



House of Commons
Innovation, Universities,
Science and Skills Committee

**Re-skilling for recovery:
After Leitch, implementing
skills and training policies:
Government Response to
the First Report from the
Committee, Session 2008–09**

Second Special Report of Session 2008–09

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The Innovation, Universities, Science & Skills Committee

The Innovation, Universities, Science & Skills Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Innovation, Universities and Skills.

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The current staff of the Committee are: Sarah Davies (Clerk); Glenn McKee (Second Clerk); Dr Christopher Tyler (Committee Specialist); Dr Joanna Dally (Committee Specialist); Ana Ferreira (Senior Committee Assistant); Camilla Brace (Committee Assistant); Anna Browning (Committee Assistant); Jim Hudson (Committee Support Assistant); and Becky Jones (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Innovation, Universities, Science & Skills Committee, Committee Office, 7 Millbank, London SW1P 3JA. The telephone number for general inquiries is: 020 7219 2793; the Committee's e-mail address is: iuscomm@parliament.uk.

Second Special Report

On 16 January 2009 the Innovation, Universities, Science and Skills Committee published its First Report of Session 2008–09, *Re-skilling for Recovery: After Leitch, implementing skills and training policies* [HC 48–I]. On 16 March 2009 the Committee received a memorandum from the Government which contained a response to the Report. The memorandum is published as an appendix to this Report.

Appendix: Government response

Part 1: INTRODUCTION AND RESPONSE TO THE SUMMARY

1. The Government welcomes the Select Committee's report into the implementation of skills and training policies following the Leitch Review of Skills in December 2006. We are pleased that the Committee shares our view that the skills agenda is critical to the success of UK companies and the UK economy and makes a difference to the lives of millions of people.
2. We agree that the current economic climate provides a changing context for our skills strategies and policies and that we should constantly be finding ways to improve the system and the way it works. Skills policy is undoubtedly one of the key factors that will determine how resilient the country is and how quickly we can respond to opportunities in the future. But it is important to make clear that improving the system—transforming FE and HE—is not solely in response to difficult times. Our plans and strategies go beyond that. They will prepare individuals and businesses to take advantage of opportunities as they arise in an upturn, and also build the framework we need to make a reality of our ambition to be world class in skills.
3. In light of this, we have considered the Committee's recommendations carefully and set out our response to each in Part 2. We also set out a brief response to the issues highlighted in the Summary in this Part 1.
4. We are pleased that the Committee welcomes so many of our recent policies such as our reform of the Qualifications and Credit Framework and our focus on strategic skills and a new industrial activism.
5. We are also pleased that we are able to accept many of the Committee's recommendations. Indeed, in many cases we were reassured to find the Committee recommending activities that are already in hand. This is particularly true in the case of the central issue of “re-skilling” and “up-skilling”. Of course we believe that we must do both of these things. Indeed, we have already made considerable resources available for re-skilling by relaxing the funding rules for Train to Gain to support SMEs and those made redundant during the current downturn.
6. However, we are also mindful of the need to ensure that the UK is well-positioned to compete in growing industries as conditions improve in the future. One recommendation

we strongly disagree with is the suggestion that we should now resilie from the ambition of a world class skills base. We do accept that we should look at a wider suite of measures for determining what counts as world class, and will do so with the help of the UK Commission for Employment and Skills. But at a time of economic downturn it is more important than ever that we raise skill levels to ensure we are stronger and more competitive in the upturn. Given a finite budget, the exact balance between using resources to drive re-skilling and up-skilling will always be a difficult judgement call and we will continue to review how we can best deliver against both the UK's longer and shorter term needs.

7. The Committee was much swayed by calls from practitioners for simplification. We also recognise that this is a major issue and would remind the Committee that this was our first request to the UKCES when it was formed. It is into the second stage of its work, having published its initial findings and recommendations last year. UKCES is continuing this process addressing the complexities in the system and will report in December 2009.

8. The transition from the LSC to the Skills Funding Agency (SFA) is part of this simplification process. The SFA will simplify the system through a streamlined and integrated service for employers and learners. The National Apprenticeships Service, Train to Gain, the Adult Advancement and Careers Service, and services for learners delivered through FE will all sit under the SFA umbrella. But we do agree that we need to create clarity about the roles of the many different organisations in the new funding landscape as soon as possible. We regularly engage with national and regional partners both so they can influence the future shape of the SFA and to keep them informed of developments. We also publish a monthly bulletin to update our stakeholders on progress and plan to hold a series of events around the country over the next few months for stakeholders and LSC staff to ensure they have the chance to influence the design and operation of the agency.

9. The Committee recommends sharpening Higher Education Funding Council for England's (HEFCE) regional focus to improve HE/FE collaboration. This too is work in progress. The Funding Council has strengthened the role of its regional consultants to reflect the emerging regional agenda. In our recent grant letter we asked HEFCE to support the HE sector to work with national, regional and local networks to help deal with current economic circumstances. We will continue to explore with HEFCE how it can support the regional role of universities.

10. We also agree with the Committee that trade unions play a vital role in workplace learning and we will continue to support them. We have increased the funding available for union learning from £2 million in 1998 to £21 million in 2009—so that by 2010 there will be 22,000 reps helping more than 250,000 workers into learning each year. We also note the Committee's comments that the new adult advancement and careers service needs to be high quality if it is to be a success. Ten prototypes for the new service are underway, testing ways in which advice on careers and skills can be integrated with other sources of advice on tackling barriers to learning, and these prototypes will inform the final design of the service. The Prototypes are examining a broad range of approaches through a range of delivery channels including telephone, face to face and online, working with partners including local authorities, housing associations and the voluntary sector. It is, of course, our intention that it should be a universal service, able to serve diverse target markets

including skilled people with professional and managerial experience that need advice to change career.

11. Our main point of disagreement with the Committee is its recommendation for radical reform of the Train to Gain programme. Recent evaluations have shown that Train to Gain is an extremely successful programme and that it has a powerful beneficial impact on both learners and employers. Employer satisfaction with the programme is high with 93% of those who have accessed the programme saying they have been satisfied with the training and training provider, 65% saying it improved the long term competitive advantage of their business and 77% saying they would use the service again in the future. Learners also value the service highly, with overall satisfaction higher than 90%. And they are benefitting from the training. Approximately a quarter of learners, from the longitudinal group, received a financial award (pay rise, promotion or bonus) from their employers. In wave 3 of the evaluation approximately 45% of new learners reported receiving better pay and approximately 35% reported being promoted as a result of their participation in training.

12. We have also announced a series of vital and timely new flexibilities to the programme that are already benefitting employers and employees. These recent flexibilities have been widely supported by employers and trade unions as well as by colleges and training providers. We do recognise that we can further improve the service and are working to do this but see this as incremental improvement rather than radical reform.

13. Much progress has been made since the Committee heard evidence in October 2008. We welcome this opportunity to respond in turn to each of the recommendations.

Part 2: NOTES ON CONCLUSIONS AND RECOMMENDATIONS

THE LEITCH AGENDA—PRINCIPLES

It may well be the case that increased skills lead to an increase in national prosperity but there is a surprising lack of evidence to support the conclusion. There is clearly a need for more research to establish whether or not there is a causal relationship. This would help to justify the commitment of considerable public expenditure on training and skills development. Nevertheless, even without this evidence, we note that no voices have been raised to question the principle that it is right to aim towards a more highly skilled workforce, both in terms of individual benefit and for the wider good (paragraph 23).

14. We were surprised by this recommendation as we believe there is substantial evidence that increased skills lead to an increase in national prosperity. We know that skills are just one driver of productivity, alongside investment, enterprise, innovation and competition. These factors have a complex relationship and it is difficult to isolate the contribution each makes. However we know that skills is a key lever, and estimates are that skills can account for up to a fifth of productivity differences with key competitor nations including France and Germany. Skills impact on productivity directly, by increasing human capital. But they also have a spill over effect, by impacting on the productivity of other workers and by encouraging greater investment and innovation. The joint DfES/DWP paper a *Shared Evidence Base The Role Of Skills In The Labour Market* concluded just that, stating that there is a wealth of evidence to suggest that skills and qualifications confer substantial advantage to individuals, the economy and society through the improved chances they provide for employment.

15. At the individual level, research, i.e. Jenkins et al (2007), *The Returns to Qualifications in England, Updating the Evidence Base on Level 2 and Level 3 Vocational Qualifications*, clearly shows the link between education and training and productivity. Those with higher qualifications earn more on average than similar people with lower level qualifications, reflecting their higher level of productivity. Average wage returns to academic qualifications are high and similar for men and women: 26–29% for first or foundation degrees; 14% for 2 or more A-levels; and 9–11% for 5 or more GCSEs A*-C. Young people under the age of 25 who attain an NVQ Level 2 earn wage returns of more than 20%. There is also evidence (De Coulon and Vignoles 2008, *An Analysis of the Benefit of NVQ2 Qualifications Acquired at Age 26–34*) that attaining an NVQ2 in adulthood leads to wage returns of around 20%. These returns are even higher (33%) for lower ability individuals. Jenkins et al also find that attaining a vocational qualification at level 2 or level 3 leads to a significantly higher probability of being employed, again suggesting that these skills are valued in the labour market.

16. We know that people holding qualifications are much more likely to be in employment, and less likely to be unemployed, than those with no qualifications. Those qualified to level 2 have an employment rate of 74% compared with 48% for those with no qualifications. And research (Dearden et al 2004 *An In-depth Analysis of the Returns to National Qualifications Obtained at Level 2*) finds that the wage returns to vocational qualifications are higher when delivered through the workplace.

17. Other research (McIntosh 2007, *A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications*) finds that Apprenticeships also raise significantly the productivity of workers. A Level 3 Apprenticeship yields average wage returns of 18% while the returns to a Level 2 Apprenticeship is 16%.

18. It has also been shown (Dearden et al 2005 *The Impact of Training on Productivity and Wages: Evidence from British Panel Data*) that skills contribute more to productivity than can be measured by higher earnings. In a sample of British industries, a one percentage point increase in training is associated with an increase in value added per hour of about 0.6% and an increase in hourly wages of about 0.3%.

19. As well as increased skills leading to an increase in national prosperity, we also believe that increasing skills levels has wider social benefits. In particular, that it drives greater social mobility, ensuring individuals can get on because of their talent and hard work, and not just because of their background. Giving everyone in our society the opportunity to develop their skills will help us tackle social exclusion and create a fairer society in which everyone has the opportunity to realise their full potential. By helping people improve their grasp of the basics, we help them develop the platform of skills they need to find, stay and progress in work. We help them to improve their earnings. We help them to play an active role in their children's educational development. And we help them to play an active role in their community.

20. Although we will continue to keep abreast of the latest research and developments in this area, and use this as we develop policies and programmes, we do not intend to fund new research to investigate the causal relationship.

We recommend that UKCES review the collection of data on skills needs across sectors and regions and apportion responsibility for ensuring that it is collated and made available in a readily accessible format (paragraph 35).

21. We agree that we need good quality, reliable and up to date data on skills needs and have already asked UKCES to review how this information is collected and to ensure it is available to those who need it.

Shared responsibility and responsiveness to demand comprise a sound philosophy for the development of skills in the UK workforce. The difficulties arise in translating them into practical policies for implementation. To avoid “demand-led” and “partnership” becoming meaningless jargon, these difficulties have to be addressed (paragraph 36).

