



National Audit Office

Employers' perspectives on improving skills for employment

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 461 Session 2005-2006 | 14 December 2005

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John Bourn
Comptroller and Auditor General
National Audit Office
8 December 2005

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GLOSSARY

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| Agenda for Change | A Learning and Skills Council programme of reform for the learning and skills sector looking at how best to: meet the workforce skills needs of employers; build a sector fully committed to quality and the highest standards; change funding methods to support priorities as simply as possible; streamline data collection and exchange; achieve business excellence; and enhance the sector's reputation. |
| Brokerage/skills brokers | Advisors who provide advice on training opportunities and suitable providers. The Employer Training Pilots include networks of brokers operating in each pilot area. |
| Employer Training Pilots and the National Employer Training Programme | A Learning and Skills Council programme to provide free or subsidised training in basic skills or to a first level 2 qualification for employees in selected pilot areas. In addition, the pilots include paid time off work for employees to train, wage compensation to the employer for giving time off, and free information, advice and guidance to employees and employers. From 2006, the Department is introducing the National Employer Training Programme. More details of the Programme, including a list of the pilot areas, are provided in Appendix 1. |
| Framework for Achievement | A reform of the qualifications structure to provide a flexible system of qualifications built up from units. The Framework is to be designed to be more relevant to employees' and employers' needs and will be trialled between 2006 and 2008. |
| Qualifications at level 2 and level 3 | Learners can pursue training at different levels of difficulty and skill (Figure 10 on page 33 explains skill levels and equivalent qualifications). The government has set targets to increase the proportion of 16-19 year olds and adults who hold a full level 2 qualification, which is equivalent to 5 GCSE grades A*-C. Level 3 is equivalent to A level standard. |
| National Employer Service | A system to provide a single point of contact for large, national multi-site employers to take part in work-based learning contracts with the Learning and Skills Council. |
| National Occupational Standards | Agreed statements of competence, which describe the work outcomes required to achieve expected standards. National Occupational Standards provide the foundation for developing National Vocational Qualifications. |
| National Vocational Qualifications | Work-related, competence-based qualifications. |
| Supply chain | A network of employers or organisations involved with each other in producing or delivering a product or service. |

EXECUTIVE SUMMARY



Skills are essential to a successful and sustainable economy and society

1 A strong skills base, though not sufficient on its own, is an important element in a productive and sustainable economy (**Figure 1 overleaf**). And skills for public sector employees are essential to providing better public services. In the 2003 Skills Strategy¹, the government set out its commitment to improving skills for employment as one of the building blocks towards enhancing the UK's success as an economically competitive nation. Skills make an important contribution to increasing social inclusion, because better skilled people are generally more able to fulfil their potential, earn more and use their skills for the benefit of their families and communities.²

2 The Department for Education and Skills (the Department) spends around £6.7 billion, through the Learning and Skills Council, on employment-related education and skills training in England (**Figure 2 overleaf**). In addition, 1.9 million employers in the public and private sector spend an estimated £23.7 billion on education and training, including around £10.3 billion on

trainee labour costs and about £10.8 billion on training provided within the organisation.³ The total also includes an estimated £2.6 billion spent on external training, either in England's 397 colleges of further education or with providers from the private, community or voluntary sectors. Despite this expenditure, six per cent of employers have skill shortage vacancies and 20 per cent have skills gaps, costing in total some £10 billion a year in lost revenue, equivalent to £165,000 a year in a typical business with 50 employees.⁴

The delivery chain for providing education and training for employment is complex

3 A wide range of government and private sector organisations in addition to the Department for Education and Skills are involved in the planning and delivery of education and training for employees (**Figure 3 on page 6**). Appendix 1 provides more detail on key policies, initiatives and organisations.

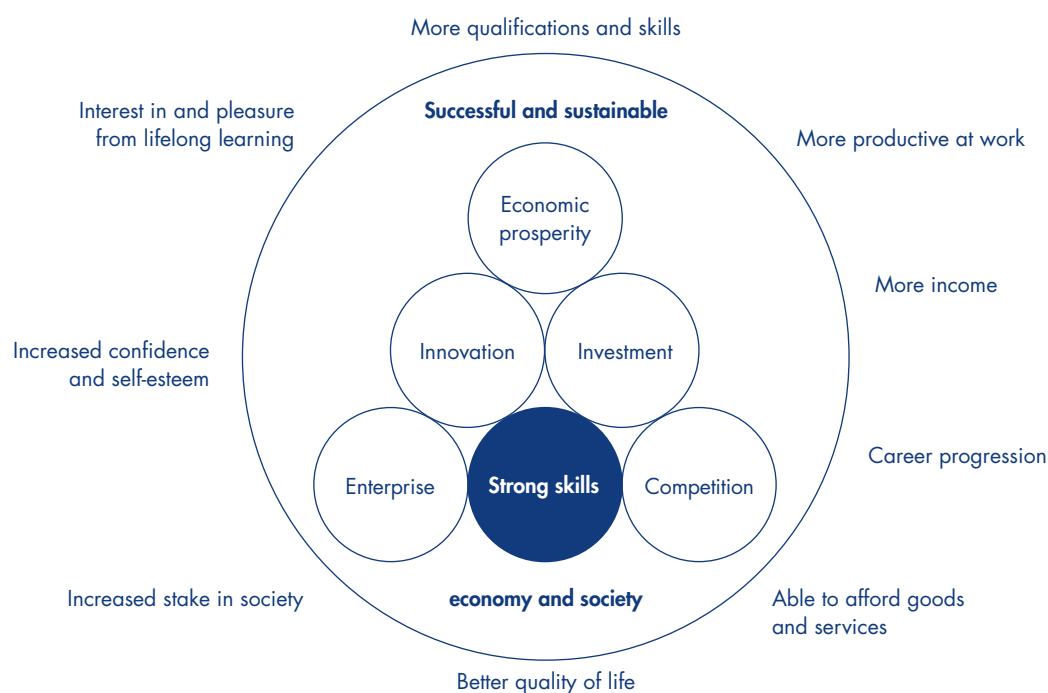
¹ *The Skills Strategy White Paper: 21st Century Skills: Realising Our Potential: Individuals, Employers, Nation*, Department for Education and Skills, July 2003.

² *Skills White Paper 2005: Getting on in business, getting on at work*, Department for Education and Skills, March 2005.

³ *Learning & Training at Work 2000*, Department for Education and Skills, December 2000; figures based on employers with 10 or more employees.

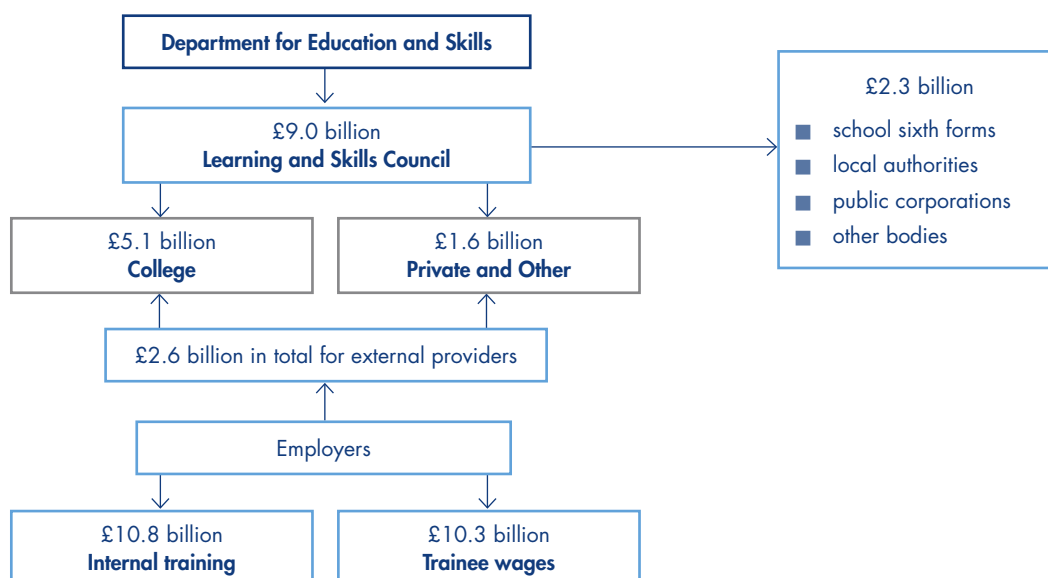
⁴ *National Employers Skills Survey 2003*, Learning and Skills Council (research by Ernst & Young), and 2004.

1 Strong skills are essential to a successful and sustainable economy and society, and benefit individuals



Source: National Audit Office

2 Expenditure on learning and skills in England



Source: Department for Education and Skills, and Learning and Skills Council financial statements 2004-05

NOTES

Expenditure figures have been rounded.

The Learning and Skills Council also receives £0.3 billion from other sources.

Tackling the skills challenge

4 Improving skills for employment – and ensuring employers get what they want – requires employers' co-operation and involvement. Employers are a very diverse group, covering a very wide range of industries, voluntary groups and charities, and public sector organisations ranging from the very small to the huge sectors like the National Health Service. Some employers are multinationals with hundreds or thousands of employees and supported by human resources and training departments, but the vast majority of companies are small, many with only a few employees or acting as sole traders (**Figure 4 on page 8**). While smaller businesses are less likely to train than larger businesses⁵, training also varies widely by sector.⁶

5 The UK has historically had low productivity relative to its main international competitors.⁷ Work done by HM Treasury and the Department of Trade and Industry has also shown that there are significant and sustained differences in economic performance between and within the UK's regions.⁸ Variations in skills composition is the major factor in explaining those differences⁹, but investment in skills training is also important among other key drivers including innovation, enterprise and competition.

6 **Figure 5 on page 9** illustrates regional data in England on productivity, skills gaps, training days, and Learning and Skills Council expenditure per head of the working population. The data is presented for illustrative purposes only, because possible connections between the four sets of data, and the reasons for similarities and differences between regions, are likely to be complex. The fact of such complex interrelationships reinforces the need for relevant public sector organisations to engage effectively with employers to define requirements for improving skills for employment, and to help secure provision that meets the identified needs.

Why and how we did this study

7 Two of our recent reports prompted this study:

- in *Skills for Life: Improving adult literacy and numeracy*¹⁰ we highlighted barriers to employers investing in training for employees with low literacy and numeracy, and the importance of structures and funding that support the flexible provision that encourages adults to take up learning; and
- in *Securing strategic leadership in the learning and skills sector in England*¹¹ we explored the tension between some of the Learning and Skills Council's national targets and regional priorities for skills development.

8 Much is known about the extent, causes and implications of skills gaps¹², and we found a wealth of data collected through intermediaries such as local Learning and Skills Councils, Business Link organisations, Sector Skills Councils, colleges and training providers. But there was relatively limited up-to-date information based on direct research with employers on how they want publicly funded training to be improved and whether it represents value for money from their perspective. Though we drew on a range of sources, we focused our research on direct views from private and public sector employers and employers' organisations in England. We have also taken account of a recent major review¹³ on the key challenges and opportunities facing further education colleges which recommends that colleges should sharpen their focus and direct their major efforts towards improving employability and supplying economically valuable skills.

⁵ *National Employer Skills Survey 2004*, Learning and Skills Council.

⁶ *Skills for Business Network: Phase 2 Evaluation Main Report*, Research Report 10, Policy Research Institute, Leeds Metropolitan University for the Sector Skills Development Agency, September 2005. The proportion of all employers providing training in 2004 varied from 91 to 43 per cent by sector.

⁷ For example, UK productivity in 2003, measured by Gross Domestic Product per worker, was 11 per cent below that of the combined average for other G7 countries, which includes Canada, France, Germany, Italy, Japan and the U.S. Source: *International Comparisons of Productivity*, Office for National Statistics, February 2005.

⁸ *Productivity in the UK – 3 – The Regional Dimension*, HM Treasury and Office of the Deputy Prime Minister, November 2001.

