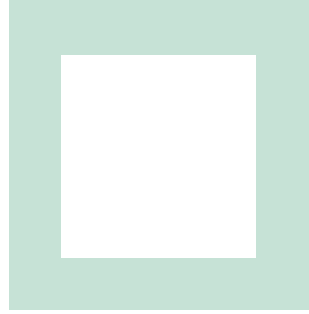
- m. Announced decisions on taking forward the final conclusions of the Tomlinson Review.
- n. Developed the first four pathfinders to design qualifications and training programmes within the new QCA framework for recognising achievement; and published a plan for implementing the full framework.

Reforming the Supply Side – Colleges and Training Providers

- o. Completed the first full LSC business cycle, taking identified national, sectoral and regional skills priorities and working them through into clear, prioritised business plans for colleges and other providers.
- p. Raised to 68% the proportion of students in colleges who complete their course and achieve the qualifications they set out to achieve.
- q. Begun implementation of a reform of funding to rebalance the contributions of Government, employers and individuals to reflect the shared benefits of training.
- r. Published the first Employer Guide to Good Training, with information on the quality and performance of LSC-funded training providers.

Partnerships for Delivery

- s. Regional Skills Partnerships fully operational in all regions, with RDAs, LSC, Skills for Business, Jobcentre Plus and the Small Business Service working together to deliver Regional Economic Strategies.
- t. Launched a New Deal for Skills to implement the recommendations of the National Employer Panel on bridging the gaps between welfare and workforce development.



ANNEX A:

Members of the Skills Alliance

LEADERSHIP

Charles Clarke MP – Secretary of State for Education and Skills

Patricia Hewitt MP – Secretary of State for Trade and Industry

SOCIAL AND ECONOMIC PARTNERSHIP

Ivan Lewis MP, Minister for Skills and Vocational Education, DfES

Lord Sainsbury, Minister for Science and Innovation, DTI

John Healey MP, Economic Secretary, HM Treasury

Jane Kennedy MP, Minister of State for Work, DWP

Digby Jones, Director General, CBI

Brendan Barber, General Secretary, TUC

William Sargent, Chairman, SBC

DELIVERY GROUP

Mark Haysom, Chief Executive, Learning and Skills Council

Ruth Spellman, Chief Executive, liP UK

Ann Limb, Chief Executive, University for Industry

John Brennan, Chief Executive, Association of Colleges

Sir Howard Newby, Chief Executive, Higher Education Funding Council for England

Martin Wyn Griffith, Chief Executive, Small Business Service

Christopher Duff, Chief Executive, Sector Skills Development Agency

David Anderson, Chief Executive, Jobcentre Plus

Dr Ken Boston, Chief Executive, Qualifications and Curriculum Authority

Alan Tuckett, Director, NIACE

Steven Broomhead, Chief Executive, Northwest Development Agency

Anne Weinstock, Chief Executive, Connexions

Graham Hoyle, Chief Executive, Association of Learning Providers

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