22. We recognise the challenges of developing these important principles into practical policies. But we do not believe that the term ‘demand-led’ has become meaningless jargon. To be clear, demand-led means that the system should be responsive to the needs of employers and of individuals, so we can be sure that the people who need skills can ask for and access the training they need.

23. For employers we are ensuring that training providers are targeting and tailoring their offer to meet business needs. Through Train to Gain we have put buying power and information into employers' hands, giving them better access to a wider range of opportunities for improving the skills of their employees and the productivity of their

business. We are customising the Train to Gain offer further by agreeing Sector Compacts with employers which addresses specific sector priorities.

24. For individuals, we are introducing a national system of skills accounts. Pilots in the South East and East Midlands in the current academic year, and trials across all regions in 2009–10, will lead to full rollout of accounts from 2010–11. Like Train to Gain for employers, accounts will give adults the power to choose the training they need, commissioning that training direct from providers. Supporting their choices, adults will also have access to the new adult advancement and careers service, which will provide personalised information, advice and guidance on careers and skills, as well as advice on tackling the barriers that can prevent people from taking up learning, such as childcare, understanding employment rights, personal finance skills, and so on.

25. We also know we need to go beyond the purely short-term, bottom up, approach of Train to Gain and widen what we mean by demand led. We need through our strategic skills work to produce a more sophisticated picture of demand, including medium and long term demand. Over the coming weeks we will set our “skills activism” approach which will enable us to take the initiative in skills development to make sure we come out of recession in a stronger position, ready to take advantage of opportunities.

26. To achieve this we need a collective idea of our areas of competitive advantage, the priorities for greatest growth potential within the economy. By identifying and agreeing what they we can move forward. But we also need to be clear what tools and levers we have to ensure UK businesses can maximise opportunities as they arise, which might include for example identifying emerging skills gaps or mismatches between supply and demand and moving quickly to fill them; using government levers including procurement and investment in a more deliberate way to create confidence and generate investment; and taking action on the ground through the SFA to meet the demand we identify.

LEITCH TARGETS

We believe that capturing the acquisition of employability skills within Government targets and therefore attracting Government funding for such training should be examined by UKCES as part of its ongoing work on employability (paragraph 42).

27. We agree that capturing this is important. DIUS will be taking forward the recommendations in the Commission’s first employability report, relating to the approaches to teaching and the training of teachers, to improve learners’ employability skills. Phase two of the Commission’s employability study is underway and will look at issues related to funding and targets for employability provision within colleges and other providers.

28. Delivering economically valuable skills was one of the key themes of the Leitch report, and became one of the main focuses of our skills strategy. Whilst aiming to meet our current set of PSA targets, we are committed to ensuring that the qualifications we deliver provide individuals with the skills they need to gain employment and to progress once in work.

29. We are part-way through a massive programme of vocational qualification reform. All SSCs have produced Sector Qualification Strategies which set out the qualifications which

are valued by employers in their footprints. In future, the only VQs which will be accredited and funded in England will be those approved by SSCs. This will help to ensure that the quality, status and economic value of vocational qualifications rises over time.

30. We are also accrediting employers' own training in order to increase the number of learners with the high quality learning and skills that employers need to maximise their productivity. We want it to be easier for employers to attract, retain and develop employees with the skills needed for business success. And recognition of employer training will increase the opportunities and options for employees to study for a recognised qualification.

We are concerned that the conflation of skills and qualifications in the targets may lead Government to assume that a qualifications strategy is an adequate substitute or proxy for an overall skills strategy. This may drive up levels of attainment, improve the UK's position in international league tables and contribute towards improved economic performance but a real skills and training strategy would focus more on skills utilisation by companies to achieve high performance working practices and so raise productivity (paragraph 50).

31. Our strategic aim is to ensure Britain is able to compete in a global market place by increasing our productivity through improving skills. In order to demonstrate our progress towards this goal, we need to be able to measure it. We do not yet have a way of measuring skills directly that would enable us to compare our skill level with other nations. So we use qualifications which offer a sound, quantifiable, and well-recognised proxy. The evidence we have linking qualifications to higher wage returns indicates that they are a reasonable proxy for skills.

32. But this does not mean we have a "qualifications strategy" rather than a "skills strategy". Indeed we are taking several steps to change the way that we accredit and fund training. Accrediting employer training is one example, so too is the process of delivering unitised modules of learning through a reformed Qualifications and Credit Framework and Train to Gain so that individuals can take modules rather than full qualifications.

An important step which could be taken would be to broaden the Leitch targets to include re-skilling. The current focus both within the targets and in entitlements on funding for a first level 2 qualification means that those who need to update skills, either because they have been out of the labour market for some time or because their job no longer exists, may not be supported. This situation is set to become even more pressing as the recession bites and redundancies force people to seek to move to other sectors in which their current qualifications are irrelevant. The Government has made some progress with its Sector Compacts and assistance to SMEs, but these initiatives need to be assessed and potentially broadened (paragraph 59).

We recommend that the Government examine and develop ways to include the absolute number of qualifications gained rather than "firstness" alone in the skills targets, to reflect the importance of re-skilling. We also recommend that the Government should set out broad milestones indicating its aspirations for progress towards the 2020 targets in the light of the current economic situation (paragraph 60).

33. We recognise the importance of re-skilling, particularly for specific groups of people and particularly during the recession. That is why considerable resource has been made available for re-skilling by relaxing the funding rules for Train to Gain to support SMEs and those newly made redundant; by enabling employers through Sector Compacts to tailor Train to Gain to meet the needs of their sector and employees; and by integrating the employment and skills systems. In addition, the LSC investment strategy includes provision for a significant amount of re-skilling activity and for those seeking repeat qualifications.

34. In order to increase our competitiveness and ensure we are ready to make the most of the upturn when it comes, we must drive up our productivity by raising our skill levels. We must not take our eyes off this goal. We direct resource particularly towards Level 2 qualifications because this is often the basic level of qualification needed in the workforce. The evidence supports the view that government funding is best spent in this way, as those who are already well qualified are more likely to be able to attract investment from their employer, or to invest in themselves to realise the returns.

35. Our aspirations for making progress towards the 2020 ambition remain unchanged.

GOVERNMENT IMPLEMENTATION

Given the importance of this area of policy to the economy, it is important that the substantial sums of money spent on skills programmes demonstrably add value, not just deadweight cost. We await the Public Accounts Committee report on Skills for Life with interest and support the need for research into the effectiveness of DIUS programmes to improve skills levels (paragraph 65).

In view of the large amount of money spent on skills by the Government and the importance of the programme, it is essential that there is a proper evaluation of the outcomes of all aspects of Train to Gain. We recommend that the Government report to us on an annual basis on the use of resources within the skills agenda and on the evaluation of their effectiveness, potentially involving the National Audit Office (paragraph 67).

36. We agree that high quality research into the effectiveness of skills programmes is important. Our strategy is firmly rooted in evidence leading to informed decisions about where and how to invest government funds. It is precisely to maximise additionality and avoid deadweight that we have focussed on supporting people to achieve first full qualifications, rather than just repeat training, because that is where the market failures lie. And in rolling out the national Train to Gain programme, we have successfully focussed on working with hard to reach employers and have engaged with more than 70,000 to date (that is 74% of total employer engagements against a target 51%. As we develop and implement the skills strategy we are keen to ensure it achieves the outcomes we expect and offers good value for money. Those with higher qualifications earn more on average than similar people with lower level qualifications, reflecting their higher level of productivity, and as we have already outlined above the returns to training in the workplace are significantly higher than in colleges.

37. On Train to Gain specifically, the LSC and DIUS are in the process of quality reviewing a third wave of evaluation reports and are planning further evaluation activities and considering future information needs. Alongside these evaluations, information on Train to Gain starts and completions is published in quarterly Statistical First Reviews. The last one was published on 18 December 2008: <http://www.thedataservice.org.uk/statistics> and the next, entitled *Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held* is due to be published on 26 March.

38. To date we have undertaken a full employer and learner evaluation of Train to Gain, the results of which were published in May and have been followed by a second wave of learner evaluation in October 2008. The results were very positive, with 78% of employers who had taken up training through the service indicating that they would recommend it to other employers. Satisfaction with the brokerage service is at 83%, and learner satisfaction is also very high, with 77% satisfied or extremely satisfied with the overall 'experience'. And as we have already outlined, it is having a positive impact for individuals—approximately a quarter of learners, from the longitudinal group, received a financial award (pay rise, promotion or bonus) from their employers. In wave 3 of the evaluation approximately 45% of new learners reported receiving better pay and approximately 35% reported being promoted as a result of their participation in training.

39. We are also rigorously evaluating the apprenticeships programme. We already know it gives us excellent value for money, as outlined in the 2007 McIntosh Research Report, *A Cost Benefit Analysis of Apprenticeships and Other Vocational Qualifications* and there are plans to bring that work up to date. The LSC also has a comprehensive evaluation programme, including an evaluation of the Vacancy Matching Service currently out to tender and an evaluation of Adult Apprenticeships due to report in the summer. We expect the LSC to report by the end of March on two key projects identifying sectors for expansion of apprenticeships and the benefits to the individual of completing an apprenticeship. This shows SkillSmart retail, ConstructionSkills, SummitSkills and People 1st as significant growth areas for apprenticeships.

40. These are just two examples of the rigorous way we test and evaluate our programmes. In addition, the UK Commission for Employment and Skills will be publishing an annual "state of the nations" report from this year and we publish an annual Departmental Report. We do not, therefore, think there is a need to report annually on the use of resources within the skills agenda over and above what exists already.

41. We note the Committee was looking forward to the PAC report on Skills for Life, which was published on 29 January 2009. Government is preparing a formal response to the PAC Report which will be published on 20 March.

GOVERNMENT VISION

We recommend that the Government set out a clear picture of how the landscape of delivery structures will look once all its reforms are complete, from the point of view of planners, providers, employers and individuals in order that all involved are aware of the organisational end-point of the journey. The vision we call for should articulate how it is intended to meet both of the relevant departmental strategic objectives in the 2020 skills delivery arena (paragraph 71).

42. We agree that clarity about the future skills landscape is very important and we are sharing as much information as we can, as soon as we can. Significant and detailed communications took place in December 2008, to confirm in more detail the business models for both the YPLA and SFA. This included publication of three documents on the DIUS website—‘FE and Skills System Reforms: an update’; ‘Machinery of Government Change: 16–19 and post 19 Education and Skills Reforms’ and ‘The Adult Skills System: Reforming the Delivery Chain’. In addition, we publish monthly bulletins about the progress with the programme and hold regular stakeholder meetings with both Ministers and officials. We are pleased that FE and Skills Reforms: an Update was seen as helpful by the Committee and attach a diagram at Annex 1, which sets out how we envisage the national, regional and local landscape will look once our reforms are complete. We have also developed a detailed Communications Strategy and are planning a further round of detailed communications over the next few months.

43. But it is not entirely for the Government to set out how things should eventually look. We have set out in this response the work of UKCES on simplification, which is explored more fully at paragraph 70. Work will also continue with partners both inside and outside government to discuss how we can achieve maximum clarity; cut out unnecessary overlap; and make clear how all elements within the system need to work together for the benefit of students and business. And a dialogue with our national and regional partners on the design of the Skills Funding Agency will continue, with an expectation that more information on its structure will be published in the spring.