⁹ *ibid.*

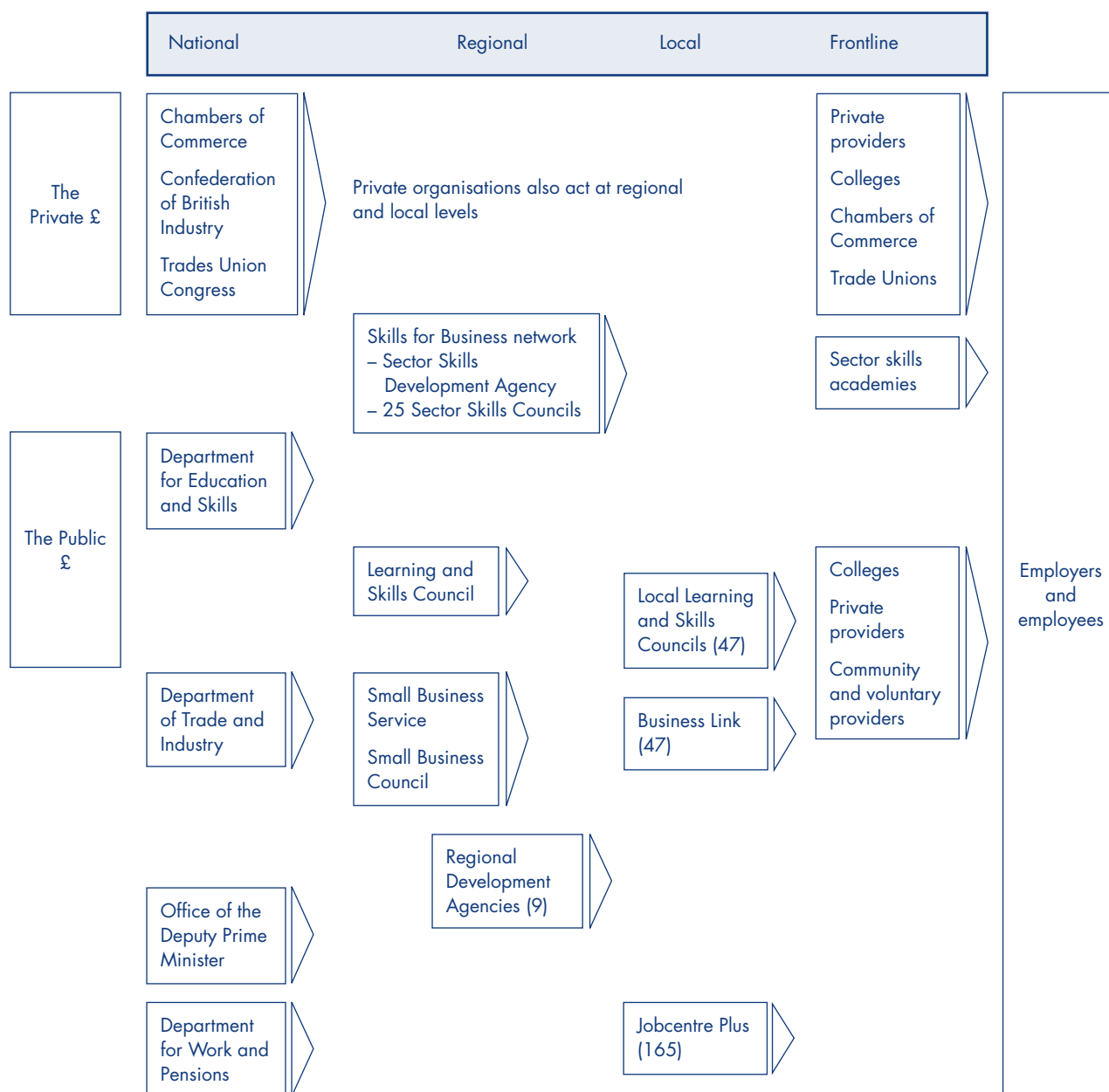
¹⁰ C&AG's report, HC20 Session 2004-05, December 2004.

¹¹ C&AG's report HC29 Session 2005-06, May 2005.

¹² For example, through the National Employer Skills Survey 2003 and 2004.

¹³ *Realising the Potential: A review of the future role of the further education colleges*, Sir Andrew Foster, November 2005 (details in Appendix 3 on page 49).

3 Delivery chain for education and training for employment



Source: National Audit Office

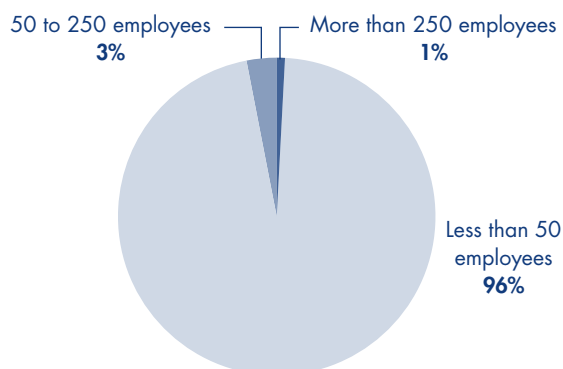
Key

| | |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business Link | 47 Business Link organisations, supported by local Learning and Skills Councils, provide business information and access to a wide network of business support. The Department of Trade and Industry provided £140 million in 2004-05 to the Regional Development Agencies for delivery of services locally. |
| Confederation of British Industry | The Confederation of British Industry is one of the UK's leading independent employers' organisations, representing over 250,000 public and private sector organisations. |
| Chambers of Commerce | The British Chambers of Commerce is a national network of Chambers of Commerce and one of the largest training providers in the UK, providing skills and workforce development training to tens of thousands of employees each year. |
| Jobcentre Plus | National network with 165 offices in England, receiving £2.9billion from the Department for Work and Pensions to give help and advice on jobs and training for people who can work and the right financial help for those who cannot. |
| Learning and Skills Council | A non-departmental public body responsible for planning and funding education and training (excluding higher education) for over 16-year olds in England. Functions through 47 local Learning and Skills Councils. Received £9.0 billion from Department for Education and Skills in 2004-05. |
| Regional Development Agencies | Nine Regional Development Agencies, receiving total of £1.8billion from 6 government departments, including the Office of the Deputy Prime Minister (£1.5billion), Trade and Industry and Education and Skills. They develop regional economic strategies and lead Regional Skills Partnerships to integrate action on skills, training, business support and labour market services at regional level. |
| Skills for Business network | Consists of Sector Skills Development Agency (a non-departmental public body receiving £67.5 million grant from the Department for Education and Skills) and 25 UK-wide independent employer-led Sector Skills Councils . The Agency provides support and funding for the Councils, which are expected to increase their funding contribution from employers over time. |
| Small Business Council | A non-departmental public body reporting on needs of existing and potential small businesses. Advises the Chief Executive of the Small Business Service. Received £260,000 in payments in 2004-05 from the Department of Trade and Industry. |
| Small Business Service | An agency of Department of Trade and Industry, receiving £14.2 million annually, which helps businesses start and develop. |
| Trades Union Congress | Represents over six and a half million working people from all walks of life. Consists of 66 affiliated unions. Each year over 40,000 trade union representatives enrol in education courses organised by the Congress and nearly 70,000 employees are helped to access learning opportunities by Union Learning Representatives from affiliated unions. |

4 Who people work for

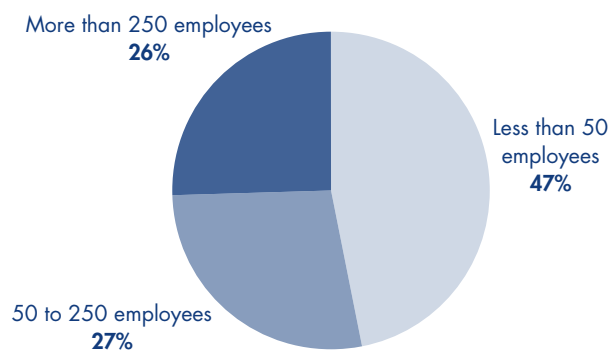
Employers by size

96 per cent of all companies employ less than 50 employees



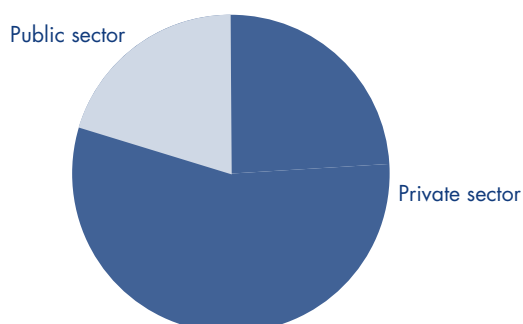
Employees by size of company

Nearly half of all employees work for companies employing less than 50 people



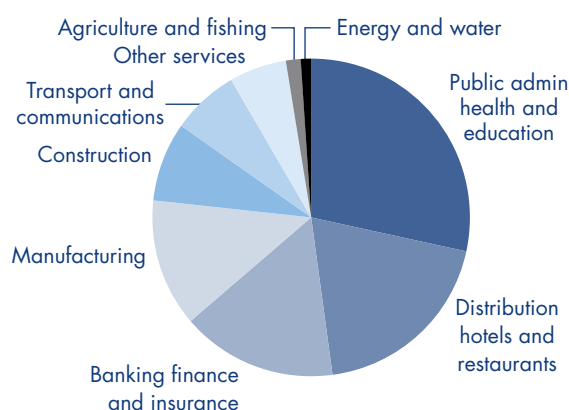
Private and public sector workforce proportions

Just over three-quarters of employees work in the private sector



All employment by industry

Employees work in a wide variety of industries



Source: National Audit Office, based on data from Department of Trade and Industry and Office for National Statistics
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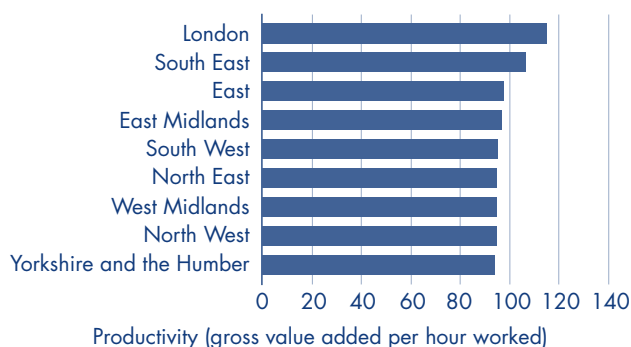
NOTE

Single person establishments are not included in the data relating to employers by size and employees by size of company.

5 Regional data on productivity, skill gaps, training days and expenditure per head of working population

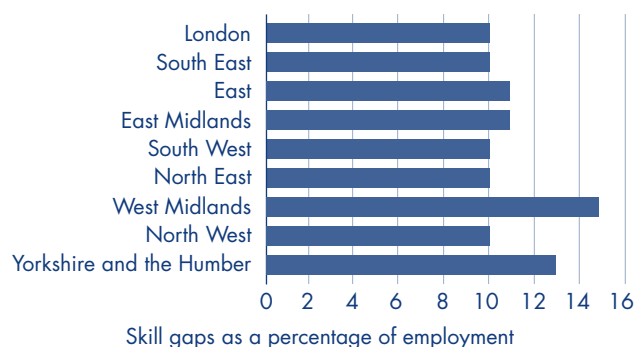
Productivity in England in 2003 was similar in most regions.

Region



Skill gaps in England in 2003 varied by region.

Region



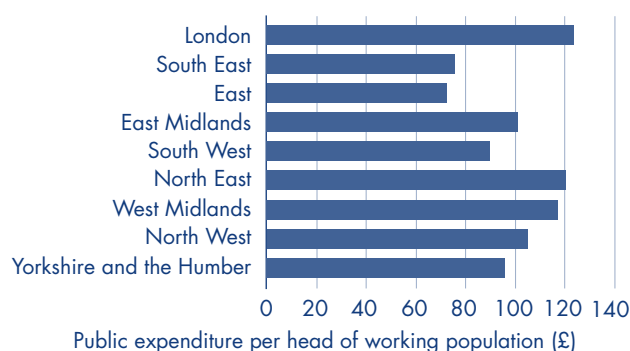
The number of days on average that employers in England trained their employees in 2003 varied by region.

Region



Public expenditure for 2004-05 varied by region (based on total programme expenditure less spend on school sixth forms and sixth-form colleges).

Region



Explaining possible links between these four sets of data would require extensive analysis, well beyond the scope of this report, taking account of the following kinds of issues.

- Cause and effect are not readily explained. For example, the very high numbers of training days in the North East could suggest that the investment is not proving worthwhile because productivity is similar to other regions. However, it might equally indicate that employers in the North East have recognised the need to improve productivity and are at the start of a cycle to achieve improvements.
- The data provides only rough proxy indicators. For example, average days that employers in England trained their employees do not necessarily measure the amount of training done to improve the employer's productivity. The hours will also include training in basic skills and other qualifications up to level 2 which are a priority for public funding but focus on employees' effectiveness or employability, rather than specific business needs that will impact on productivity.
- The data is highly estimated. For example, because of the way in which colleges collect information on learners, it is not possible to provide a wholly accurate picture of Learning and Skills Council expenditure relevant to the working population. The data used represents total spending by region, subtracting the expenditure that comprises mainly academic education of 16-19 year olds, namely sixth-form colleges and school sixth forms. This data is adequate for the relative analysis shown, but should not be taken to be accurate in absolute terms.
- Regional population data is based on numbers of individuals of working age from the English Local Labour Force Survey 2004-05. Public expenditure data for 2004-05 is extracted from audited accounts relevant to adult spending. The data has not been adjusted geographically for different rates that apply on different programmes.

Source: Office for National Statistics, National Employer Skills Survey, Learning and Skills Council

9 Our report distils our findings into the following four themes that emerged from our research:

- 1** employers want a simple way of getting advice on the best skills training for their staff;
- 2** employers want training that meets their business needs;
- 3** employers want incentives to train their staff more; and
- 4** employers want to influence skills training without getting weighed down by bureaucracy.

10 The report is divided into these four sections with key findings in a single box at the beginning of each section. We have then highlighted some of the most important findings and illustrated them with case studies of actual practices we found.

11 Our methodology (Appendix 2) included a representative telephone survey of 508 private sector employers in England, discussions with relevant people and organisations, visits to seven further education colleges and twenty-five private and public sector employers, and a literature review. A panel of people with experience in skills development advised on our methodology, commented on our emerging findings and provided advice on our draft report.

Conclusions

12 Up-to-date skills are essential if employers in England are to maximise their productivity. **Figure 6** sets out the rationale for the government's strategy for improving skills. Recent research has estimated that on average an eight per cent increase in the proportion of trained workers can lead to a 0.6 per cent increase in UK productivity, as measured by the value added per hour worked.¹⁴ But training is expensive, and employers will only invest if they perceive there to be economic benefits and the training meets their needs. The needs of the economy and of different industries and business sectors do not always coincide with the interests of individual employers. For example, individual employers may not see benefit to their businesses from basic skills or a first full level 2 qualification (equivalent to 5 GCSEs grades A*-C), and some are therefore sceptical about the value for money of this expenditure from their business perspective. Nonetheless, many will wish to recruit new employees with such skills or qualifications, as a basic requirement of employability.

6 Rationale for the government's strategy for improving skills

The Department for Education and Skills set out the government's agenda for improving the skills of the nation in its 2003 Skills Strategy, and the March 2005 White Paper "Skills: Getting on in business, getting on at work".

Employers want employees to be literate and numerate and to have a good platform of skills to make them employable and on which to build. Many employers are then willing to invest in training at level 3 and above, because on average there are significant direct benefits to the employer and the individual from training at that level. Employers may, however, be reluctant to invest their own resources in training at lower levels due to a range of market and other failures, such as the belief that the direct benefits to their individual businesses will be limited and that such levels of proficiency should be reached before people leave full-time education.

The Department recognises these employer perspectives, and is concerned to ensure that employers can get the skills and training they need. But government has to complement these perspectives with a wider and longer term view of what is needed to raise skill levels to improve the productivity and competitiveness of the wider economy, and to support a flexible labour market.

For that purpose, the Department sees sound literacy and numeracy skills and a full qualification at level 2 as representing the minimum requirement for sustainable, productive employment in a modern economy. There are a range of benefits associated with achievement of this level, including people with such skills being more likely to be in employment, having more positive attitudes to training, and being more likely to receive additional training from their employer.

England has a large number of adults without this minimum skill level. Unless this problem is addressed, it will continue to have a serious impact on the pool of labour on which employers are able to draw for future jobs, and on the capacity of the labour market and the economy to raise productivity and increase the rate of innovation. Projections indicate that the proportion of jobs in the labour market requiring higher level skills and qualifications will grow, and the proportion requiring no or low skills will fall. So it is in the national economic and social interest to help improve the skills of low-skilled adults.

The Department therefore considers that there is a clear rationale for focusing public subsidy on improving the literacy and numeracy skills of adults and supporting them to gain a first qualification at level 2 (rather than expecting employers to fund such training). Above these levels, the Department considers that employers should accept a shared responsibility, commensurate with the benefits they receive, for funding the higher level skills and qualifications that bring more substantial financial rewards in terms of increased productivity and profitability for employers and increased wages for individuals.

In this way, the government activities and the activities of employers in supporting training should be complementary, with each focusing on supporting different parts of the training market.

Source: Department for Education and Skills

¹⁴ *The Impact of Training on Productivity and Wages: Evidence from British Panel Data*, Dearden, Reed and Van Reenen, Institute for Fiscal Studies (2005).

13 The government's role is to balance these needs, having regard to the wider and longer term interests of employers and the economy and the promotion of a flexible labour market, and to design appropriate policies. The Skills Strategy is designed to fill the gaps left by market failures in education and training which, if left unfilled, would lead to a sub-optimal supply of skills and qualifications. The Skills Strategy aims to address market failures, including those relating to:

- some employers' concerns that once trained and qualified (particularly in general employability skills that are useful to many organisations) an employee will leave before the employer has gained the benefit of its investment in training; and
- lack of information about, and understanding of the potential benefits from opportunities available to enable adults and their employers to gain higher skills and qualifications.

14 Many employers and other stakeholders recognise the social benefits of much of the education and training for employment that receives priority funding from government. They also appreciate that the skill levels that receive priority form the basis for employees to progress to level 3 learning and above, where economic benefits are known to occur. Further research commissioned by the Department is expected to provide a stronger business case to employers of the benefits of training. A strong synergy between government and business priorities, effort and investment is worth striving for. Our detailed conclusions are set out below. In our recommendations, we set out a way forward that we would expect, from our research, most employers will support.

Employers want a simple way of getting advice on the best skills training for their staff

In the last twelve months employers engaging in external training most frequently used the following sources of advice on finding the right training:



Source: National Audit Office survey of 508 private sector employers; some employers made frequent use of more than one source

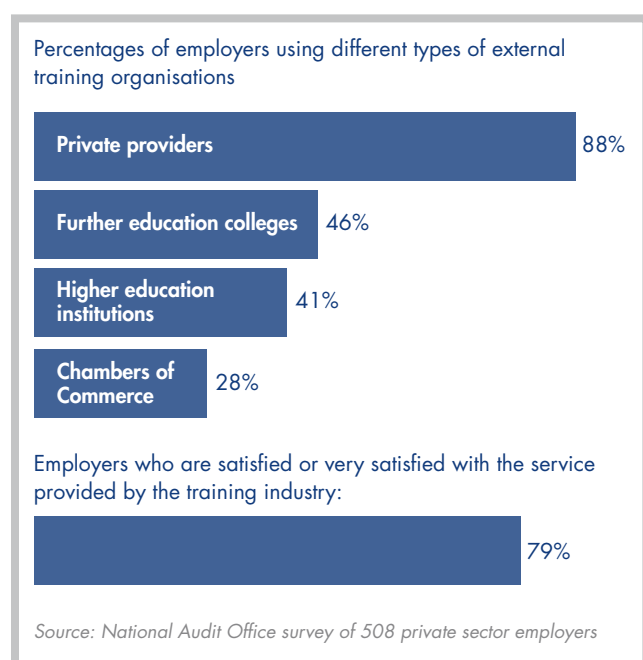
15 Generally, employers place more reliance on experience and the word-of-mouth recommendations of other employers in deciding which training to invest in, and who can best provide it. Any system for providing advice to employers on training, training providers and the quality of provision therefore needs to facilitate employers talking to each other about their experiences.

16 Organisations involved in funding, planning and providing skills development – public and private – have been working towards a “no wrong door” approach enabling employers to get advice, or to help influence provision, whichever public organisation they approach. Employers, particularly smaller ones, who want a quick and obvious route to obtain good advice and clear jargon-free information, require clear signposting because they can be deterred by having many options.

17 The challenge is to ensure that all employers, particularly small ones, have confidence to access the information and advice they need. “No wrong door” was developed on the basis that different employers may wish to take a variety of routes in different circumstances; for example, some are very clear about their needs and would prefer to contact a training provider directly, whereas others may need support, for example from Business Link, to help assess their requirements. Skills brokers working in the Employer Training Pilot areas (Appendix 1) and in other contexts are demonstrating the value of a wide brokerage role that integrates business and skills brokerage. These brokers can add value and reduce costs by bringing together different small employers seeking the same or similar skills development, and different colleges and providers who can, together, provide the best training solution for an employer or group of employers.

18 Business advisors and skills brokers generally recommend that employers develop a training plan, however brief, linked to their business goals. ‘Investors in People’ provides a systematic means for employers to assess training needs. Where companies have Union Learning Representatives, these staff can also support employers and employees in identifying and developing ‘fit for purpose’ training.

Employers want training that meets their business needs



19 Many employers feel a duty to their employees in a number of respects, including enabling them to grow and develop as individuals. But for all employers, whether operating in the private, voluntary or public sector, the needs of the business have to be the focus of employee training and skill development if the company or organisation is to survive and develop. Most employers provide a considerable amount of training in-house. This may be informal on-the-job training, which can be appropriate and cost effective, particularly in smaller organisations where it may be difficult to provide a temporary replacement for a key member of staff. Often employers use private sector consultants and experts to help them. Business and organisational needs inevitably and appropriately drive every employer's decisions about how much time, money and effort to put into training.

20 Private training companies' specialisation in particular areas, together with ability to "sell" the business benefits of their products, makes them a natural choice for many employers. Further education colleges have to steer a more complex course. They are expected to support achievement of the government's wider objectives of creating a strong economy and promoting social inclusion, as well as to respond to employers' needs. The strategies they are required to develop to help, for example, vulnerable learners, are very different from those they need to convince employers about what the college can offer their business. Even so, many colleges are steering their course very effectively and are providing training and skill development that employers want at the time and place they want it. More could and should do the same, and the sector as a whole needs to take account of the recommendations of the recently published review of the future role of further education colleges (Appendix 3)¹⁵.

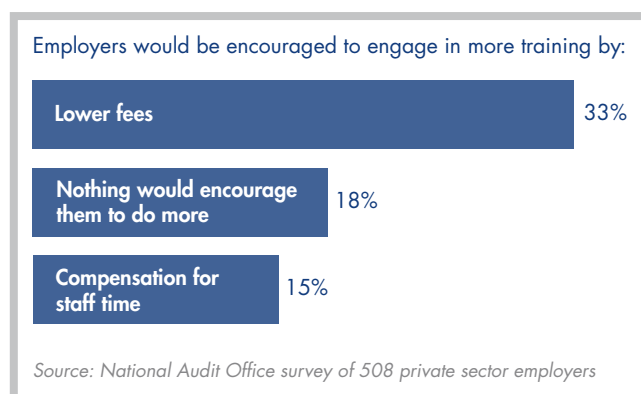
21 Through its Agenda for Change¹⁶, the Learning and Skills Council is seeking to enhance the reputation of colleges so that they are more often the partners of choice for employers looking to develop their workforce. A number of factors can, however, undermine the effectiveness of training in tackling skills shortages: for example, qualifications available may not necessarily directly meet employers' needs; in a particular geographic area there may be shortages of skilled trainers; and there may be a need to use expensive capital equipment for training which is not available. Colleges and other providers that reach and stay at the 'leading edge' will be those working most closely with employers to address these barriers, and those finding innovative solutions which meet employers' needs. Examples include sharing of skilled staff and 'up front' investment, and working with groups of employers within an industry and/or supply chain.

22 At present there is limited joint working between colleges and private sector training organisations. By joint working we mean partnerships, where the private sector trainer is more than just a contractor to the college; for example, college and private sector staff may collaborate to deliver training at an employer's workplace. We consider that such joint working could potentially provide a rich stream of future skills development, drawing on the strengths of both types of organisation, to develop training that could be especially attractive to employers.

¹⁵ *Realising the Potential: A review of the future role of further education colleges*, Sir Andrew Foster, November 2005.

¹⁶ *Agenda for Change*, Learning and Skills Council, August 2005.

Employers want incentives to train their staff more



23 Employers want employees to be literate and numerate; but employers may be reluctant to fund or release employees for training in literacy, numeracy or for a level 2 qualification, especially when most people might be expected to gain such skills before they leave school. The primary focus for public funding is therefore to encourage adults to achieve the minimum level, with the expectation that employers and individuals should accept the major responsibility for funding education and training in higher level skills, which bring more substantial financial rewards in terms of increased productivity and profitability for employers and increased wages for individuals.

24 The Department considers good literacy and numeracy skills and a full level 2 qualification to be the minimum employability skills needed for productive, sustainable employment in a high-value, advanced economy. People with such skills are more likely to be in employment and receive further training, but England has large numbers of adults without these minimum skills. If this skills gap is not filled, it will continue to limit both the pool of potential employees for future jobs as the economy develops, and the capacity of the labour market and the economy to raise productivity and increase the rate of innovation. Existing evidence shows that employees without the basic level of skills are much less likely to be offered training by their employer.

25 Government cannot realistically fund all training for employment, and employers have to bear much of the cost, including fees for external providers as well as internal training costs and trainee wages (Figure 2 on page 4). The Department meets some costs, in particular for areas of learning that are government priorities. For example, the Learning and Skills Council's funding priorities include 16-19 year olds, people with low levels of literacy and numeracy, and adults lacking a full level 2 qualification (equivalent to five GCSE grades A*-C).