44. This work is important as we continue to tackle strategic skills gaps and shortages within the economy to meet immediate needs and for economic growth. We will clarify the roles and responsibilities of bodies and ensure that barriers and bottlenecks to supply, including those found within the structure of industries and markets, are both identified and resolved as quickly as possible. UKCES and the new SFA will both have important roles in this regard.

45. And we know it is important that, in the delivery of high level skills, all parts of the landscape (HE, FE and private providers) work together. We will be addressing this issue as we follow up the high level skills strategy, on which we consulted last year.

Taken together with the changes to relax rules regarding funding of training by SMEs, the Secretary of State’s speech to the CBI in October 2008 indicates a welcome change in emphasis and a recognition of the realities of the UK’s skills problems. We hope that it will lead to a greater willingness to work with employers, particularly UKCES, and those who represent the concerns of individuals to adapt Government implementation of the Leitch agenda to observe the spirit of increasing skills, rather than the letter of the prescription. We welcome this contribution to the evolving post-Leitch agenda (paragraph 73).

46. The Government is glad the Committee recognises that we are focussing on the realities of the UK’s skills problems. Government is fully committed to engaging and working with employers and those who represent individuals to adapt implementation of our policies and programmes. As this response makes clear we already work very closely with employers, particularly on our Train to Gain and Apprenticeships programmes. For example, as a direct result of our employer engagement activity we have flexed the Train to

Gain offer to support employer need, adapting the programme to help address the additional pressures small businesses are under during the recession and to prepare them for business opportunities in the future.

47. We have introduced National Skills Academies (NSAs) to put employers in the driving seat of the skills system. In return for their sustained investment, employers are able to suitably flex the system and decide which provision and which providers would best meet their needs. As such we expect NSAs to be the catalyst that drives the transformational effects throughout the FE system.

48. We are also taking forward our strategic priorities on a number of fronts using a “skills activism” approach, which we have outlined above. That will include identifying and using government levers more effectively so we develop skills in sectors of greatest economic importance and growth, for example we will:

- Agree which sectors offer the greatest opportunities for significant growth where we should be focussing our efforts;
- Minimise migration so we can help our own people gain the skills needed to fill the jobs available;
- Investing in major infrastructure projects including building schools and houses as well as major projects such as cross-rail and the Olympics;
- Influencing inward investment by creating the stability and longer term planning horizon for companies wherever possible, increasing confidence and making investment in skills more worthwhile;
- Where possible creating a market for skills, for example by clearly supporting nuclear power, areas of significant economic strength such as high value-added manufacturing, high value-added services, creative industries, clean technologies/environmental adaptation/low carbon, broadband/digital and life sciences.

Together, a set of actions such as this could have a powerful impact on employers’ confidence and ability to invest in skills. We will set our skills activism approach in the weeks ahead.

49. We have already stated our recognition of the importance of adapting policy to meet the skills needs of the UK. At a macro level that means maintaining a focus on up-skilling, measured through qualifications, whilst supporting employers and individuals who need particular help during the recession. We have already indicated how we are using our resources more flexibly to achieve that.

50. We are keen to work with the Commission to get a better understanding of collective employer need. Our intention to strengthen the employer voice in the system has already been shown to be effective through the Commission’s simplification report; and the Commission clearly has support from all four Governments across the UK in providing employer-informed advice. That support and advice will be invaluable for further developing and shaping current and future policy.

NATIONAL STRUCTURES – LSC

The abolition of the LSC and the establishment of the Skills Funding Agency is likely to lead to considerable further disruption and the reward for this is as yet uncertain. The Government must be clear on the role of the SFA, including at regional level, and communicate this vision to its partners in skills delivery to avoid disaster. It is difficult to see how the regional LSCs set up recently can operate effectively without a definite transition plan, and the LSC as a whole will struggle to avoid being regarded as a lame duck partner, unable to make long-term commitments or start new initiatives with any credibility. We recognise that the Government is determined to push ahead with this change but we believe that maintaining stability within the system should now be the prime consideration.

We recommend that the Government move quickly to resolve the issues around the role, organisation and relationships of the new SFA and that it redouble its efforts to communicate this information to the LSC's regional partners, who need early and absolute clarity. Each region needs to be assisted in developing a plan for how the structures will work under the new arrangements post-2010. We also note that even if the Skills Funding Agency and National Apprenticeship Service are co-located in Coventry, effective mechanisms must be put in place to ensure that they work together (paragraph 80).

51. The Government recognises the Committee's concerns around the creation of the SFA. The transition will be managed very carefully and the Learning and Skills Council (LSC) will play an important role in that. We are working closely with them to ensure that the move to the new structure is as smooth as possible. To that end, the LSC has produced a strong transition plan that is now being considered by Ministers, and we have an overarching Joint Programme Board (comprised of senior officials from DCSF, DIUS, the LSC and local authorities) overseeing the transition work and reporting to Ministers in both DCSF and DIUS.

52. We have published three documents on the DIUS website which provide more information on the SFA. This includes 'FE and Skills System Reforms: an update'; 'Machinery of Government Change: 16-19 and post 19 Education and Skills Reforms' and 'The Adult Skills System: Reforming the Delivery Chain'. We also publish monthly bulletins about the progress with the programme and hold regular stakeholder meetings with both Ministers and officials.

53. In the meantime, we are confident that the LSC has the capacity to continue delivery of its work programme, including supporting employers and individuals through recession and through this transition period.

54. The SFA will be a stronger, streamlined, more flexible and responsive organisation. It will work more closely with DIUS and have a clear focus on its funding role, making it capable of listening and adapting quickly to shifts in economic conditions in order to meet the needs of employers and individuals. The Agency will ensure that the FE and skills system is learner and employer driven, providing choice and ensuring coherent and accessible services at every level. It will be responsive to employers through Train to Gain and the Apprenticeship service; and to the individual through a universal Adult

Advancement and Careers Service, Jobcentre Plus, and a strong FE sector of colleges and learning providers working together to deliver high quality learning.

55. We are also taking the opportunity as part of the transition to simplify systems and reduce bureaucracy. This includes developing a single account management process for funding and performance management of providers; streamlined data collection and reporting; new management systems to transform the services received by students and prospective students; and a single point of access for employers through a one-stop-shop approach through Business Link.

56. We are continuing to discuss the evolving design of the SFA with national and regional partners. We are committed to ensuring that partners can understand and inform the SFA's design to ensure that it strongly supports the regional and sub regional skills agenda.

57. More information on the SFA is available in '*FE and Skills Reforms Up date*' and we also publish a monthly bulletin to update our stakeholders on progress with the programme. We will set out further communication dates shortly, including for communication of transition plans; and over the next few months a series of events will be held around the country for stakeholders and LSC staff to ensure they have a chance to influence the design and operation of the Agency.

58. The National Apprenticeship Service (NAS) will be housed in the SFA to ensure we deliver a joined up service to learners and employers. Both will have common underpinning services including, for example, data collection and reporting, and contract management. This will streamline arrangements for colleges and providers and ensure the NAS can focus on what it needs to do to support learners and employers.

REGIONAL STRUCTURES

We recognise that the RDAs have an important role in economic development and business improvement and, within this context, they should have a clear focus on skills and in stimulating demand through planning rather than delivering programmes. But they are not yet achieving their full potential and overall performance is inconsistent. To drive up the quality of skills planning by individual RDAs we recommend that the Government commission an analysis of what is happening region by region and report on best practice and areas of weakness (paragraph 90).

59. Regional Development Agencies (RDAs) do have an important role to play in skills, ensuring that gaps are identified and addressed by partners in the regions in line with the Single Regional Strategy.

60. We accept there is more RDAs can do to drive up the demand for skills and inputting to regional strategies and to that end we are discussing how we can make improvements with SEEDA, the newly appointed lead on skills for the RDA network.

We recommend that the Government issues full guidance as to the roles and responsibilities of each relevant regional, sub-regional and local body involved in delivering the Leitch agenda, with an indication of where this is likely to change post-2010. This would allow all parties a better understanding of what the current and future organisational arrangements are and would assist a move to the next stage of

identifying how these arrangements could be improved. In order to avoid unnecessary proliferation of employer representative bodies, we further recommend that Employment and Skills Boards be licensed by UKCES (paragraph 94).

61. We know that the skills landscape can be confusing, particularly given the number of bodies with different responsibilities. We are addressing that through the UKCES simplification plan and the business model for the Skills Funding Agency.

62. Employment and Skills Boards (ESBs) are one element of the landscape, and we plan to publish criteria for ESBs seeking statutory powers later this year. Alongside the criteria, we will set out the roles and responsibilities of each relevant regional, sub-regional, and local body involved in delivering the skills agenda, and how that might change post-2010.

63. We do need to ensure that ESBs play a clear role in the system. We believe they can operate most effectively at the city region level where they can have an important strategic role to play to identify priorities and ensure that the employment and skills system is more joined up and responsive. Where ESBs can demonstrate strong employer leadership in support of a clear, evidence-based strategy we will encourage them to apply for strategy setting powers around adult skills, working along similar lines to the London Skills and Employment Board. We are considering mechanisms to ensure that strong employer leadership is in place before ESBs can seek statutory powers.

The Department for Work and Pensions needs to operate on a sub-regional basis, working very closely with DIUS to achieve this, particularly given the current economic situation. We also recommend that UKCES issues new guidance on setting up and maintaining effective local partnerships to deliver and plan skills, including the balance between sectoral and spatial planning at the sub-national level. This should include examples of best practice (paragraph 97).

64. We agree it is important that DWP and DIUS work closely together at each spatial level—local, regional and sub regional—and welcome a recommendation which supports our work with DWP on better integrating the employment and skills systems. We should also make clear that the UKCES reports to both Departments and is in itself a stage of simplification by bringing together the SSDA and NEP.

65. Trials of an approach to an integrated employment and skills system started in the West Midlands in September 2008. It now extends to Cambridgeshire and Suffolk, Norfolk, Greater Manchester Central, Greater Manchester East and West and Hampshire & Isle of Wight. In March 2009, trials will start in Central London and Southwark, Lambeth and Wandsworth.

66. In planning and carrying out these trials, there has been extensive and close joint working between DWP, DIUS, Jobcentre Plus and the LSC—at regional and local level as well as nationally. Early experience in the trials has highlighted the importance of strong joint local and regional management to address issues as they arise in implementing a new way of working. The trials are enabling us to develop the way in which we do this and also feed lessons into the later-starting trials and future wider implementation.

67. At the regional level, Jobcentre Plus and the Learning and Skills Council are working with RDAs and Regional Ministers to deliver a targeted response to the downturn. DWP

and DIUS have allocated £158m to support those affected by the downturn. This will include provision of 40,000 pre-employment training places for those under notice of redundancy and newly unemployed people, together with improved advice and guidance. LSC and JCP are also working closely together to deliver 75,000 employment-focussed training places to JCP customers who reach the 6 month claim point on Jobseekers Allowance. In both cases, the additional training places will roll out from April 09.

68. The Departments and delivery bodies are also already working to ensure that the regional and sub-regional aspects of integrated service delivery are fully explored in the design of the Skills Funding Agency.

COMPLEXITY

The UKCES simplification project is an important and timely piece of work and we welcome the first stage of its results. It is addressing the right sort of questions. However, we would like it to expand into two further areas. First, it should specifically address the difficulties faced by individuals in accessing training. Secondly, we strongly believe that the project needs to move more quickly to address planning structures as well as delivery bodies and programmes (paragraph 106).