The Skills for Life programme is designed to help the very large numbers of adults in the working population – an estimated 26 million in 2003 – who do not meet one or both of the standards for literacy or numeracy that the Department considers necessary for school leavers in today's economy. The Department is seeking improvements in the literacy and numeracy of 2.25 million adults by 2010, with a milestone of 1.5 million adults by 2007. The Department also has a separate target to reduce by 40 per cent by 2010 the number of adults who do not have the wider skills for employability represented by a full level 2 qualification. **Figure 7** explains entitlement to tuition at level 2.

7 Level 2 entitlement

All adults aged 19 and over are entitled to free tuition for a first full level 2 or equivalent qualification (5 GCSEs at grades A*-C, an NVQ at level 2 or equivalent).

- Learners apply as individuals.
- No upper age limit.
- Providers funded through the further education funding stream are offering the entitlement. In the main, these are further education colleges but a full list of relevant providers can be obtained from local Learning and Skills Councils.
- Available for a list of eligible qualifications agreed by the Department for Education and Skills, the Learning and Skills Council and the Qualifications and Curriculum Authority. Eligible qualifications can be accessed from the Learning Aims Database www.lsc.gov.uk/National/Data/Provider/Software/LA/default.

Learners may also be entitled to further financial support from:

- Learner Support Funds – help with the additional costs, e.g. registration and exam fees.
- Adult Learning Grant – a means-tested weekly grant, only available in pilot areas. Due to be extended into two further regions from September 2006, two more from September 2007 and available nationally from September 2008.

Free tuition may also be available for level 3 qualifications for eligible adults of 19 years and over who are able to move directly onto this level of study.

Employer Training Pilot areas

Engagement is directly through employers by impartial and independent skills brokers, funded by the Learning and Skills Council. The employer has access to advice through the broker and may be entitled to a contribution towards the cost of staff time spent training. The National Employer Training Programme will extend these provisions nationally during 2006-07. It will be largely implemented by the end of 2007-08.

Source: National Audit Office

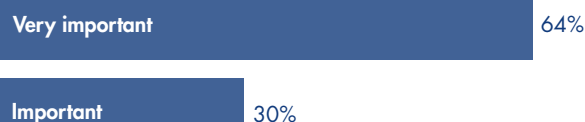
26 The National Employer Training Programme (Appendix 1) will seek to achieve growth in training by encouraging take up of the level 2 entitlement among employees, and by stimulating employers to contribute to training employees who already hold a full level 2 qualification. Employers generally acknowledge the economic benefits from training and skills development at level 3 and above, and expect to bear at least a proportion of the costs (alongside substantial public funding allocated through the Learning and Skills Council to subsidise a wide range of training at level 3). In contrast, only a minority of employers are prepared to engage in training low-skilled employees to a first level 2 qualification. However, there is still a risk that subsidies intended to encourage first level 2 training may be used by that minority of employers who would have provided such training anyway. An evaluation of the Employer Training Pilots is seeking to estimate the extent of this effect, and the Department intends to minimise the effect in the design and roll out of the National Employer Training Programme by seeking to target ‘hard to reach’ employers and employees.

27 In developing a demand-led National Employer Training Programme, the Learning and Skills Council’s aim – through brokers – is to assist employers to improve productivity by helping them to identify training opportunities that meet their needs cost-effectively and with minimum disruption to their businesses. Success depends on brokers:

- being responsive to the needs of employers who are seeking training opportunities;
- being able to communicate to employers the benefits of skills development; and
- creating and offering packages of training with an appropriate balance of costs shared between public funding and the employer, and that are attractive in terms of business benefits, especially for those ‘hard to reach’ employers who have traditionally not provided much training for their employees.

Employers want to influence skills training without getting weighed down by bureaucracy

Employers engaging in external training think contributing to the development of skills policy is:



Source: National Audit Office survey of 508 private sector employers

28 We found that many employers and their employees want to influence skills training. The biggest barrier is time – most employers need to keep tight control on time spent out of the workplace that does not directly contribute to their business. Relatively rare but effective influencing occurs employer-to-employer across supply chains. But with 1.9 million employers in England, it is not easy for any but the largest companies to get their voice heard to influence skills training. Getting genuine input from employers without involving them in bureaucracy is a difficult challenge, but it has to be met if greater ‘employer engagement’ is to become a reality.

29 We found low awareness, especially among small employers, of the types of bodies intended to give employers a voice. The 25 Sector Skills Councils (Appendix 4) are employer-led organisations representing business, industrial and other sectors and ensure that training supply meets their needs. They are working with all sizes of employers in their sectors to identify skills needs, gaps and overlaps, and devise how best to tackle them.

30 Some Sector Skills Councils are well established, with secure funding sources and high levels of employer commitment. Others have been established only recently. Expectations of Sector Skills Councils are high. For example, Sector Skills Councils are required to develop Sector Skills Agreements (paragraph 4.7) across England, Scotland, Wales and Northern Ireland. Other responsibilities include working with partners to develop apprenticeships and qualifications reforms. Employers, through their Sector Skills Councils, are also invited to consider developing National Skills Academies that will focus on developing employer-led, national centres of excellence sector by sector. As awareness of the Sector Skills Councils increases, there is a growing risk that they will become overstretched, unwieldy or both. And if this happens they risk losing the 'buy in' of the employers they exist to help. The Department is aware of this risk and is working with the Sector Skills Development Agency to determine priorities, and to build capacity and capability, particularly in the newly established Sector Skills Councils.

31 The Sector Skills Agreements should provide information for Sector Skills Councils' work to help build the Framework for Achievement in England, led by the Qualifications and Curriculum Authority in partnership with the Learning and Skills Council and the Sector Skills Development Agency. The proposed Framework is a major reform of the current qualifications structure to provide more obvious pathways of progression to employment and/or further learning, and will incorporate a new system of credits that recognise achievement, with levels assigned to them. The Sector Skills Councils are developing Sector Qualifications Strategies in the UK, which will identify the appropriate mix of qualifications and training provision for each sector and are intended to rationalise the existing number of recognised qualifications. These Strategies will have to achieve a balance between ensuring that all vocational qualifications are flexible enough to meet the needs of employers and learners, while ensuring the consistency and validity required across the country to support a flexible and dynamic labour market. The programme of work is ambitious; preparing the Strategies involves substantial consultation with employers on proposals to incorporate the best of in-house provision as well as externally provided training.



RECOMMENDATIONS

32 Our recommendations are based around the four themes that emerged from our research: simple ways of getting advice and information; training that meets employers' business needs; incentives for training; and ways of employers influencing without getting weighed down by bureaucracy.

1 The Learning and Skills Council, in collaboration with other organisations, should coordinate coherent information and advice for employers on improving skills.

The large number of organisations, bodies, and information sources on skills development is confusing for many employers, who can find it difficult to decide which is the right route for them. There are opportunities for the Learning and Skills Council to coordinate public sector efforts to increase awareness among employers of how and where to get advice, and take advice from employers on how to develop information sources they will want to use. This might involve, for example, streamlining of communications with employers on improving skills through:

- as part of the National Employer Training Programme, continuing to develop brokers' capacity to build relationships with employers and provide impartial advice on the most cost-effective training and skill development to meet business needs, so that they become a preferred route for many employers seeking information;
- the UK Register of Learning Providers, which is to be developed as a single database to link together existing data sources on all providers in the UK, and make the information publicly available; and
- the Employer's Guide to Training Providers (the Employer's Guide) by which employers and brokers can access complete information on available training. In order to be valued and used by employers and brokers, the Employer's Guide, and as far as possible any linked databases, should be developed to include a facility to allow employers to obtain feedback from other employers who have used the training.

This recommendation should result in overall savings because public sector organisations should become less likely to duplicate each other's work, and should make fewer but more effective approaches to employers on improving skills. Making the Employer's Guide more 'employer friendly' may slightly increase costs, but by facilitating employers' access to other employers' experiences of training provision, there should be higher usage and user satisfaction with the type of information being made available.

The Learning and Skills Council could evaluate the implementation of this recommendation by:

- monitoring usage of the Employer's Guide;
- seeking views on user satisfaction, for example by using a method successfully operating on the learndirect website; and
- periodically seeking views, for example from Sector Skills Councils and organisations such as the Confederation of British Industry, on whether the changes are having the desired impact.



2 Brokers and training providers should focus on innovative and affordable training that employers need, and on providing the training at a time and place that is convenient to employers and employees.

Skills training must meet business needs, or else employers are unlikely to be interested. Meeting business needs includes making sure that costs in terms of employee time spent training – including time spent travelling to and from training – are minimised. There is limited value in brokers just matching required employer skills to available courses, which many employers could do equally well themselves with the right information. The real value of brokerage is in working with employers and training providers to secure cost-effective skills training, especially for those employers who are not currently providing much training. For example, a broker can identify where two employers needing the same skill might agree to share training costs; where a provider could deliver training on an employer's premises, with mutual benefits in saving employee time and less expense for the provider on premises and equipment; and where larger employers may have facilities that can be offered to neighbouring employers and/or employers in their supply chain. Brokers can also increase choice by making employers more aware of how they can use *learndirect* to provide accessible training to their employees¹⁷ and by working with colleges and private providers to encourage them to pool their skills and strengths to devise training that will demonstrably benefit employers.

This recommendation should be cost neutral, since it should be taken up in developing brokerage, as planned, under the National Employer Training Programme. Individual initiatives by training providers to make training more responsive to business needs will have to be cost-effective if employers – who will pay directly for at least some of the training and will be required to release staff for training – are to take the opportunities up.

The Learning and Skills Council could evaluate the implementation of this recommendation by:

- monitoring the outcomes of work by brokers; and
- (as for recommendation 1) periodically seeking views on whether the changes are having the desired impact, for example from Sector Skills Councils and organisations such as the Confederation of British Industry.

¹⁷ *learndirect* provides e-learning to enable learning to take place at work, home or in one of over 2,000 *learndirect* centres; our earlier examination of *learndirect* can be found in *Extending access to learning through technology: Ufi and the leardirect service*, report by the Comptroller and Auditor General, HC 460 Session 2005-06, November 2005.

RECOMMENDATIONS CONTINUED

3 In addition to reflecting national priorities, funding should be tailored to encourage more training to meet skills shortages and regional priorities.

First full level 2 training (equivalent to 5 GCSE grades A*-C) receives relatively high public funding precisely because many employers would not consider it in their interest to pay for training at this skill level, which is aimed primarily at improving general employability (i.e. providing the generic skills required for successful and productive employment) and at increasing social inclusion (Figure 6 on page 10). Some employers are prepared to pay for more specific skills training at level 3 (equivalent to A-level) and above, and there is evidence that training at these higher levels brings more benefits to employers as well as employees. The Department recognises the benefits of level 3 training, and the Learning and Skills Council allocates funds to subsidise the cost of some level 3 training for adults. More investment is needed in training at all levels, but because the returns are greater at level 3 and above, the government considers there should be a stronger expectation that adults and their employers should contribute more to the cost. For some employers to be persuaded to engage more in employee training and release staff for training, including publicly funded training at level 2, they need more financial incentives and/or clear demonstrable benefits, such as evidence that training will help fill local skills gaps.

The Department is undertaking research to provide a stronger business case of the benefits of training to employers. When completed, the Learning and Skills Council should disseminate the research results to inform employers, and especially to explain the advantages to those who have not historically provided much training to employees. Funds for selective subsidy of training at level 3 will be limited and, to maximise benefits, Regional Skills Partnerships will have a key role in helping to focus the funds on local and regional skills gaps in areas where employers are sufficiently committed to improvements to contribute to the costs.

This recommendation should be cost neutral, since it should be taken up in developing new funding planned to be spent under the National Employer Training Programme.

The Department will be testing the effects of an additional subsidy for level 3 in trials in the North West and the West Midlands. In addition, the Department and the Learning and Skills Council could evaluate the implementation of this recommendation by:

- monitoring the type of skills training funded at level 3, employer contributions, employer and employee feedback on the impact individual skill and business needs and, over the longer term, the effect on local skills gaps; and
- (as for recommendation 1) periodically seeking views on whether the public investment is having the desired impact, for example from Sector Skills Councils and organisations such as the Confederation of British Industry.

4 The Sector Skills Councils need sufficient time and capacity to develop as genuinely employer-led bodies providing sector expertise in developing skills training and formal qualifications.