69. The UKCES Simplification Plan set out proposals for a range of actions to simplify the skills system from the employer perspective. The Government has accepted all the proposals in their report and we are working closely with the Commission to implement them over the coming year.

70. The proposals which form phase 1 of the simplification work include making more effective use of skills brokers and web-based tools to make it easier for business to access publicly-funded training. This will make it easier for employers to access skills provision, which in turn should drive up demand for skills and lead to an increase the numbers of individual employees receiving training.

71. Other recommendations are around engagement with SSCs to ensure that different sectoral needs and priorities are recognised and supported within a single Train to Gain offer, and development of a co-ordinated, cross-department programme of work to reduce current contracting and financial management bureaucracy by two thirds.

72. The Commission is talking to employers to seek their views on what phase 2 of the simplification work should cover and will bear the Committee's recommendations in mind as they take this work forward. UKCES plan to report their stage 2 findings in December 2009 and it is likely to provide insights into the planning and funding systems but the focus will remain on the employer perspective.

73. For individuals, simplification of access will be addressed through the new Adult Advancement and Careers Service. The Service will be for everyone—including professionals, lower skilled and workless people—and will make sure people are able to access the system and get the right advice about what is available and how to get it. Skills accounts will be an integral part of this new Service, and we will ensure that simplification of the customer experience remains at the heart of their design. Access to the Adult Advancement and Careers Service and Skills Accounts will be key components of the offer to jobseekers under the new integrated employment and skills service.

We stress that an important factor to be considered in advocating change is the need for a period of relative stability, in institutions and programmes. This, as much as anything, would encourage employers and other players to sign up to the Leitch agenda and to the associated targets for greater investment in skills. Constant change creates uncertainty and, as the wider economy currently demonstrates all too well, uncertainty tends to undermine the confidence that is needed for investment to take place. We fully support UKCES's plea for ministers to adopt "five key principles on what not to do in future" to avoid the "tendency for the system to regress":

- no new disconnected initiatives;
- no separate contracts for different elements of the Train to Gain service;
- no different reporting or monitoring rules outside the current set;
- no new business-facing brands beyond Business Link, Train to Gain and Apprenticeships; and
- no new agencies beyond those already announced (paragraph 107).

74. We recognise the Committee's call for a period of relative stability. But we need to balance the benefits such stability would bring—in terms of employers getting involved in skills and training their staff—with the reality of a rapidly changing world. In the last 12 months the environment has changed significantly from one of economic growth and investment to one of recession. The role of skills has begun to shift as a result. As well as pursuing our strategy to up-skill to promote increased productivity and economic growth, we need to support and enable businesses and individuals who are suffering in the difficult economic climate. We know that firms who train are more likely to survive recession and enter a period of growth in a much better position. We also know that some individuals will need to train or re-skill as the economic base changes.

75. That means we must introduce flexibility to meet those other needs. To not do so risks too much. That is why we have flexibility under certain sector skills compacts for up to 30% of qualifications to be repeats; a reform of the Qualifications Credit Framework to allow modular qualifications; and flexibility through Train to Gain for people who are newly redundant and SME staff to support re-skilling.

76. We are also pursuing our agenda to encourage employers to commit to skills and skills development. The Skills Pledge gives employers the opportunity to make a public commitment to help their employees improve their skills. Almost 10,300 have taken it up to date, covering more than 5.4 million employees. And the National Skills Academies (NSAs) programme is focussed on engaging employers, consulting on what they need and delivering it effectively. Sixteen successful academies are delivering learning opportunities which employers need to more than 880,000 learners during their first five years of operations.

77. We do recognise that it can sometimes be difficult for businesses to understand and access what is on offer from Government. So we are streamlining publicly funded business support, using Business Link as the main route of support for companies. This service

offers impartial advice and helps businesses access products and services to help with a whole range of issues including finance, innovation and skills.

DEVOLUTION

We would like to see UKCES adopt a role of disseminator of best practice throughout the UK and act as a source of expert advice to employers and Government on the differences between skills policies and delivery mechanisms in the four nations (paragraph 110).

78. The Commission already works closely with each of the four UK nations, providing expert advice to the highest levels of Governments. It is part of its remit to be a source of advice to Government—playing an active role in learning about the relative impact of different policies and practices and accelerating the transfer of best practice across the four nations. But it is the role of Business Link, SSCs and the NES—not the UK Commission—to act as a source of expert advice to employers.

GOVERNMENT PROGRAMMES: TRAIN TO GAIN

In the current economic downturn it is essential that Train to Gain, as the main source of Government funding for skills development, is made flexible enough to deal with rapid adjustments for people who have been made redundant and need quick retraining and with businesses anxious to develop in response to new challenges. Aspects of Train to Gain are currently failing to satisfy the different demands of employers, individuals and value for money for the taxpayer. Unless there is a radical re-focusing of the programme one of the central planks of the Leitch reforms will be lost (paragraph 122).

79. Train to Gain is completely employer-responsive. Since its launch in April 2006, more than 100,000 employers have engaged with the programme, supporting over 570,000 learners to begin learning with over 290,000 of those people already achieving a qualification. We plan to invest £925 million through Train to Gain in 200–10, which will support around 950,000 learners. By 2010–11, we will be investing over £1billion. This investment is extremely important given the evidence (highlighted earlier in this response) about the high returns to training in the workplace.

80. Government has been able to use this successful programme to respond quickly to the change in economic climate, recognising the importance that training can play in helping individuals and employers cope, and putting the economy in the best place for the upturn when it comes. We have already set out some of the ways in which we have reconfigured Train to Gain in the last few months to achieve that flexibility.

81. We have introduced flexibilities for SMEs to help them through the recession and emerge stronger when the upturn comes, funding units in business critical areas, funding retraining and upskilling, and introducing a leadership and management offer for employers with 5–250 employees. Morgan Dias in Sheffield is an organisation that is making good use of this flexibility training, for example, a senior manager in business development techniques.

82. We have opened access so that people under notice of redundancy, or moving from unemployment into work, can access funding for qualifications even if they already have qualifications at that level. We have developed a package of support using ESF funding for 2–8 weeks of employability training to support those who have been made redundant, and are funding an extra 75,000 places for those who have been unemployed for 6 months.

83. These—together with the individual support through Jobcentre Plus—represent a strong offer to individuals and to employers to help them with skills development through difficult times. We will continue to flex the programme in response to employer’s needs.

84. We are confident that Train to Gain meets the current needs of employers, and will continue to respond as those needs change. Feedback from the 100,000 employers who have already accessed the Programme is very positive and indicates that they welcome the new flexibilities. The latest evaluation shows that 93% of employers who have accessed Train to Gain have been satisfied with the training, and the provider who delivered it and 78% who had taken up training through the service would recommend it to other employers. And John Cridland of the CBI said recently that, “Train to Gain is exactly the product we need at this time ...”

85. Further statistical and evaluation information on Train to Gain—including the beneficial impacts and latest date on take up—is included in Annex 2.

Train to Gain will only achieve its aim of producing long-term improvements in competitiveness if its brokerage service is more closely tied to helping firms develop more ambitious business plans and more tightly linked to wider economic development and business improvement services. It has to deliver what employers want: a consistent offer across the country, with greater understanding amongst brokers of sectoral interests and flexible funding for courses. The National Audit Office is currently reviewing the Train to Gain programme and we look forward to the publication of its findings. In view of our earlier recommendations on evaluation, we will be particularly interested in the NAO’s conclusions on the extent to which Train to Gain has led to increased overall skills levels (paragraph 123).

86. We agree that the brokerage service must be closely linked to assisting businesses in this way, particularly in the current economic climate. But it is important to note that more than 80% of employers currently using the brokerage service have been satisfied with the service they have received.

87. We know we can improve on this and that is why from April 2009 access to support will be made easier for businesses by bringing together the current Train to Gain brokerage service with Business Link to provide a fully integrated information, diagnostic and brokerage service. Business Link will be the primary access channel to “Solutions for Business” the Government’s portfolio of business support products which includes skills and innovation. Brokers will give quality-assured advice and information about improving the skills of their employees, from basic skills right up to and including high level skills; helping them to find the training they need and identifying whether they qualify for government funding through Train to Gain.

88. We are working closely with the UKCES to implement the proposals put forward in their simplification report in October 2008, building on the integration of brokerage with

Business Link to make it easier for employers to access information about training and how it can help their business.

APPRENTICESHIPS

We recommend that the Government review funding for adult apprenticeships and report on measures to encourage and strengthen them, particularly as demographic change will reduce the number of young people in the workforce (paragraph 126).

89. We support the need for strong and effective adult apprenticeships. Employer demand is high and adults are increasingly attracted by the opportunity to re-train and gain new skills. Removal of the upper age limit two years ago has helped produce a large increase in adult numbers and clearly states our commitment to develop skills of all ages through apprenticeships.

90. Funding for adult apprenticeships is not a barrier for employers or individuals. The number of adult apprenticeships increased 50% last year and demand is strong. The White Paper *21st Century Skills: Realising our Potential* (published in July 2003) set out our intention that employers and learners should contribute towards the cost of their course, in light of the returns they derive from learning. *Further Education: Raising Skills, Improving Life Chances* (March 2006) confirmed our intention to increase learner and/or employer fee contributions to 50% by 2010–11 for those not eligible for free provision. Lord Leitch's Review of Skills (December 2006) reaffirmed the importance for a shared responsibility to invest in skills, with employers and learners asked to contribute most where they see the greatest private returns.

91. We have no evidence that lower unit funding for adult apprenticeships has either dented their popularity with employers or affected performance. Starts have been consistently increasing, up to the 225,000 in 2007–08 (from 65,000 in 1996–97) and a record high. Of those, 27,000 were aged over 25, that is compared to only 300 in each of the two previous years.

92. With 74% of the 2020 workforce already having left school, apprenticeships will be an important key to training people to do jobs that are vital to the UK economy, both now and in the future.

We recommend that the Government collate and publish data on the development of high level apprenticeships and take immediate action to raise awareness of the opportunities if take up is not satisfactory (paragraph 127).

93. We are committed to development of higher level apprenticeships where there is clear demand from employers. Sector Skills Councils have responsibility to look across their sector and understand skills needs. They are well placed to encourage employers to think about their training needs, and promote appropriate ways for them to be met. Sector Skills Councils also develop higher level apprenticeships where demand exists such as in engineering.

94. More important is that all apprentices should have clear progression routes into higher level skills and education. This may be a foundation degree or professional qualifications. Employers and sectors will decide which are appropriate. The Specification of

Apprenticeship Standards in England, on which we are about to consult, proposes a requirement that all apprenticeship frameworks outline clear progression routes into higher level skills.

QUALIFICATIONS REFORM

We welcome the new QCF and its emphasis on a modular approach. We believe that serious consideration needs to be given within the qualifications reform process to the accreditation of prior learning and to accommodate non-traditional courses leading to the acquisition of skills at an appropriate level, such as bite-sized courses or part-time or informal training (paragraph 131).

95. We welcome the Committee's support for the Qualifications Credit Framework (QCF) and endorsement of the modular approach. The approach increases flexibility within the system and enables learners to study in 'bite-sized chunks', at a pace and a time which suits them, and to build up a training portfolio with no learning ever lost. The recent support package for SMEs in England through the Train to Gain programme includes access to units on the QCF, which SMEs tell us they value, enabling their employees and their business to benefit from smaller, focussed training courses.

96. We also recognise the importance of accreditation of prior learning. There are real benefits to be gained from recognising existing skills and formally accrediting them so that are transferable. Individual colleges already do this, and we encourage providers to use Accreditation of Prior and Experiential Learning standards as is used with the Higher Education system. The Government has also opened up new routes for employers to have their training accredited by Ofqual. So far, over 200 employers have benefited from the scheme which has the endorsement of the Confederation of British Industry. On the day of the announcement that the first three employers would receive awarding body status, John Cridland said: "Today marks a significant milestone on the road to reforming qualifications so that they better reflect the skills and competencies employers and employees need."

97. Our judgement remains that government funding is best invested in training which enables learners to progress to a qualification. That gives a broader range of skills which have an economic impact, it gives individuals formal recognition of the skills they have gained, provides a platform for future learning and we know that training leading to a qualification is more transferable giving greater benefit to learners. Those benefits are less significant for bite size or unaccredited learning. We also know that learners appreciate achieving a qualification; 93% of learners in Train to Gain said that achieving a qualification was the main motivational factor in them deciding to do training.

EMPLOYERS: REPRESENTATION AND ENGAGEMENT

Great things are expected of the creation of UKCES and we will keep a close eye on its development to assess whether it is delivering, including scrutinising its Five Year Strategic Plan, which will be issued before the end of 2008–09 (paragraph 136).

98. The UKCES is performing a very important role and Government supports the Commission in its work focussing on key strategic priorities. We have been able to attract a

Board of a high caliber with such a broad range of representation from the private, public and third sectors, and from the trade unions. The UK Commission, led by Sir Mike Rake will have an unprecedented opportunity to influence the employment and skills systems of the four nations of the UK, helping our systems be more responsive, relevant and high performing for the 21st Century.

99. We look forward to its first significant annual report—the “state of the nation”—to be published later this month.

SECTOR SKILLS COUNCILS

We recommend that UKCES directly address in its annual report the structures through which key generic skills will be promoted (paragraph 142)

100. In carrying out its role in relation to Sector Skills Councils (SSCs), the Commission is responsible for ensuring that arrangements are in place to deal effectively with cross-sector skills and activities. It will address the structures through which key generic skills will be promoted, and a joint group has been established with the Alliance of SSCs to tackle this.

101. Lord Leitch’s report highlighted the challenge of ensuring consistent performance across the SSC network and the UK Commission has Government’s full support in achieving this aim. SSCs are required to identify and meet the skills needs of their sectors with sector specific solution—and this includes sector needs for generic skills such as management and leadership, and customer service. The SSC re-licensing process includes an independent assessment of the SSC’s performance in meeting their sector’s skills needs, and SSCs will need to provide strong evidence of achievement in order to be re-licensed.

102. Management and leadership and employability skills will be important priority areas for the UK Commission going forward and to this end it is establishing a direct strategic relationship with key cross sector bodies. The Commission is also already undertaking work on employability skills and published a report *The Employability Challenge* in February this year.

103. DIUS programmes help SSCs to provide sector specific solutions, in particular through Train to Gain, which provides funding for generic skills training, such as management and leadership. Train to Gain Sector Compacts give employers flexibilities designed to meet the specific skills needs of their sector. In return, SSCs commit to securing an increased take-up of skills training by employers, including increased take-up of generic skills.

We recommend a review of SSC financing alongside the SSC relicensing process, although we stress that this should serve to speed up the process of relicensing and not to delay it (paragraph 144).

In the light of the need to align sectoral demand with regional planning, we recommend that UKCES examine the regional capacities of individual SSCs as part of the re-licensing process (paragraph 145).

We await the outcome of the UKCES relicensing of Sector Skills Councils with interest. In the interests of transparency we recommend that once the relicensing process is

complete that all advice given by the National Audit Office in its role as independent third party assessor is made available to this Committee (paragraph 146).

104. Government does not see a case for reviewing SSC financing.

105. The UK Commission will need to ensure that, in parallel with completing the relicensing process, it puts in place effective arrangements for the continued performance management and regular review of SSCs' performance. It will also ensure that the funding arrangements for SSCs support the continued improvement and development of a high performing network of SSCs, including that the funding support is focussed on SSCs' core remit.

106. The relicensing process includes robust third party assessments of SSCs by the National Audit Office. The assessments and subsequent reports will reflect the tests set out in the SSC Relicensing framework (*Empowering SSCs—Employer driven skills reform across the UK*). The NAO assessments and UKCES SSC relicensing recommendations to Government will not provide a systematic appraisal of SSC capacities across the regions. As part of the relicensing process all SSCs are required to work with key stakeholders, including regional partners, to progress skills priorities. Regional partners have been encouraged to submit evidence on SSC performance as part of the relicensing process.

107. The National Audit Office will produce an overall narrative report for each SSC assessed against the relicensing framework. All the reports will be in the public domain and available to the Committee. There will not be any additional advice from the NAO to the UKCES. The UKCES will make recommendations to Government based on the NAO report, a Commissioner visit and a panel review of each SSC's performance.

PRIVATE SECTOR ORGANISATIONS

In addition to the SSCs, the Government and UKCES need to work with not just the major organisations such as the EEF and the CBI, but also with less formal clusters and consortia such as Electronics Yorkshire and smaller sector bodies (paragraph 147)

108. SSCs and RDAs already work across the whole employer landscape, engaging with major organisations and less formal clusters and consortia. Mechanisms already exist for these organisations to feed in through the appropriate SSC.

EMPLOYER ENGAGEMENT AND PARTICIPATION

We note that the Government has backed away from compulsory training for the time being but this may be the last chance for the voluntary approach. Given that the performance of different sectors may itself be highly variable, rather than kick compulsory training into the long grass the Government should look at other ways to encourage employer participation, such as considering companies' training policies and practices during procurement processes. In sectors where significant progress has not been made by 2014, compulsion must be seriously considered (paragraph 156).

109. The compulsion issue is part of the remit for UKCES to consider in 2014 and we await their advice. And we are, of course, raising the participation age so that from 2013 all

young people will be required to participate in education and training post-16. In the meantime, we will continue to support employers and sectors under a voluntary approach.

110. That is why we are moving forward with legislation in the *Apprenticeships, Skills, Children and Learning Bill* to give employees in Great Britain a statutory right to request time to train. This will give employees the right to a serious dialogue with their employer about their need for training and skills development. It will prove a powerful incentive for employers and employees to properly consider their training needs and to build a stronger future for their organisations and themselves. Employees' requests could be to undertake accredited programmes leading to a qualification, or for unaccredited training to help them develop a specific skill relevant to their job. The new right is vital to further extend and embed the culture of training in British business and could benefit around 25 million employees.

111. We agree that it is important to look at different ways of engaging with employers and encouraging them to participate. Our current approach includes, for example, the Skills Pledge—a public commitment made by an employer to help their employees improve their skills. This in turn helps the employer recruit and retain the best people and increase productivity, quality and competitiveness. And we are encouraging employers to invest by including skills and training as requirements in public procurement processes. Through this we will encourage all those who work on Government contracts to identify and develop the essential skills they may currently lack and for Government to consider the positive benefits of this when awarding contracts. This will have benefits for those who use public services, the individual employee and for the employer.

SMALL BUSINESSES

We welcome the Government's decision to refocus Train to Gain on SMEs and relax restrictions on its use. This is an important first step in developing skills engagement with this sector. The development of employee development centres within clusters of small enterprises also has potential and should be evaluated at an early stage to inform decisions on whether it should be rolled out more widely. These initiatives also need to be incorporated into a comprehensive strategy for adapting skills policies to SMEs, led by UKCES and DIUS (paragraph 158).

112. SMEs are vitally important to the UK economy. Our Train to Gain offer, including the highly successful management and leadership programme, has enabled small businesses to develop their workforces. The new flexibilities we have provided are specifically to help address the additional pressures small businesses are under during the recession and to prepare them for business opportunities in the future. We will test out with partners the role that employee development centres can play in supporting clusters of small enterprises, within the wider Train to Gain offer.

113. We will continue to examine how our skills policies can meet the needs of all employers, including those in the small business sector, in consultation with Sector Skills Councils and other employer bodies as appropriate.

TRAINING PROVIDERS: HIGHER EDUCATION

The role of HE within the Leitch agenda, in particular its relationship with employers, appears to us to be a major point of weakness within the implementation of the Government's policy on skills. Recent years have seen considerable increases in the number of students going to university and acquiring level 4 skills which should make the Leitch target of over 40% of the adult workforce holding such qualifications by 2020 challenging but within reach. However, there are doubts about whether industry co-funding of 50% will be forthcoming in the quantity required to meet annual targets of 20,000 places; as HEFCE's own memorandum acknowledges in setting its objectives for the next three years, one of which is "Testing the policy of employer co-funding to get beneath the welter of opinion and anecdote to establish hard evidence on the willingness of employers to pay for the 'right' higher level skills product." The current economic downturn may make this level of employer investment even harder to attain (paragraph 171).

114. Higher Education Institutions (HEIs) do excellent work with employers. Their publication 'Standing Together' developed as a joint Higher Education response to the economic downturn is indicative of their desire to work more closely with employers. We need them to develop their relationships, as has been illustrated in the stepping higher document jointly published by CBI and UUK in October 2008. We need to ensure that HEIs build on this practice to offer support and training that is flexible, relevant and responsive to the needs of learners and employers. The latest higher education-business and community interaction survey shows that UK HEIs received £2.64 billion from business and community interaction in 2006–07. This is a 17% rise from the last survey (for 2005–06). We will be setting out action to build on the good practice already evident as we follow up last year's consultation on higher level skills.

115. We expect to publish shortly a follow-up document to the consultation on high level skills last year. It will set out what we are doing to respond to the consultation outcomes, set firmly in the context of HE supporting business and individuals in the economic downturn and the new Government policy of industrial and skills activism. It will look forward to, and be compatible with, the publication of an HE Framework this summer.

116. All HEIs have a role to play in the skills strategy—whether around teaching and learning, or strengthening links to employers to further enhance the nation's knowledge transfer, enterprise or research activity. Government, through the Higher Education Funding Council for England (HEFCE) is supporting HE institutions to work with employers both helping HEIs to test their willingness to co-fund the development of HE provision responsive to their needs, and supporting the building of the capacity of institutions to respond to existing and future levels of employer demand.

117. The HEFCE's employer engagement pilot projects have demonstrated substantial demand matched by financial support from employers, with 10,000 co-funded places contracted with HEIs for the 2008–09 academic year, a 50% increase on planned places. Although the rates of employer co-funding have varied during this pilot with only a limited number achieving the full 50%, we are confident that a significant number of individuals will benefit and the principle of co-funding can be embedded. HEFCE recognise the potential impact of the recession on these projects and will monitor impact. In addition, in

late January 2009, HEFCE has announced a £50m Economic Challenges Investment Fund to support individuals and business. It will lever a wider contribution from the HE sector (including from Universities VAT windfall) to help employers, employees, and others help employers with their workforce development as a route to economic recovery. At present, the anecdotal evidence is that employers generally are seeking to maintain their investment in workforce development and their take-up of co-funded provision appears to be holding up. However, the situation is volatile and the strength of employer demand could change.