Sector Skills Councils are the best placed organisations to take the lead on incorporating employers' perspectives into the development of skills. The Councils are at different stages of development. Some are well established organisations with secure funding sources and with high levels of employer commitment, but many have been set up only recently. While the Councils are working to develop effective engagement with employers, there is a serious risk that enthusiasm for the Councils' important role – both within the Sector Skills Councils and among public sector organisations responsible for and working with them – could result in some Councils becoming overstretched and unable to contribute effectively to key initiatives such as the Framework for Achievement.

There is a further risk that overstretched Councils may be unable to deliver their core tasks effectively and could lose the commitment of the employers they are supposed to represent. The Department and the Sector Skills Development Agency should continue to take stock of the expectations placed on the Skills for Business network and on individual Sector Skills Councils in order to identify where Sector Skills Councils are at risk of becoming overstretched, and work with them to prioritise the workload over a reasonable time frame. The Department and the Sector Skills Development Agency should continue to work with Sector Skills Councils to strengthen long term capacity and capability. Sector Skills Councils should look for ways of setting priorities for the needs of their sectors through working with the nine English regions, their key stakeholders and partner organisations.

This recommendation should either be cost neutral or cost saving by setting realistic priorities for Sector Skills Councils and avoiding possible costs of failure due to lack of capacity for Councils to achieve expectations.

The Sector Skills Development Agency could evaluate the implementation of this recommendation by:

- monitoring the organisational effectiveness and efficiency of individual Sector Skills Councils; and
- periodically seeking independent views from employers, and from organisations such as the Confederation of British Industry and the Qualifications and Curriculum Authority, on whether Sector Skills Councils are contributing effectively to improving skills for employment.

5 The Department and the Learning and Skills Council should seek to maximise value for money from the National Employer Training Programme by using public sector funds to leverage funding by employers of skills training that will benefit their businesses.

There is a risk that some of the employers engaging in the Employer Training Pilots would have undertaken the subsidised training they received anyway. In moving from

the pilots to the National Employer Training Programme, the Department and the Learning and Skills Council should minimise the risk of public subsidy displacing employers' own investment in training, for example by supporting brokers in negotiating packages of training in which employers and the public sector share the costs, and public sector funds are focused on additional training. As a major plank of the Programme, brokers also need to persuade 'hard to reach' employers to participate in employee training. It is not clear from the pilots how successful the current incentives will be at achieving this objective, but the Department and the Learning and Skills Council are designing the implementation of the National Employer Training Programme to minimise this risk. So far the pilots have proved popular with employers and employees. Should the Programme not prove attractive to employers and employees in key sectors, the Department and HM Treasury should consider alternative incentives that employers and employer groups have suggested, such as tax credits or reductions in corporation tax to cover costs of training.

This recommendation should reduce the risk of waste by developing the National Employer Training Programme based on evidence from the Employer Training Pilots.

The Department could evaluate implementation of this recommendation by:

- requiring brokers to assess the extent to which publicly funded training is genuinely 'additional', brings new funding from employers, and leads to participation by employers who have not previously provided much training to their employees; and
- using this information from brokers, and their accumulated experience of working with employers, as the basis for an early review of the value for money of the National Employer Training Programme.

ONE

Employers want a simple way of getting advice on the best skills training for their staff



Employers need

Better advice to suit different employers

- small employers do not have the resources to spend time researching information and prefer a 'one-stop shop'
- larger employers prefer independent advice on all the available training options

Easier ways to identify training

- some employers are confused by the range of information, bodies and training promotional material available
- most have received advice or assistance in the last 12 months, mainly from private consultants rather than public bodies
- two-thirds find it easy to identify provision but 20 per cent find it difficult
- 47 per cent say knowing who to contact makes identifying provision easy
- those finding it difficult say training doesn't meet their specific needs (39 per cent) and there is not enough information (34 per cent)
- employers from the wholesale/retail sector find identifying provision slightly more difficult than other sectors
- only 3.7 per cent of small and medium sized employers are using *learn*direct
- views on how easy the system of advice and guidance is to understand are mixed
- most employers are satisfied with the service provided by public bodies such as the Learning and Skills Council and Regional Development Agencies. Some employers are dissatisfied with Employer Training Pilot brokers (17 per cent) and local Learning and Skills Councils (17 per cent)

Clear information on providers and courses

- employers trust the recommendations of other employers most
- they do not want to be deluged with promotional material
- they want a database of recommended providers and all courses available – some were unaware of websites for *learn*direct or the national employer training guide
- 66 per cent are unaware of the entitlement to free level 2 training
- small and very large employers are less likely to be aware of the entitlement and manufacturing sector employers are more likely
- 69 per cent think that the implications of the level 2 entitlement have not been well communicated to their sector

Advice on training needs analysis

- 52 per cent of employers have formally assessed employees' skills gaps¹
- 44 per cent have a training plan¹
- stakeholders said employers should do a training needs analysis before undertaking training
- small employers need help identifying areas for skills development
- colleges and other providers can help write training plans

NOTE

¹ National Employer Skills Survey 2004

Source: National Audit Office survey, stakeholder interviews, visits to employers, literature review and C&AG's report on Extending access to training through technology: Ufi and the *learn*direct service, HC460 2005-06

What's out there?

Employers can get advice on providers and training provision from:

- other employers
- private consultants
- colleges
- Business Link, including an on-line training directory (www.businesslink.gov.uk)
- *learn*direct database (www.learnirect.co.uk)
- Employer Training Pilot brokers; National Employer Training Programme (from 2006-07)
- National Employer Service for large employers, offering independent advice
- Employers' Guide to Training Providers (www.lsc.gov.uk/National/Employer/Goodtraining.htm)
- *learn*direct's Premier Business Centres for advice about on-line training

Databases under development by the Learning and Skills Council are to include quality measures, such as employer feedback in an 'eBay' format

Employers can obtain advice on training plans and needs analysis from:

- private consultants
- Business Link
- colleges
- *learn*direct's Premier Business Centres
- Employer Training Pilot brokers; National Employer Training Programme (from 2006-07)
- the Learning and Skills Council through the Employer Skills Offer which supports training planning

Union Learning Representatives work directly with employees and can find out about relevant training on behalf of employers

Investors in People provides a systematic means for employers to assess training needs

1.1 Some employers find the amount of choice, in terms of both the sources of advice and the training itself, confusing. Most of the employers we spoke to felt the routes to advice needed to be more obvious and the training and subsidy on offer needed to be conveyed more coherently. For example, few employers we visited were aware of the website designed for them to source information on training providers and courses (**Figure 8**).

1.2 Employers located within Employer Training Pilot areas can get advice from skills 'brokers'. Some brokers are based in colleges, whereas others are in agencies such as Business Link. Colleges felt that they gained more business from employers when brokers were on the college premises. College-based brokers need to counter the risk that their advice to employers might emphasise courses provided by the college they are most familiar with, rather than meet business needs by drawing fully on the totality of training available. Bournville College has a broker who looks to source training beyond the College itself (**Case study 1**).

1.3 Some colleges have taken brokerage still further by sharing information on employers and collaborating to give a more tailored service that meets employers' needs better and at the same time reduces the confusion from having multiple agencies (**Case study 2**).

8 Employers' views on the website 'Employer's Guide to Training Providers'

We asked 10 of the employers we visited about their knowledge and views on the website, which is designed to give employers information on training providers and courses. The responses were:

| | Number of respondents | |
|-------------------------------------------|-----------------------|----|
| | Yes | No |
| Have you previously accessed the website? | 1 | 9 |
| If not, were you aware of it? | 0 | 9 |

We asked the employers to access the website and their responses were mixed on how easy they found it to access and navigate. They thought it could be more user-friendly and could contain more information on training to save them navigating other websites. For example, they wanted private providers to be included, recommendations on good providers, and information on sources of funding for training.

Eight out of ten employers had accessed other websites related to training. Business Link was most frequently recommended as the most helpful.

Source: National Audit Office visits to employers

CASE STUDY 1

College-based brokerage can work well

Birmingham and Solihull Learning and Skills Council set up a post of Business Development Advisor at Bournville College to act as a link between the Council, colleges and employers under an Employer Training Pilot. The Business Development Advisor uses the college's databases and relationships with employers to contact businesses who may be interested in training their staff. Where businesses may not be eligible to participate in the Employer Training Pilot, the advisor sources other training relevant to businesses' needs either at Bournville College or another college if Bournville cannot provide a relevant course. Colleges in the area cooperate by referring businesses to other colleges that may be able to provide more relevant training.

The Business Development Advisor helps to provide training tailored to employer needs. For example, PDQ Limited, a software distribution company, required training in communication skills at mixed levels. PDQ wanted training on-site and in two sessions to minimise disruption to production. Bournville College devised a mixed level course and taught half of the attendees in the morning, and the others in the afternoon. PDQ felt that the Business Development Advisor was crucial in influencing how the training was provided.

The Business Development Advisor's role brings in more training income than the cost of the post. When the Learning and Skills Council's funding ends the College plans to fund the post from its own budget.

Source: National Audit Office visits to employers

CASE STUDY 2

Working together to provide more coherent advice to employers

Newbury College, in consortium with four other Berkshire colleges, is part of a group 'Action for Business Colleges', working together to provide impartial advice to employers on what training the different colleges provide. Each college has identified its unique contribution and if none of the colleges can provide what an employer needs they advise on what is available from private providers.

Newbury College uses a database, Act Professional, which holds information on all the employers that the College has contact with, contact details, notes of all communications, and a facility to send emails. This allows different parts of the College to be aware of all involvement with a business. The software also provides easily accessible information to help with employer engagement strategies, e.g. on the number of employers contacted in the last three months. Originally the employer data came from different databases including marketing, distance learning, Business Focus and professional studies. It cost around £5000 and the College believes it has saved staff time as well as improved communication. It is looking to share some details of the database with the other colleges in Action for Business Colleges.

Source: National Audit Office visits to employers

1.4 Some employers, particularly small employers without human resources departments, do not know what their skills gaps are or how to identify training that might help them, even though they recognise that analysis of skills gaps is important. The Employer Skills Offer, provided by the Learning and Skills Council, offers up to £1000 to employers newly engaged in training to help diagnose skills needs, devise plans and refer the employers to appropriate training providers. In some regions the Council provides additional features to the offer, such as extra grants for different levels of training or support for a person in a company to act as the champion for training.

1.5 Some employers we surveyed said that greater demand from employees would encourage them to provide more training. The Union Learning Fund, to which the Learning and Skills Council contributed £11 million in 2003-04, aims to strengthen learning at work by increasing the capacity of trade union officials to promote learning. By working directly with employees and finding out about relevant training on behalf of employers, Union Learning Representatives (where they are available) can help to build up the level of appropriate training in small and medium sized companies and organisations (**Case study 3**). They can play a particularly valuable role in helping employers and employees to identify the business and economic

benefits of engaging in specific training.¹⁸ There are now over 12,000 Union Learning Representatives, helping over 67,000 workers to take up learning during 2004-05. By 2010, the Department and the Trades Union Congress aim to increase the number of Union Learning Representatives to 22,000 through a new 'union academy' which will work with employers, colleges, universities and other learning providers to deliver the type of learning opportunities that working people need and want. The ultimate aim is to help 250,000 people a year to take up training.

1.6 The Investors in People initiative also has a valuable role to play in encouraging employers to evaluate and address training needs. It was developed in 1990 by a partnership of leading businesses and national organisations as a programme to accredit employers who demonstrate a clear link between business objectives and training and development provided for employees. Investors in People aims to deliver business improvement through employees. Currently over 39,000 organisations in the UK employing over 28 per cent of the workforce have Investors in People status (**Case study 4**). They are encouraged to maintain a good match between their employees' skills and their business needs because accredited companies have to be re-assessed every three years. The re-accreditation rate is around 90 per cent.

CASE STUDY 3

Union Learning Representatives can help build a learning culture

First Group Bus Services in Bury supports its employees to take on Union Learning Representative responsibilities. One employee, in her training to be a Union Learning Representative, was taught how to find out what training courses and providers are available. The Trades Union Congress provides support and information to her through local meetings, regular emails with details of training opportunities, and links to other organisations and people. She feels that Union Learning Representatives have helped encourage a learning culture at First Group by overcoming the difficulties of releasing people to liaise with the local college and organise training. Employees are now more inclined to engage in training as they feel more comfortable discussing their literacy and numeracy difficulties with the Union Learning Representative than with their manager.

The Union Learning Representatives' contact with the Trades Union Congress also provides a route by which individual employees' and employers' experiences can influence the skills agenda.

Source: National Audit Office visits to employers

CASE STUDY 4

Investors in People provides a means for companies to link staff training and development with business objectives

Badgers Café combines an in-house bakery with a front of house café providing a traditional dining experience in the Victoria Precinct in Llandudno.

Being an investor in people meant that the café needed to formulate an overall business plan and objectives. Employees are helped to develop the skills they need, and are expected to be motivated to look for improvement in their work and how they contribute to overall business success. The process shows that training needs that were not immediately obvious, such as an awareness of how the different areas of the café operate, have helped the business to develop. Staff were supported in developing their skills internally, through observation and feedback, and external training was provided in key areas such as customer services and food hygiene.

Badgers Café has doubled its profitability within the last 2 years and its managers continue to focus on the importance of staff development.

Source: National Audit Office visits to employers

18 *Learning is the Business*, Trades Union Congress, September 2005.

TWO

Employers want training that meets their business needs



Employers want

More relevant training

- 79 per cent of employers are satisfied with the quality of service provided by the training industry
- 27 per cent of employers who do not provide external training said this is because "training available does not meet my needs"
- areas not meeting employers needs are: lack of industry specific training; National Vocational Qualifications; management training; costs of training; standards in further education colleges; lack of flexibility; and apprenticeships
- 88 per cent of employers use private providers, and 77 per cent of those surveyed prefer to use them
- smaller employers are more likely than large employers to use Chambers of Commerce for training
- stakeholders said employers would be more prepared to pay for training if it meets their need

More pro-active and flexible support from providers

employers:

- want greater communication from training providers on the training programmes they offer
- want training at times and places that suit their working patterns, such as around shifts or on-site
- value providers who understand their constraints of time, efficiency and profit/productivity
- are wary of an 'academic public sector image' in publicly funded training
- value providers with business arms and human contact points to support employers with training administration
- need more responsive colleges, as found by Ofsted¹

Training for skills, not necessarily qualifications

- employers want business-focused training
- they are most influenced by content and quality of training, and least influenced by delivery methods, preference of the individual and the provision of qualifications
- 83 per cent are not aware of the Framework for Achievement
- when explained, 59 per cent consider the Framework for Achievement would suit their needs better but 41 per cent worry it will be more confusing
- almost two-thirds of employers want informal learning and in-house training to be accredited in the Framework
- 61 per cent think there should be more opportunities in the Framework for e-learning, and 58 per cent for e-assessment

What's out there?

On more relevant training:

- Employers report a lot of relevant 'on the job' training
- The private training industry is a source of much relevant training
- Some colleges employ part-time industry staff to deliver relevant training to employers
- The National Employer Service is exploring the possibility of helping large employers support training through their supply chain
- From 2006-07, the National Employer Training Programme will assist employers to analyse their training needs, to identify relevant training and will fully fund training for basic skills and first full level 2 training for employees
- From 2007-08, Skills Academies plan to provide better vocational skills training

On pro-active and flexible training:

- Some colleges are appointing business-focused teams to devise training packages and delivery at hours and locations to suit employers
- Some colleges are working together, and with private training providers, collectively to meet business needs
- The Department is disseminating good practice on meeting employers' need for flexibility
- The Adult Learning Inspectorate's website provides a database of good practice examples for work-based learning providers
- The Quality Improvement Agency, from 2006, will provide 'The Learning Exchange' where training providers can share good practice and materials

On training for skills:

- Sector Skills Councils are working to identify skills needed and achieve the right supply of skills through Sector Skills Agreements
- The Framework for Achievement, based on modules of courses that can be accumulated as credits, has potential for more relevant and up-to-date training and qualifications
- Sector Skills Councils are liaising with the Qualifications and Curriculum Authority to develop modules relevant to, and overlapping, different sectors
- The National Employer Training Programme will trial funded level 3 training, starting in the North West and West Midlands

NOTE

¹ *The responsiveness of colleges to the needs of employers*, Ofsted, November 2004

Source: National Audit Office survey, stakeholder interviews, visits to employers and literature review

2.1 While further education colleges are independent corporations, most are substantially focused on the government's educational and skills agenda. They have traditionally recruited learners directly rather than through employers, and much of their provision is based around achieving qualifications.

2.2 Responding to employers' needs requires a different mindset and approach. Private training companies have a number of advantages over further education colleges, which make it unsurprising that they are the natural choice of many employers:

- they understand, or are perceived to understand, the needs of business better;
- they usually specialise and develop expertise in one area, and gain a lot of experience in tailoring their particular expertise to different companies' needs;
- it is a well established part of their culture to 'sell' their product by helping employers to see its benefit to the business; and
- they are not expected to respond to government and community priorities unless they choose to tender for Learning and Skills Council programmes.

2.3 Private training providers, for their part, comment upon the relative advantage to colleges of the preponderance of public funding that goes to them (and consequently is not available to private providers to provide training to employers). Although they are offered a choice of quality assured providers, employers engaged in Employer Training Pilots told us that they would prefer to nominate who delivers their publicly funded training.

2.4 Many employers are satisfied with the quality of service provided by the training industry, including those using colleges.¹⁹ The main reasons cited for not making more use of publicly funded training is perceived lack of relevance and flexibility of courses to companies' training needs, perceived cost²⁰, and the image of college staff as academics rather than business-focused trainers.

2.5 Many colleges subcontract training or parts of courses to the private sector, but tend not to work in close partnership with a private provider as frequently as they do with other colleges. For employers it is essential that training takes account of time constraints. Some colleges have recognised the need to provide flexible training at times and places that suit employers (**Case study 5**).

2.6 Employers were most satisfied with providers who pro-actively support them with training administration and flexible working (**Case study 6**). Some colleges employ staff with prior private sector experience, who employers feel understand their business needs better. Ofsted's report on 'The responsiveness of colleges to employers' found

CASE STUDY 5

Flexible training to suit an employer's needs

Bury Metropolitan Borough Council needed a flexible training provider who specialises in local government training. Bury College provides team leader training for the Council's refuse collectors. The training is delivered at the refuse depot after staff dismount from the refuse wagons whilst still in uniform, as this is the only time that refuse collectors are able to train. Bury College has also provided training on Saturday mornings for some refuse collectors who have been unable to train at other times.

Source: National Audit Office visits to employers

CASE STUDY 6

Flexibility can help build a provider's reputation and future business

The human resources officer at BPI, a plastic bag manufacturer with 320 employees, contacted Worcester College initially to pursue a qualification in Personnel Development. The College offered a flexible training package to help her pursue the course around her work commitments, with the course in the afternoon of two different days in the week, or in the evenings. This enabled her to continue attending the course when work demands forced her to miss her usual class.

Her experience with the College inspired her to inquire what other training the College could offer the company. As the company's training budget was limited, the College devised a step-by-step plan for training, starting with two classes for supervisors, organised around the company's shift patterns, followed by a 'train the trainer' course to enable the company to train its own employees.

The human resources officer feels that the good relationship with the College's liaison point, the business advisor, has been a vital part of the company's experience. The business advisor has been patient and flexible in taking account of her workload and supportive in providing a personalised service. She plans to continue using Worcester College for further training.

Source: National Audit Office visits to employers

¹⁹ National Employers Skills Survey 2003 and Ofsted Annual Report 2003-04.

²⁰ Raising sector skill levels: how responsive is local training supply, Geoff Mason, Matt Osborne, Ana Rincon-Aznar, National Institute of Economic and Social Research, May 2005.

that a shortage of specialist staff limited responsiveness in half the colleges surveyed. The Adult Learning Inspectorate, in its Excalibur database (www.ali.gov.uk/Quality+improvement/Excalibur), includes examples of good practice for involvement of employers in provision of work-based learning.

2.7 Employers are most likely to be encouraged to train their staff by the example of other employers, particularly those with whom they share a supply chain. Training partnerships between large and small employers can lead to in-depth sharing of each others' knowledge base as well as economies of scale and more flexible arrangements for providing training (**Case study 7**).

CASE STUDY 7

Employers can help encourage others to provide relevant training

At its Southampton assembly plant, Ford Motor Company is in partnership with an education business link company, Solent Skills Quest, to provide an on-site training facility for use by Ford, local businesses, and the local community including schools, housing associations and individuals. Initial funding for the partnership was provided by Ford, South East England Development Agency, and the local Learning and Skills Council, with contributions from Ford's own suppliers, aiming to support a learning culture in the assembly plant and the local community.

The partnership offers training facilities for businesses, some of which are in Ford's supply chain. For example, Hamtons, the on-site cleaning and logistics contractor at Ford's plant, uses the computer suite and spare places on the partnership centre's courses. Hamton's Logistics Manager has completed a computer course, which he considers has helped improve the business. As he works long days and cannot afford the time to train away from work, he benefits from having a facility on-site that he can use at times to suit him.

More broadly, Solent Skills Quest offers free training for national assessments, such as for literacy and numeracy skills, for employees of small and medium sized businesses. One project, aimed at the care sector, sends a *learnirect* van to 10 employer locations to provide facilities for national tests. Solent Skills Quest encourages schools to use the partnership for relevant engineering or business aspects of the curriculum.

The partnership is currently managing a project funded by the Regional Development Agency to deliver essential skills to employees of small to medium-sized enterprises. Working through its own tutors and tutors from local colleges, courses are delivered in the work place. Recent courses, which can last from 3 up to 30 hours, have included First Aid, Health and Safety, Customer Care, IT training and literacy and numeracy.

Source: National Audit Office visits to employers

2.8 The Department and Learning and Skills Council are working with bodies such as the Confederation of British Industry to promote good practice in employer training partnerships. Increasingly, as plant and equipment become more and more sophisticated and costly, employers and education providers need to pursue practical forms of collaboration, for example for colleges to use employers' machinery and equipment for training. A large employer wanting to assure the success of a major development involving other employers may provide an on-site facility that companies and the community can use (**Case study 7** and **Case study 8**).

CASE STUDY 8

Employers can provide a training facility for companies and the community with whom they have a shared interest in success

Landlease, the developer of Bluewater shopping centre in Dartford, formed a partnership with the Employment Service and North West Kent College to create a training centre for employers and employees in the local community to help promote a learning culture and improve business performance. Initially, the training centre aimed to provide Landlease with the skills needed to build the shopping centre. It now provides employers located in the shopping centre with a training and advice centre, and offers skills training to members of the local community.

North West Kent College has set up retail-related training courses in the training centre and at the college. A permanent 'Learning Shop' within the shopping centre provides on-site training and advice to local employers, employees and shoppers. The programme has highlighted lessons on engaging employers in training, including:

- establish a single point for interested employers, but go out and talk to them as well
- try to generate obvious, direct benefits for participating employers to maintain involvement
- promote the benefits of recruiting from non-traditional sources
- explore the range of different ways each different employer can contribute
- explore staff development needs and how they can be met.

Source: Bluewater Regional Shopping Centre: creating local jobs for local people, renewal.net case study

2.9 The Confederation of British Industry has found that the biggest problem for many employers is finding the right college or other provider to link with initially, and then the right person within the college or provider. The Confederation of British Industry has suggested that providers make more use of the ‘account management’ model as a means of improving communications.²¹ As described in Appendix 1, the National Employer Training Programme is a demand-led initiative to offer employers access through a skills broker to appropriate training to meet their needs. While training will be free up to a first full level 2 qualification, the programme will also seek to focus on employers and learners continuing to engage in training and achieve higher levels of skills and qualifications in the longer term.

2.10 The Department is seeking to help develop a flexible labour market and to encourage and enable people to build continuously on their skills (Figure 6 on page 10). It therefore sees qualifications as important to increasing the skills base and productivity, and individuals’ employability. The Department’s view is that sound literacy and numeracy and level 2 training represent the minimum qualifications. All adults aged 19 or over are entitled to free tuition for a first full level 2 or equivalent qualification (Figure 7), and people with low levels of literacy and numeracy can study free for relevant accredited qualifications. The Department’s priorities need to take a wide view of the unmet needs in the country’s workforce, and to take account of aspirations for as many people as possible to be able to participate in society as fully as they wish. The Department also values qualifications as evidence that the training it has paid for has actually led to improvements in levels of skill.

2.11 Employers have a different perspective. While they value qualifications, they see them as a proxy to determine levels of skill. Some employers fear that by helping their employees gain more qualifications and certificates, they increase the risk of losing them to another employer. They are most interested in training tailored directly to their business needs, which may not be the highest priority in terms of a flexible labour market. Employers are also concerned with the content and quality of training rather than the provision of a qualification. Some evidence suggests that employers would not pursue National Vocational Qualifications if

the choice were left to market forces.²² However, in some areas, public sector organisations have led by example. In particular, an estimated 200,000 public sector employees with literacy, language and numeracy needs are targeted as key priority groups as part of the Department’s Skills for Life Strategy, and all government departments are expected to incorporate relevant training into their training and development plans.²³

2.12 The Qualifications and Curriculum Authority, working with the Learning and Skills Council and the Sector Skills Development Agency, is leading on the development of a flexible and simple qualifications system to be built from units, the Framework for Achievement. The proposed Framework plans to enable employers and employees to choose units of qualifications relevant to their needs and combine them into a suitable qualification by building up units over time. Where employers choose from existing qualifications, tailoring them can help make them more directly relevant to business needs (Case study 9).