118. National Skills Academies (NSAs) are also about transforming learning provision to better meet employers' skill needs. All NSAs have recognised the importance of higher level skills and progression to level 4 and above and have set out strategies to increase the volume of training at higher levels. Some, for example, the NSA for Nuclear, are directly funding additional Foundation Degree places to meet the needs of the sector. Foundation Degrees (FDs) will make up the bulk of new growth in Higher Education in the near future. FDs are developed jointly with employers based on skills needed in the workplace. We aim to have 100,000 Foundation Degree enrolments by 2010.

119. Forecasts by the Institute for Employment Research show that, of the 12 million jobs expected to become vacant between 2004 and 2014, 6 million will be in occupations most likely to employ graduates. Employers value higher education and the 'graduate premium'; over a working lifetime, the average graduate will earn over £100,000 more (after tax and in today's valuation) than a similar individual with two or more A-levels is an indication of this.

If the level 4 target is to be reached, then the relationship between HEFCE and the regions has to be sharpened. DIUS should ask HEFCE in its Annual Grant Letter to develop its regional activity, and HEFCE should be required to quantify its activities in its Annual Report (paragraph 172).

120. We agree with the Committee. This has been increasingly recognised in policy in recent years, not least in the opportunities created by the Higher Education Innovation Fund and our new University Challenge initiative. The Funding Council has already strengthened the role of its regional consultants to reflect the emerging regional agenda. In our recent grant letter we asked that HEFCE to support the HE sector to work with national regional and local networks to help deal with current economic circumstances. We will continue to explore with the HEFCE how it can support the regional role of universities, taking into account conclusions that emerge from the current debate on the future of HE.

DIUS has promised to publish an analysis of the labour market demand for STEM skills. We hope that HEFCE will be explicitly enabled to build upon this analysis to encourage and deliver provision of STEM higher level skills. We also ask HEFCE to provide us with an update of the work it has done during 2008 on developing STEM skills in response to the tasks set in the 2008 DIUS Grant Letter (paragraph 174).

121. Encouraging the supply of STEM graduates has been one of the Government's key priorities. There has been good growth in applications from prospective undergraduates in these disciplines recently, and our research performance remains strong. Overall the

number of STEM graduates and postgraduates has increased significantly in recent years. Between 2002–03 and 2006–07:

- the number of STEM first degree qualifiers from UK HEIs increased by 11% (excluding OU). 24% increase in STEM Other Undergraduate qualifiers;
- there was a 58% increase in mathematics masters graduates, and a 55% increase in engineering masters graduates; and
- the number of STEM Masters qualifiers increased by 35% and the number of PhD qualifiers by 18%.

122. The UK produces more science graduates per head than many of our international competitors. Our focus in STEM subjects is reflected in the recent Grant letter from the Department asking HEFCE to develop an integrated programme to raise demand for STEM and to continue to recognise the importance of the recommendations by Lord Sainsbury.

UKCES will also need to look at the attitudes of employers towards HE and recognise that raising awareness of HE opportunities and increasing employer demand is not solely the task of the HE sector but requires greater commitment from employer organisations as well, as has been acknowledged by the CBI (paragraph 175).

123. Developing high level skills demands a shared investment—by Government, higher education (HE), individuals and employers. There are many good examples of employers working together with HE—on the design and development of Foundation Degrees for example. The ‘Stepping Higher’ publication, produced jointly by the CBI, UUK and HEFCE contains substantial evidence of collaboration and, in the current context of the recession, the HE sector is engaging even more closely with business. The re-licensed SSCs have a major contribution to make both in articulating employer needs but also in encouraging employers to play their part in getting involved with HE. As we take forward our High Level Skills Strategy, we will reinforce these messages and build on the good practice already evident.

FURTHER EDUCATION

FE colleges should be accorded sufficient ability and autonomy within Train to Gain to devise the courses needed in their areas and should be encouraged to develop a truly responsive employer engagement process (paragraph 183)

124. Through Train to Gain we are already creating a more responsive FE system and the enhancements and additional flexibilities we are introducing (see paragraph 82) will enable FE colleges and providers to work even more flexibly and effectively with employers to deliver the skills they need.

125. Under the new arrangements we are putting in place with the creation of the Skills Funding Agency, colleges and providers will have much greater flexibility to deliver the education and skills required in their local communities. They will not be constrained by detailed plans nor burdened with unnecessary bureaucracy or oversight by the system and will be able to use public funding to respond to local circumstances. It will remain the role

of Sector Skills Council to identify the skill outcomes that employers most need, as a basis for designing vocational qualifications that add real economic value.

We recommend that the Government review research on FE/HE collaboration and commission clear guidelines on how to ensure its effectiveness at the regional level, including a greater focus on progression (paragraph 188).

126. HEFCE and LSC are working together to enhance and increase demand for higher level vocational learning and skills through for example complementary investment decisions and joint research and use of data.

127. A key role for the new Skills Funding Agency will be to facilitate progression and advancement at all levels from basic skills to higher level skills and into Higher Education and sustainable work and we will work with them on strategies to improve FE/HE collaboration.

JOINT FUNDING OF FE/HE?

There is an appealing logic to the idea of a single FE/HE funding agency but we have not taken sufficient evidence to identify all the undoubted difficulties which such a move would create. A single funding agency, even one operating two distinct streams of funding, would no doubt lead to irresistible pressure for a different model for the FE sector with less central direction than at present. We conclude that this is an idea whose hour has not yet come but one which should not be dismissed as without merit (paragraph 190).

128. Although it is important that the LSC and HEFCE are able to work effectively with each other, we do not think they should merge. Further Education and Higher Education institutions are very different bodies. They have different histories, different legal status and different governance arrangements. They have different levels of autonomy and hence different relationships with Government. For all of these reasons, we think it is entirely right that we have different funding bodies and arrangements for the two sectors.

129. But FE institutions and HE institutions do collaborate closely and we are keen to encourage and promote this where it is in the interest of learners. And we have ensured that the funding arrangements that are in place are capable of doing this. For example, HEFCE funds HE provision in over 100 FE institutions.

PRIVATE SECTOR PROVIDERS AND IN-HOUSE TRAINING CAPACITY

We urge DIUS, UKCES and the SSCs to work with bodies such as the Chartered Institute of Personnel and Development to explore how the role, standing and capacity of the training function within employing organisations can be strengthened and developed (paragraph 191).

130. We welcome the Select Committee's proposal that we, UKCES and the SSCs should work with other bodies to strengthen and develop the role, standing and capacity of employers' training. That is why we have since April 2008 been running through QCA the Employer Recognition Programme, building on an earlier successful pilot. This programme responds to Leitch by allowing employers to seek accreditation for their own

internal training, where it meets the quality assurance requirements and adds clear economic value. This programme uses the Qualifications and Credit Framework's (QCF) flexibility to allow employers develop qualifications/units which recognise their bespoke training.

131. The pilot phase resulted in four employers—McDonald's, Flybe, Ministry of Defence and Network Rail being recognised as Awarding Organisations, and a further sixty employers being recognised by getting their training onto the QCF. In this financial year, QCA have recognised six employers as Awarding Organisations in their own right, seven employers working with an existing Awarding Body, three Trade Associations, bringing with them 155 employers. We expect the programme to build on these successes in the coming financial year by attracting more employers to have their own training formally recognised.

132. We need to ensure investment in the current and future UK workforce develops the high-quality leadership and management skills we need, so we can compete effectively in the global economy and provide employment opportunities in the UK. The UKCES has an important role to play here and the Commission will work in partnership with Government to consult leading employers and academics on the best way to achieve this, building on our current knowledge about leadership and management development and practice in the UK.

133. In order to ensure skills are used productively, we will also need to promote managerial capacity, through action at the sector level with leadership and management bodies including the Chartered Institute of Personnel Development. And we will expand on the UKCES work on high performance work practices, the utilisation of skills and promoting the Investor in People standard.

We recommend that DIUS commission an audit of private sector training providers to ensure that its plans for the implementation of Leitch are based on accurate calculations as to capacity and capability in this sector (paragraph 192).

134. DIUS has overall responsibility for the capacity and capability of the FE system to meet the needs of the country, and this includes the implementation of the Leitch strategy and achievement of targets. The LSC has for some years kept testing the private training provider market through the letting of contracts for Train to Gain and apprenticeships—and have always been able to secure the necessary volume of response, with rising quality. So there is no evidence to suggest that there is insufficient capacity and capability.

135. If Parliament agrees to the dissolution of the LSC and the appointment of a Chief Executive for Skills Funding (as set out in the Apprenticeships, Skills, Children and Learning Bill), the SFA will have a role in future in responding to identified skills gaps and ensuring that provision is available in each area to meet the identified needs of learners and employers.

INDIVIDUALS

The issues of worklessness and under-employment, and especially the challenge of supporting those wishing to return to work either with or developing adequate skills to do a job with progression after a long period outside the workforce (this particularly

applies to women) must be given much higher priority. This is an area where strong continuing joint working between DIUS and DWP programmes and policies will be essential. We hope that the UKCES research project leads to firm recommendations to Government on how to simplify access and reduce delay in providing training, especially to the unemployed, and that the Government is prepared to act to address these crucial issues. Individual voices, not just those of the currently employed and employers, must be heard (paragraph 197).

136. The Government agrees that the issues of worklessness and underemployment must be given high priority—especially in the current economic climate. That is why our targets and strategy have consistently prioritised enabling the low skilled and unqualified to obtain skills for life and first Level 2 qualifications, because they operate as the basic thresholds of employability skills that employers value. We have made excellent progress. Since 2000–01, more than 2.8 million adults have improved their basic skills. Latest figures from the Office For National Statistics (released in December) show that 299,000 adults achieved full level 2 qualifications in 2007–08 and 127,900 adults achieved full level 3 qualifications. These are record figures for adults achieving vocational qualifications.

137. We have made a clear commitment to bring the employment and skills systems together in a better way to tackle these issues for the out of work and inactive. To this end DIUS and DWP are working jointly to develop an integrated employment and skills service. The aim is that everyone who is out of work will readily get the help they need to address their skills needs, find employment and progress in work through continued skills development. Benefit claimants will be encouraged and signposted not just to get into work, but get on in work. Welfare rules and systems will support sustainable employment and progression.

138. An integrated employment and skills service will also encourage and incentivise employers to support continuity of training for new recruits who wish to continue with any training started or to progress with their learning once in work

139. Work is already underway trialling key aspects of the service, including skills screening using a dedicated diagnostic tool—a comprehensive Skills Health Check. The trial is specifically aimed at Jobcentre Plus customers who have a skills need that forms a barrier to sustainable employment. It aims to provide a responsive and easy-to-use service that helps these individuals understand and address their skills needs, so is directly addressing the Committee’s aspiration.

SKILLS ACCOUNTS

We strongly support Skills Accounts and the principle that real funding should be placed in the hands of individual learners to empower them to engage with their learning. At present however vagueness as to how the Accounts will operate risks both confusion and a lack of impetus. Skills Accounts that merely became a paper or online accounting exercise, listing achievements or entitlements, without new funding initiatives or incentives would be sterile and quite inadequate to address the issues Lord Leitch highlighted in his Report. We hope that once the operational effectiveness of the programme has been established through the trials, the Government will be more

ambitious in its plans for skills accounts to justify the importance placed on them by Ministers and by key policy papers such as World Class Skills (paragraph 201).