CASE STUDY 9

Tailoring qualifications can make them more relevant to employers

The Public Service Compact, supported by the Learning and Skills Council, is a knowledge sharing group of public sector employers including local authorities, the fire service and the police, and voluntary organisations. Bournville College was asked to design a management course to meet the needs of the organisations involved in the Compact. The College worked with 25 employers to help design the course, bringing in elements from existing Chartered Management Institute courses, and adapting some modules for public sector relevance. For example, the course combines elements of level 4 and level 5 courses, a finance module designed by a public sector finance officer, and a marketing module relevant to the public sector. The course has been accredited as a Diploma in Public Service Leadership by the Chartered Management Institute and Coventry University.

Birmingham Crown Prosecution Service has found the Diploma highly relevant. Employees have pursued coursework modules on issues such as attendance management and dealing with the media. The Compact also brings them into contact with employees of other organisations who can bring a different expertise and perspective.

Source: National Audit Office visits to employers

²¹ *Employers collaborating to raise skills in supply chains and clusters*, Confederation of British Industry, March 2005.

²² *What determines the impact of vocational qualifications? A literature review*, Unwin, Fuller, Turbin and Young, 2004, Centre for Labour Market Studies, University of Leicester, 2004.

²³ C&AG’s report *Skills for Life: Improving adult literacy and numeracy*, HC20, Session 2004-05, December 2004.



THREE

Employers want incentives to train their staff more



Employers want

More financial incentives

- lower fees would encourage 33 per cent of employers to provide more employee training
- some employers want more government assistance for training such as tax credits, or offsetting corporation tax against training

Compensation for time away from work

- a small number of employers feel that giving staff time off work for training is more difficult than funding it
- compensation for time away from work would encourage a small proportion of employers (15 per cent) to train employees

Incentives to engage in training at higher levels

- employers want subsidised training at level 3
- they are not clear on the business benefit of level 2 qualifications
- 58 per cent believe that there are greater returns on investment in training at higher skills levels
- 49 per cent are happy for government funding to be focused on level 2 (31 per cent disagree)
- 47 per cent say that without funding for training above level 2, they are less likely to pay for the training (35 per cent disagree)

Less restrictions on use of training subsidies

Employers:

- prefer vocational qualifications over National Vocational Qualifications
- want funding for non-qualification based training relevant to their business needs rather than to labour market needs as determined by local Learning and Skills Councils' analysis
- want to choose which provider they use for publicly funded training

What's out there?

On subsidies for training:

- ConstructionSkills and Skillset place an annual levy on some employers in the sector and give grants to employers to train
- Brokers and advisors help employers obtain funds for training from:
 - the European Social Fund
 - the Learning and Skills Council
 - Employer Training Pilots

On compensation for time away from work:

- The Pre-Budget Report 2005 announced that the National Employer Training Programme would be allocated an additional £38 million per year from 2006-07 and 2007-08 for wage compensation to help businesses with less than 50 employees train their low-skilled employees

On incentives for training at higher levels and with less restrictions:

- The Employer Training Pilots, rolling out nationally as the National Employer Training Programme in 2006-07, provide:
 - fully funded costs of level 2 training
 - the equivalent of level 2 training for those capable of training for level 3 qualifications and bypassing level 2
 - trial of matched funding for level 3 qualifications
- The Programme will allow employers to choose with which Learning and Skills Council approved provider they spend public money for level 2 training

Source: National Audit Office survey, stakeholder interviews, visits to employers, and literature review

3.1 Many employers believe that financial incentives are the most effective way of encouraging them to train their employees more. Public funding is complicated and time-consuming to research – especially European Social Fund projects which vary in number and focus from one year to another and from one region to another (**Figure 9**). Some employers told us that brokers (such as those in Employer Training Pilot areas), or business development staff from their local colleges, had provided valuable assistance to identify appropriate funding for training their employees (**Case study 10**). Brokers or business development staff can also help to stimulate training by proactively contacting employers, informing them of the types of training for which incentives are available from current European Social Fund projects.

3.2 While higher skilled workforces can raise productivity and economic growth and can improve social outcomes, the UK has had a persistent skills deficit compared with its major competitors that has contributed to its lower productivity. The Skills Strategy is designed to address market failures in education and training which, if not addressed, will lead to a sub-optimal supply of skills and qualifications, and it aims to move the UK towards a high skilled, high value-added economy (Figure 6 on page 10).

CASE STUDY 10

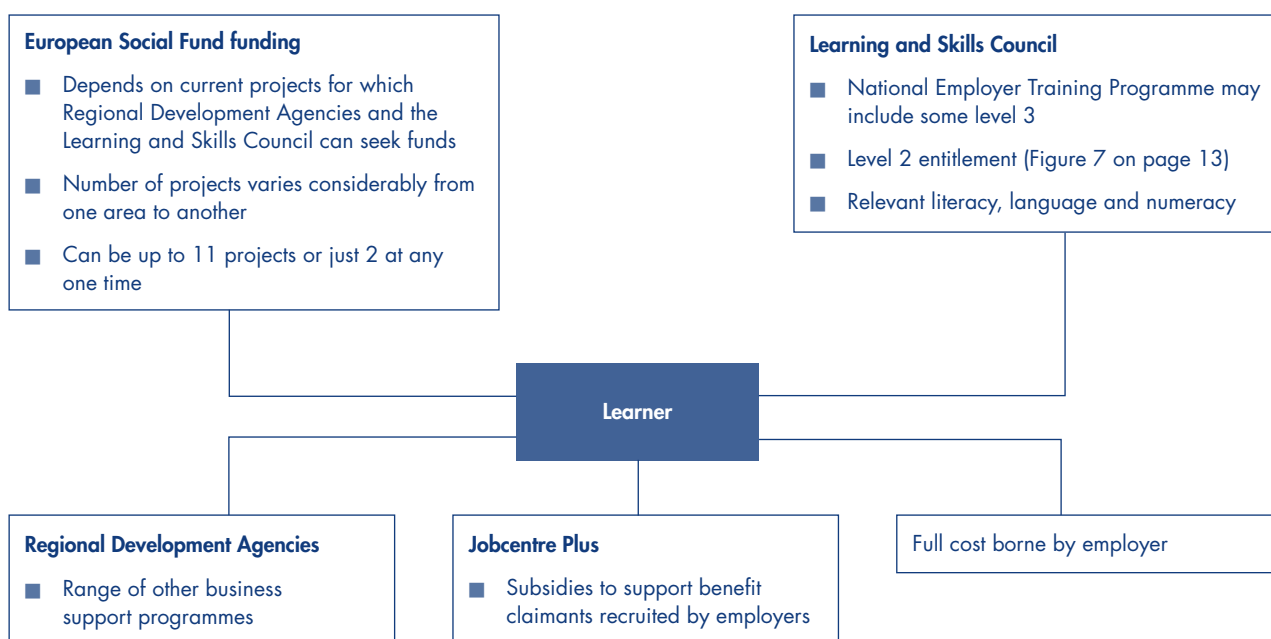
Colleges and private training providers working together for the benefit of employers, using European Social Fund

'Progress' is a £1.2 million partnership between Bedford, Barnfield and Dunstable Colleges, together with two private training providers, Protech and Chamber Technologies. The aim of the project was to provide resources for small and medium-sized employers in Bedfordshire to re-skill their employees or for companies that were planning or were planning to make redundancies. The project, which ran for just over a year to August 2005, has involved work with more than 120 companies and more than 1200 beneficiaries.

A new project 'Options' is about to start and is worth £1 million. The same partners will be involved with a view to training people in small and medium-sized employers with skills below level 2.

Source: National Audit Office visits to employers

9 A very quick guide to funding for employee training



Source: National Audit Office

3.3 Employers have mixed views on whether the government's priorities for skills training would benefit their businesses, and many are not convinced that the direct benefits to their businesses warrant their investment in qualifications up to level 2. The majority felt that for them

there were greater returns on investment in training at higher levels (level 3 and above – levels and qualifications are set out in **Figure 10**). Even so, some 47 per cent of surveyed employers said that they were less likely to buy training at higher levels if no subsidy was available.

10 Levels and equivalent qualifications

The National Qualifications Framework sets out the levels at which qualifications can be recognised. The Qualifications and Curriculum Authority's website has a searchable database, OpenQUAL (www.qca.org.uk/openquals), of all qualifications in the National Qualifications Framework.

| Qualification level | Description | Examples of qualifications ¹ |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Entry Level | Entry level qualifications recognise basic knowledge and skills and the ability to apply learning in everyday situations under direct guidance or supervision. | Entry level certificates in adult literacy and numeracy |
| Level 1 | Level 1 qualifications recognise basic knowledge and skills and the ability to apply learning with guidance or supervision. Learning at this level is about activities which mostly relate to everyday situations and may be linked to job competence. | NVQ Level 1 GCSE Grades D-G |
| Level 2 | Level 2 qualifications recognise the ability to gain a good knowledge and understanding of a subject area of work or study, and to perform varied tasks with some guidance or supervision. Learning at this level is appropriate for many job roles. | NVQ Level 2 GCSE Grades A*-C |
| Level 3 | Level 3 qualifications recognise the ability to gain, and where relevant apply, a range of knowledge, skills and understanding. It is appropriate for people wishing to go to university, people working independently, or in some areas supervising and training others in their field of work. | NVQ Level 3 A levels |
| Level 4 | Level 4 qualifications recognise specialist learning and involve detailed analysis of a high level of information and knowledge in an area of work or study. Learning at this level is appropriate for people working in technical and professional jobs, or managing and developing others. | Certificates of higher education |
| Level 5 | Level 5 qualifications recognise the ability to increase the depth of knowledge and understanding of an area of work or study to enable the formulation of solutions and responses to complex problems and situations. Qualifications at this level are appropriate for people working as higher grade technicians, professionals or managers. | Diplomas of higher and further education, foundation degrees, higher national diplomas |
| Level 6 | Level 6 qualifications recognise a specialist high level knowledge of an area of work or study to enable the use of a person's own ideas and research in response to complex problems and situations. | Bachelors degrees, graduate certificates and diplomas |
| Level 7 | Level 7 qualifications recognise highly developed and complex levels of knowledge which enable the development of in-depth and original responses to complicated and unpredictable problems and situations. | Masters degrees, postgraduate certificates and diplomas |
| Level 8 | Level 8 qualifications recognise leading experts or practitioners in a particular field. | Doctorates |

Source: National Audit Office

NOTE

¹ Examples of qualifications from the National Qualifications Framework and the Framework for Higher Education Qualifications. Further information on the Framework for Higher Education Qualifications and qualifications awarded by higher education institutions is available from the Quality Assurance Agency (www.qaa.ac.uk).

3.4 In our Skills for Life report,²⁴ we found that employers require convincing of the benefits to their business of improving low levels of literacy and numeracy. Although research indicates that there are social benefits associated with acquiring such skills at level 2,²⁵ economic benefits to employees from engaging in level 2 training more generally have been shown to be confined to certain areas of training.²⁶ The Department intends through qualification reform also to realise these benefits for vocational qualifications at level 2. Economic benefits to employers are less easily measured and the Department is undertaking research to provide a stronger business case of the benefits of training to employers. Evidence from the evaluation of the Employer Training Pilots on economic advantages of level 2 training to employers is positive but not definitive.²⁷ There is some evidence to show the likelihood of progression from level 2 training to higher levels of training,²⁸ where economic benefits are known to occur, and the Department plans further research into the proportion of learners progressing to higher levels of training.

3.5 There is a risk that subsidies for first level 2 training may be used for training by many of the overall minority of employers who would have undertaken it anyway. An evaluation of the first year of the Employer Training Pilots is examining the extent to which the employers who took part in the pilots were, in fact, employers who would have provided the training if the pilots had not been running. In planning to roll out the National Employer Training Programme, the Department is considering how to handle the risk, within a nationally available programme, of public funds paying for training that employers would otherwise pay for themselves. For example, it will expect brokers to target the Programme on 'hard-to-reach' employers who do not already provide their staff with first level 2 training.

3.6 Though slowly catching up on level 2 qualifications, the UK remains behind the US and is substantially behind Germany in the proportion of the workforce qualified to level 3 and above. In October 2005, the Learning and Skills Council issued further guidance on priorities for funding,²⁹ which emphasised the need for a rebalancing of public and private contributions to the cost of education and training, targeted at level 3 and above to reflect the benefits received by employers and learners. The Department predicts that by 2012, some two-thirds of all jobs (both new and existing) will require qualifications at level 3 or higher. These needs will not be met by relatively small amounts of public funding, and employers are increasingly likely to need to invest in these skill levels to keep up with the competition. A number of stakeholders have suggested revising public funding to promote increased take-up of training at level 3, for example by sharing the cost with employers for level 3 training in high priority skills. As part of the National Employer Training Programme, the Department will trial an offer of subsidies for training to level 3 in the North West and West Midlands.