140. Government welcomes the Select Committee's support of skills accounts as a means of engaging and empowering people to learn. Our aims for accounts are ambitious. Over time, we want adults to have the power to choose the training they need, commissioning that training direct from providers. Skills accounts will put that power in people's hands, either through a personal webspace or via an adviser through the new adult advancement and careers service (aacs). The aacs will provide personalised information, advice and guidance on careers and skills, as well as advice on tackling the barriers that can prevent people from taking up learning, such as childcare, understanding employment rights, personal finance skills, and so on.

141. A skills account will give people access to:

- a way of finding out how much Government funding you qualify for to support learning, either to cover or help with the cost of fees, and in future to access other forms of learner support (eg. Adult Learning Grant);
- a secure facility for storing a record of your skills and qualifications, and plans for future learning, accessed via your Unique Learner Number;
- a facility to compare different provision, including its quality, and potentially in the future to book a course;
- access to all the tools and support offered by the adult advancement and careers service.

142. By connecting people to the information they need about funding, courses and providers, and giving them greater power to commission training direct, skills accounts will change the learning and skills landscape in a fundamental way, addressing the issues highlighted by Lord Leitch. But accounts are just one of a suite of mechanisms that will influence the responsiveness of providers to the choices of individuals. The Framework for Excellence will include an element that covers learner responsiveness, and the Adult Learner Responsive funding model will continue to evolve to deliver real in-year redeployment of funds to follow learner choice.

143. Skills accounts will be the way in which adults engage with both current and future funding entitlements and trials of accounts in the academic year 2009–10 will be used to pilot new rights-based entitlements for those returning to work after five years or more of caring, and for those on in-work benefits and on low incomes. The design and development of both the existing and planned trials of skills accounts have been informed by focus group feedback, and we will continue to use this approach in order to ensure that we develop accounts to maximise learner choice and motivation.

ADULT ADVANCEMENT AND CAREERS SERVICE

Much is riding on the effectiveness of the new AACS and we recommend that the Government report on the trials and consult individuals, employers and training

providers on their experiences of using it in 2009 before the system is made universally available in 2010 (paragraph 204).

144. We are evaluating the advancement network prototypes and trialling aspects of the new service. We agree with the recommendation that we report on these trials and will consult widely on the lessons emerging so that the service we roll out from 2010 has the best chance of making a real difference to peoples' lives.

We believe strongly that a single Careers Service should cater for young people and adults. It should not be the case that individuals have to access a new service simply because they have reached their 19th birthday. We therefore recommend that in at least one of the trial areas a unified Careers Service is provided for young people and adults and feedback obtained on which model is more effective (paragraph 205).

145. We do not agree with this recommendation. Adults and young people have different needs and demand different solutions reflecting the responsibilities they have and the barriers they face. Whilst we recognise that there are examples of effective all age services, for example in Wales and Scotland, we believe that adults and young people are best served by services that are designed around their distinct needs. We will, therefore continue to develop distinct information, advice and guidance services for each age group. Where there are clear areas of common interest we will build on those, and expect services locally to connect as appropriate to provide a service that is seamless for young people and for adults.

THE RIGHT TO REQUEST TIME TO TRAIN

We recommend that the effectiveness of the right to request time off for training be monitored and reported annually (paragraph 207).

146. The aim of The Right is to increase dialogue between employees and employers, to promote discussions which result in more training. We do not wish to place a significant reporting burden on employers and do not feel that an annual reporting requirement would significantly help our understanding of how The Right is being used.

147. We do plan to monitor the effectiveness of the policy through evaluation and by its inclusion in business surveys as appropriate, the results of which will be published.

LIFELONG LEARNING

We believe that lifelong learning is an important area of policy where effective solutions must be found. It brings many benefits, both to the individual and to the economy, and it will be a disaster if the Leitch targets lead to a concentration on the quick wins of qualifications for school-leavers at the expense of older workers who have just as much aptitude and ability. We note that NIACE is currently holding an extensive inquiry into lifelong learning, with the intention of reporting in 2009. We look forward to the outcome of that report at which time we may well return to this subject again (paragraph 212).

148. We agree that lifelong learning is important, with benefits both to the individual and to the economy. That was one of the major findings of the Leitch report—that we cannot

just rely on the flow of young people, but have to support the stock of adults to gain new skills as well. The Government has been acting consistently on that principle.

149. Government has invested unprecedented amounts in our education system over the last decade (a 53% rise in funding to FE colleges and a 23% rise in HE), and we believe it is absolutely right to prioritise Government funding to help people get into or on at work. That is why funding is directed away from short unaccredited courses towards courses leading to qualifications which add greatest benefit for learners and employers. However, just because a course is not funded by Government does not mean that it does not or no longer exists. Last year for example, 550,000 adult learners were recorded by the LSC who did not receive any public funding, including many previously subsidised by the taxpayer but now rightly funded by employers for courses like health and safety at work.

150. We do recognise the important contribution of informal adult learning to society. That is why we have ring-fenced £210m for informal adult learning. We have protected funding for specialist colleges—£40m in 2008–09. And we have increased funding for Unionlearn from almost nothing ten years ago to £21.5 million per year, with 20,500 trained Union Learning Representatives who last year alone helped over 200,000 workers back into learning.

151. Government also funds UK Online centres, used by two million people per year, at a cost of around £9 million per annum. And there are a vast range of other opportunities on offer. Floodlight prospectus lists more than 1,100 courses in Spanish in London alone—one of the short courses which used to be most heavily subsidised. Membership organisations such as the National Trust offer professionally organised courses. The University of the Third Age (U3A) is expanding fast with over 716 local U3A branches established and total membership already rising to over 209,000.

152. Building on the findings of our recent consultation, we are now working with partners, including NIACE, to develop our policy proposals and strategy for Informal Adult Learning in the 21st Century, which we shall publish shortly. It will set out ideas and proposals by which the Government and its partners can improve quality and access to provision for all learners, including those who may face difficulties in participating due to lack of money, mobility or access to relevant courses. Meeting the needs of older learners, as well as families and communities, is a key theme in our strategy.

ROLE OF THE UNIONS

We welcome the expansion of unionlearn and support the closer involvement of the unions in encouraging the key brokering role of the unions in the development and take-up of opportunities to raise skills levels within the UK workforce (paragraph 216).

153. We are pleased the Committee welcomes the expansion of Unionlearn. Trade Unions and their Union Learning Representatives have a vital role in encouraging people to learn and in driving up demand for learning and skills.

154. Union Learning Representatives aim to help over 250,000 workers into learning each year. With real-life experience and credibility in the workplace, they inspire trust and foster ambition giving people the confidence to seek new ways to improve skills. They are

instrumental in boosting employer participation in the Skills Pledge and Train to Gain, helping ensure that business and their employees to have access to skills training.

155. That is why we will continue to support the Union Learning Fund and unionlearn to develop and promote the work of the Representatives. And it is why we have increased the funding available for union learning from £2 million in 1998 to over £21 million in 2009—so that by 2010 there will be 22,000 trained Representatives helping more than 250,000 workers into learning each year.

CONCLUSION

The economic climate makes it more imperative not less that skills levels are raised. As the UK comes out of recession, people will be needed who can pick up the new range of jobs which emerge at that time. An emphasis within skills policy on re-skilling is therefore vital. We are also concerned that the current policy of supplying skills and expecting businesses to utilise them, rather than tackling skills shortages or approaching skills as part of a wider national economic development plan, will not hold up in a shrinking economy where the major drivers of the financial, business services and retail sector have stalled. The Government will have to consider how to build more flexibility into its support for training and also more direction to ensure that the UK concentrates its skills development in areas for which there is current and future demand (paragraph 218).

156. This response makes absolutely clear Government's support for re-skilling. We have for some time been acting on precisely the principle the Committee now endorses—developing a demand-led approach focussed on the needs of employers, and getting away from a supply-driven approach. But the system has to be able to manage both re-skilling *and* up-skilling—to help the UK bear the recession and make sure we are well positioned to take advantage of the upturn. Working with employers we will assess the economy to identify those sectors and sub-sectors where there is a strong underlying prospect for growth and employment. We will continue to develop our offer to make sure we have the right incentives and support to encourage that as we come out of recession.

157. We will help and support employers to assess the employment and skills strengths and weaknesses in their industries and what steps we need to take together to build capability and take advantage of new market opportunities in the future.

158. We are already working through the UK Commission for Employment and Skills, leading Industry Associations and Sector Skills Councils to support employers in better anticipating future demand, and developing a more responsive skills training system to meet challenges such as the low carbon economy, technological change (bioscience etc), major national projects (Olympics, Crossrail, house building, nuclear build etc). We are working to jointly invest in developing these skills now. This includes the Commission's work to understand how to stimulate more effective skills utilisation in the workplace in the future and by so doing enhance UK productivity and performance.

159. We have already announced a new training offer for SMEs through 'Train to Gain' to help develop core business skills needed now and for the upturn. And we are flexing the Programme to make sure that it meets the current needs and demands of employers.

160. The development of sector compacts also allows for more funding to be invested in skills areas specific and relevant to different industry sectors, in order to help some employees benefit from higher level skills in areas vital for that industry and for the wider economy. National Skills Academies are about creating a network of employer-responsive training providers, who will not only transform the supply of training, but also increase employer ambitions and demand for skills, and raise employer investment in skills—some £131 million of their own resources to their NSA to date. Government is increasingly looking to the NSA network (now 16 in the key sectors of the economy) to start taking on the role of organising demand more strategically and influencing the LSC as necessary. With NSAs in the key strategic skills areas, they are well placed to respond to emerging skill needs.

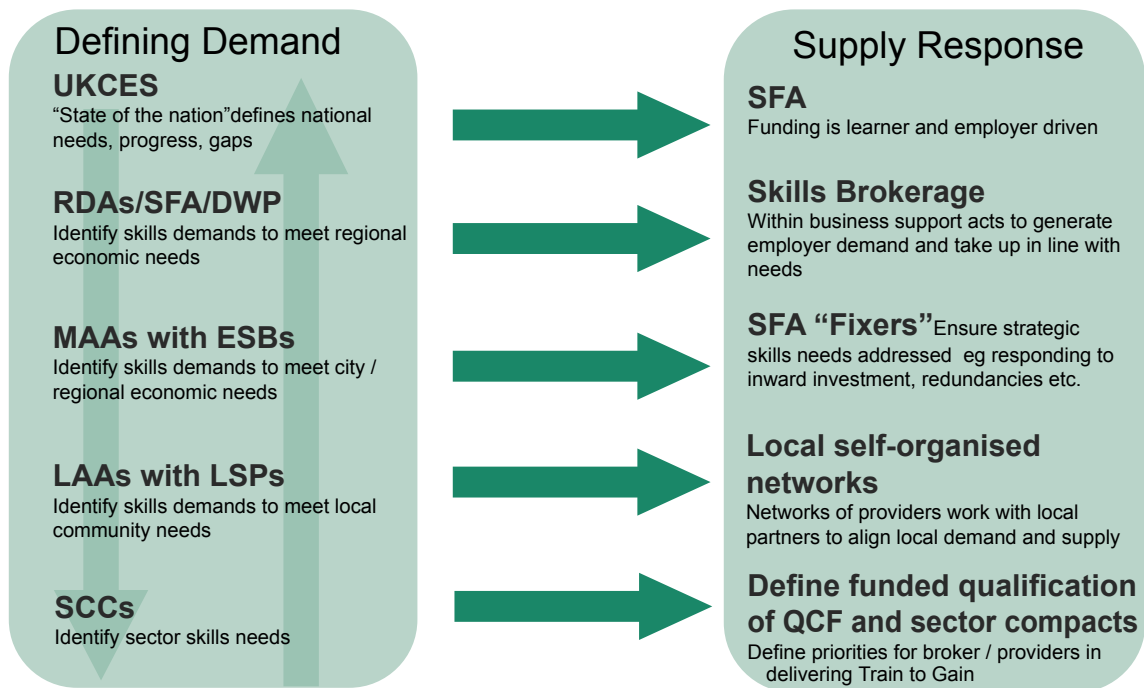
161. Through a continuing focus on strategic skills, we will particularly support sectors with the potential for growth—sectors such as manufacturing; aerospace; knowledge based industries such as pharmaceuticals, biotechnology and science which have created over half the new jobs in the last 20 years; low carbon technologies with a potential one million new jobs over next 20 years.

We want to see this review succeed. There is no time for a new start as long as our competitors continue to advance. The Government must work to ensure the success of its skills agenda through the clear communication of its vision and through practical measures to enable employers and individuals to recognise and reap the benefits of higher levels of skills (paragraph 219)

162. We are pleased that the Committee shares our strong desire for success. We must work hard to realise our ambitious skills agenda—communicating the vision clearly and developing practical measures for employers and individuals that work for the real world. Since we are now seeing real success being achieved through Train to Gain, new qualifications and the other reforms we have put in place over recent years, it would be damaging, destabilising and counter-productive to abandon all that for “new start”. We need consistent, determined delivery that builds on what has been achieved so far, to support learners and employers gain the skills they need to contribute to national economic success when the economy recovers.

Annex 1

National, Regional and Local Landscape: National priorities reflected in regional and local strategies with customised local delivery



Annex 2—Train to Gain Evaluation

1. There has been an on going evaluation of the Train to Gain initiative. The first wave of employer and learner reports was published by the LSC in May 2008. We also provide the Committee with provisional data from further waves of the evaluation (waves 2 and 3). These reports are due to be published on 26 March 2009.

We will continue to work closely with the LSC to develop the Train to Gain programme in light of this evidence to ensure its continued relevance to employers and VFM to Treasury.

Table 1: Key findings from Employers evaluations

Key findings	Research Sweep		
	1	2 ¹	3 ²
Employer satisfaction remains high: of employers who have accessed Train to Gain have been satisfied with the training, and the provider who delivered it.	92%	93%	91%
Satisfaction with the skills brokerage service remains high, but there has been a decline in employers' satisfaction with this service since wave 1.	80%	78%	77%
The rate of take up of training as a result of contact with a Skills Broker has seen a significant increase in wave 2, but has fallen in wave 3.	42%	51%	42%
The percentage of employers who stated that they would be likely or very likely to use the Train to Gain service again in the future (same as wave 1). This figure still remains high. Figures not available for wave 3.	77%	77%	N/A*
Train to Gain had encouraged or helped approximately half of the employers contacted to undertake "additional" training i.e. training for the first time, or to supplement existing training (either improved quality.	47%	53%	48%
The proportion of employers estimated to have substituted training under Train to Gain for training they had previously carried out has significantly fallen.	17%	12%	13%
A continuing high proportion of employers say that Train to Gain training has improved the long term competitiveness of their business (no significant change).	64%	65%	66%
There has been a slight, but steady increase in the proportions of employers stating that their participation in Train to Gain training has had a beneficial impact on their "bottom line".	42%	43%	45%
Wave 2 saw a significant reduction in the percentage of employers eligible for contributions to wage costs who were not aware that this was a feature of the Train to Gain service. However, this has not been continued in wave 3.	32%	26%	33%

* N/A – data not available (wave 3 is a short interim report and not all aspects of the evaluation are reported in detail).

¹ Provisional data, report due to be published 26th March 2009

² Provisional data, report due to be published 26th March 2009

Further evidence from the employer evaluation

2. Employers have reported additional benefits from their staffs' participation in Train to Gain training, including; an increase in the self confidence of employees (84%); an improvement in the general company culture with regard to the training and development of staff (approximately 83%); and staff gaining useful job-related skills (approximately 75%). These benefits have remained consistent over waves 2 and 3 of the evaluation.
3. There has been a decline in the proportion of employers who have had at least one member of staff working towards or achieve a formal qualification at Level 2.

Table 2: Percentage of employers reporting having at least 1 member of staff training towards a qualification, by level

Level of qualification	Proportion of employers who have had employees working towards or achieve formal qualifications through Train to Gain		
	Sweep 1	Sweep 2	Sweep 3
<i>Base—All employers accessing training through Train to Gain</i>	1,584	1,914	1,592
Skills for Life	28%	27%	27%
Level 2	71%	64%	60%
Level 3	33%	34%	35%
Level 4 or 5	14%	16%	14%
Level 2 or above	80%	77%	73%

4. Unfortunately 17% of employers, in wave 2, had decided not to take up some or all of the training discussed with their Skills Broker (the overall proportion for wave 3 is not available): Key reasons for this include:

- 34% (29% in wave 1) thought the training suggested was not appropriate or relevant. However, wave 3 saw a significant improvement in this factor (25% of employers gave this factor as their reason for not taking part in Train to Gain.)
- In wave 2, 21% felt it was too expensive; either in direct costs, or lost man hours. This proportion has dropped in wave 3 to 18%.

Table 3: Key findings from the learner evaluations

Key findings	Research Sweep		
	1	2 ³	3 ⁴
Learners' awareness of Train to Gain is rising. Most new entrants most had heard of Train to Gain through their employer or at their workplace.	60%	67%	76%
The overall satisfaction of new learners (who had completed their training) with the quality of teaching they had experienced remains high.	94%	91%	94%
Good practice is spreading: In wave 2, two-thirds of learners discuss suitability of doing some training before they start.			
More pre-entry discussions took place between learners and their training provider.	50%	54%	47%
The percentage of new learners who had a skills assessment,	60%	80%	N/A
Half of the learners had both a pre-entry discussion and a skills gap assessment and;	46%	51%	45%
An increase in the percentage of new learners received an individual learning plan/personal development plan.	18	59%	63%
A shifting percentage, across the three waves of evaluation, of new entrants are training with a public sector provider, the rest are with independent training providers.	54%	58%	43%

Further evidence from the learner evaluations

5. The table below shows the outcomes of training for learners in the Longitudinal Group. In addition to acquiring skills to help individuals do their job better, a quarter of the longitudinal learners received a financial reward from their employers (e.g. bonus, promotion or pay rise) as a direct result of gaining their qualification. Showing that participation in Train to Gain has mutual benefits for both employer and employee.

Table 4: Outcome of training for the longitudinal group learners

Outcome/what gained	Wave 3		Wave 2
	Number	%	%
Skills that will look good to future employers	2,455	91	88
Skills to help me do a better job in the future	2,372	88	85
A certificate/qualification	2,311	86	7**
Improved self confidence	2,138	79	76
Skills to help me do my current job better *	1,977	73	72
Improved motivation at work	1,900	70	68
Increased responsibility at work *	1,365	51	47
Increased promotion prospects	1,291	48	44
An award from my employer *	643	24	23
None of these/nothing	40	2	3

Base = all learners except those yet to start: Wave 3 N = 2,701; Wave2 N = 4,971.

Multiple responses given. * only asked of those in work. **this was not asked explicitly in Wave 2, but was mentioned spontaneously by some as an "other" response.

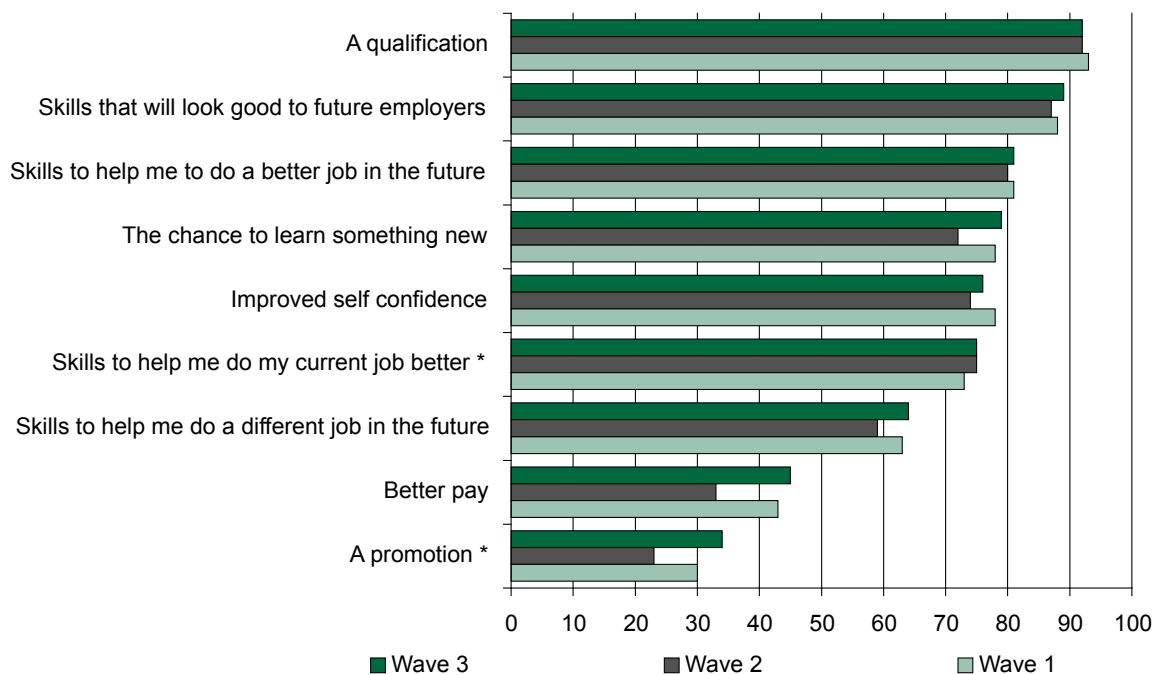
Source: Longitudinal group Waves 2 and 3 (autumn 2007, summer 2008)

³ Provisional data, report due to be published 26th March 2009

⁴ Provisional data, report due to be published 26th March 2009

6. The table below shows the percentage of new entrant learners for each wave and actual outcomes from their participation in Train to Gain.

Table 5: New entrant learners and actual outcomes of training



Base = all completers: Wave 3: N = 1,688; Wave 2: N = 939; Wave 1: N = 1,642.

* = only asked of those in work for Wave 2 and 3.

Source: *New entrants group survey Waves 1, 2 and 3 (spring 2007, autumn 2007, summer 2008)*

7. A quarter of the longitudinal learners who had completed their training received a financial reward from their employers (e.g. bonus, promotion or pay rise) as a *direct* result of gaining their qualification.

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2008–09

First Report	Re-skilling for recovery: After Leitch, Implementing Skills and Training Policies	HC 48–I
Second Report	The Work of the Committee 2007–08	HC 49
Third Report	DIUS's Departmental Report 2008	HC 51–I

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