24 C&AG's report *Skills for Life: Improving adult literacy and numeracy*, HC 20 Session 2004-05.

25 *New Light on Literacy and Numeracy*, NRDC, London. Research by Bynner J, Parsons S, to be published in 2006. A preliminary version is available at www.nrdc.org.uk/uploads/documents/doc_849.doc

26 *An in-depth analysis of the returns to National Vocational Qualifications obtained at level 2*, Dearden, Granahan and Sianesi, Centre for the Economics of Education, December 2004 and *Returns to Education: a non-technical summary of CEE work and policy discussion*, Barbara Sianesi, Institute for Fiscal Studies and Centre for the Economics of Education, June 2003.

27 *Platform for Progression: Employer Training Pilots, Year 2 Evaluation Report*, Jim Hillage, George Loukas, Becci Newton, Penny Tamkin, Institute for Employment Studies, May 2005. The Evaluation finds that employers did see a range of benefits from their participation in the pilots, including some business benefits, but concludes that employers see the gains in terms of a more skilled and confident workforce rather than being able to evidence material business benefits. However, further surveys of the Employer Training Pilots aim to identify what material business benefits the pilots have brought to employers.

28 *An in-depth analysis of the returns to National Vocational Qualifications obtained at level 2*, Dearden, Granahan and Sianesi, Centre for the Economics of Education, December 2004.

29 Learning and Skills Council, *Priorities for Success 2006-08*, 21 October 2005.



FOUR

Employers want to influence skills training without getting weighed down by bureaucracy



Employers want

To influence but can find it difficult

- employers are equally as satisfied as dissatisfied with opportunities to get involved with influencing bodies such as local and the national Learning and Skills Council, Sector Skills Councils and Regional Development Agencies
- influencing bodies could usefully identify reasons for dissatisfaction with influencing opportunities through customer satisfaction techniques
- employers are unaware of opportunities for influencing, whom to approach and the roles of the different bodies
- engagement is particularly difficult for small businesses, who do not have the resources to attend meetings
- awareness of Sector Skills Councils is good among large employers who have more input, but not so good among small and medium-sized employers
- of those employers who have had dealings with Sector Skills Councils, three quarters were satisfied with the services received¹

More effective channels for influence are needed

- 94 per cent of employers think engaging as influencers is important
- 48 per cent say this is to ensure that training reflects business needs
- 59 per cent are engaged in some influencing activity such as apprenticeships, serving on governing bodies or councils, or contributing to course content
- the most common form of influence is through development of course content (36 per cent of employers)
- smaller organisations are less likely to engage (51 per cent report no involvement)
- the main barrier to engagement is time away from work (35 per cent), followed by a lack of knowledge of which organisations to approach (22 per cent)
- more innovative methods to engage employers in influencing activity are needed, such as video-conferencing and web forums
- few employers we visited were engaged in major influencing activity, but when pressed, they had a contribution to make

NOTE

1 *Skills for Business Network: Phase 2 Evaluation Main Report*, Research Report 10, Policy Research Institute, Leeds Metropolitan University for the Sector Skills Development Agency, September 2005

Source: National Audit Office survey, stakeholder interviews, visits to employers, and literature review

What's out there?

A number of channels exist for employers to influence skills training

- Through representative bodies, such as the Confederation of British Industry and the Small Business Council
- The Learning and Skills Council includes employer representatives on its National Council
- The 47 local Learning and Skills Councils include and consult with employer representatives
- Governing bodies of the 397 further education colleges include and consult employer representatives
- The nine Regional Development Agencies include employer representatives
- Sector Skills Councils are designed as employer-led organisations for employers to influence the skills agenda
- Skills Academies from 2007-08 will include employers to govern and shape the Academies' work

4.1 Employers can influence training activities in numerous different ways (**Figure 11**), at all levels from school age to adult further education. They may contribute to work placements, standard-setting, course design, assessment and by releasing staff for training. The Department is undertaking a communications programme to make it easier for employers to understand its policies and programmes and how they can get involved, with an emphasis on the following key areas:

- involvement with and providing representatives on Sector Skills Councils;
- participation in the Skills Strategy through Sector Skills Councils and in building a work-related curriculum;
- sponsoring Skills Academies (paragraph 4.7), Academies and Specialist Schools;
- providing apprenticeship placements; and
- collaborating with Higher Education Institutions on developing higher level skills, knowledge transfer, research and innovation.

4.2 Not all the employers we visited appreciated that they could influence provision through such activities. For most employers, the main barrier to greater participation and more effective influencing is lack of time. Their priority has to be running their businesses within the law and to make a profit. Public sector organisations have a similar imperative to run their particular services efficiently and effectively. There is low awareness, especially among small employers, of the types of bodies intended to give employers a voice. In particular, few of the employers we visited recognised the term 'Sector Skills Council'. Many of the Sector Skills Councils have been in existence for not much more than a year, and some employers may be in contact but not associate the brand name of the organisations with the collective Sector Skills Councils. Awareness is likely to increase over time – between 2003-04 overall awareness of 14 Councils increased by 5 percentage points.³⁰

11 Employers can influence training and education in a range of different ways

- | | |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| ■ As members on the Learning and Skills Council or local Learning and Skills Councils | ■ For large, multi-site national employers, through engagement with the National Employer Service |
| ■ As members of learning partnerships | ■ Responding to consultations on reform of vocational qualifications |
| ■ Working with Regional Development Agencies | ■ Participating in developing National Occupational Standards |
| ■ Working with Sector Skills Councils | ■ Participating in design of new 14-19 diplomas |
| ■ Participating in Sector Skills Agreements (national and regional) | ■ Offering new 14-16 Apprenticeships and Advanced Apprenticeships |
| ■ Serving on college governing bodies and councils | ■ Involvement in Centres of Vocational Excellence |
| ■ Participating in enterprise education in schools | ■ Funding, designing and managing Skills Academies |
| ■ Participating in Education/Business Partnerships | ■ Helping to design and provide work placements for Foundation Degrees |
| ■ Providing work experience (for students and staff) | ■ Contributing to Honours Degrees and professional courses |
| ■ Providing cash and equipment for schools and colleges | ■ Supporting adult literacy and numeracy |
| ■ Mentoring students | ■ Supporting training for adult employability |
| ■ Contributing to careers guidance | ■ Providing more and better management and leadership skills |

Source: National Audit Office Reference Panel

30 Skills for Business Network: Phase 2 Evaluation Main Report, Research Report 10, Policy Research Institute, Leeds Metropolitan University for the Sector Skills Development Agency, September 2005.

4.3 Securing the views of all the employers in their sectors is a substantial challenge for all Sector Skills Councils. Large employers' views are relatively easy to obtain because there are few of them, and they have a voice through the Learning and Skills Council's National Employer Service and the National Apprenticeship Task Force. But the vast majority of employers are small firms (Figure 4 on page 8), many in niche markets. Smaller employers tend to rely on employer organisations, professional bodies and trade associations to air their views rather than direct contact with the Sector Skills Councils. Some employers are developing innovative solutions to encourage greater involvement (**Case study 11**). Research for the Department of Trade and Industry³¹ has shown that one of the main reasons for networking is to acquire skills and knowledge. The benefits from networks include improved quality of goods and services, competitiveness, staff morale and attitude for training.

CASE STUDY 11

Influencing skills training through employer networks

For the last 7 years the managing director of Idaho Technology has been engaging in local forums and networks. One network, the New Technology Institute Employer Group, brings together representatives across a range of sectors and business sizes and meets quarterly to share knowledge, problems and issues. The group is a partnership between a number of local training organisations, led by MANCAT (Manchester College of Arts and Technology) and Manchester Metropolitan University, and is looking at how to assist Manchester's small and medium-sized businesses to grow through accessing training and development. The group lobbies to encourage local large companies to award supply chain contracts to small and medium-sized employers in the Manchester area.

As part of MANCAT's work with local business networks, the College enlisted the help of the managing director of Idaho Technology in developing a New Technology Institute, which is designed to supply individuals and employers with IT qualifications required by the industry. It will work in partnership with employers in industry, commerce and the public sector to influence the future of ICT training and address ICT skill shortages. The managing director believes that other colleges should pro-actively network within trade associations to reach and engage employers in their work.

Source: National Audit Office visits to employers

4.4 Employers suggested that more needs to be done to improve relationships between education and training organisations and business. For example, through working with local employers in a particular industry, a provider can help meet emerging training needs arising from developing technological advances (**Case study 12**). Other recommendations from employers included the establishment by Sector Skills Councils of forums or web sites for small businesses to discuss problems at times convenient to them, or communication by video-conferencing. The Sector Skills Councils also recognised that they had to find better ways of representing the self-employed as a group.

CASE STUDY 12

Colleges can provide opportunities to employers to influence skills training directly

East Berkshire College is a Centre for Excellence for the Motor Vehicle Industry. Business co-ordinators have visited all employers in the sector to find out what they like about college provision and what they would change. The College has encouraged as many employers as possible to send representatives to the Automotive Sector Board (one of a series of Boards, set up by the College, consisting of groups of employers each led by a member of the Business Development team). As a result, the College successfully developed modules on air conditioning and autotronics (electrical automatic fault diagnosis) for motor vehicle courses. It has invested heavily in both and has developed a good relationship with employers. Autotronics, for example, is recognised as the way forward although not all of the industry is familiar with it. Employers have come to the College to learn more, building on the knowledge already gained by their employees.

Source: National Audit Office visits to employers

31 *The impact of networks on learning and skills development*, York Consulting, The Department of Trade and Industry, December 2005.

4.5 When asked how satisfied employers were with opportunities to contribute to skills and training policy with the national Learning and Skills Council, the 47 local Councils, 25 Sector Skills Councils, 47 Business Link offices, and nine Regional Development Agencies, more than a third responded “not applicable”. This result possibly reflects a lack of awareness of or contact with these organisations, though all are involved in planning for skills training. **Case study 13** is an example of one Sector Skills Council that is participating in further development of an established project, which now involves engaging with a wide range of organisations including private industry, training companies and *learn*direct.

4.6 Our report on *Securing Strategic leadership in the learning and skills sector in England*³² drew attention to the need to gather and analyse information on employers’ priorities at national, regional and local levels. Sector Skills Councils have a challenging remit related to improving skills for employment **Figure 12**. Some such as ConstructionSkills (which was developed from the Construction Industry Training Board) are well-established, but others are relatively new and currently are less organised and less financially secure. Each of the Sector Skills Councils needs to liaise at all levels (Figure 12) especially if they are to take full account of regional priorities which are important for regional economic regeneration. But they are small, strategic bodies for whom it is impossible to connect with everyone everywhere, and

they need to find creative ways of making connections. For example, one Sector Skills Council uses intermediaries to help extend its geographic reach to local employers (**Case study 14**). A Sector Skills Council for central government was announced on 29 November 2005, completing the Skills for Business network (**Figure 13**).

4.7 The key tasks required of Sector Skills Councils, set out below, represent a particular challenge for some of the newer and smaller Councils.

- **Sector Skills Agreements** provide a means whereby employers and employees in each sector can identify skills and productivity needs, the action they will take to meet the needs, and how they will collaborate with providers to ensure that the supply of education and training meets the identified needs. They involve assessments of skills needs and current provision, and the gap between them, as a basis for setting future priorities; an assessment of the scope for collaboration between employers in the sector; and an action plan agreed by employers and training partners. The Sector Skills Development Agency has approved four agreements so far (ConstructionSkills, e-skills UK, SEMTA and Skillset). A further six are expected to be agreed by March 2006 and the remainder by March 2008.

- **Sector Qualification Strategies** build on the sector skills agreements by defining the appropriate mix of qualifications training and learning experience that has to be available to meet employers’ needs. These strategies are an essential step towards building the new Framework for Achievement (Executive Summary paragraph 31 and paragraph 2.12), being led by the Qualifications and Curriculum Authority in partnership with the Learning and Skills Council and the Sector Skills Development Agency. Strategies must include an implementation plan to ensure that awarding bodies develop qualifications aligned with the skills needs of the sector. The Qualifications and Curriculum Authority is working with the Sector Skills Councils and awarding bodies to develop guidance for England.³³ National Occupational Standards, being formulated by employers with professional or trade bodies, are being developed as a basis for workforce development and to inform qualifications. National Vocational Qualifications will be developed from specifications based on the National Occupational Standards.

CASE STUDY 13

Sector Skills Councils can usefully participate in developing existing initiatives further

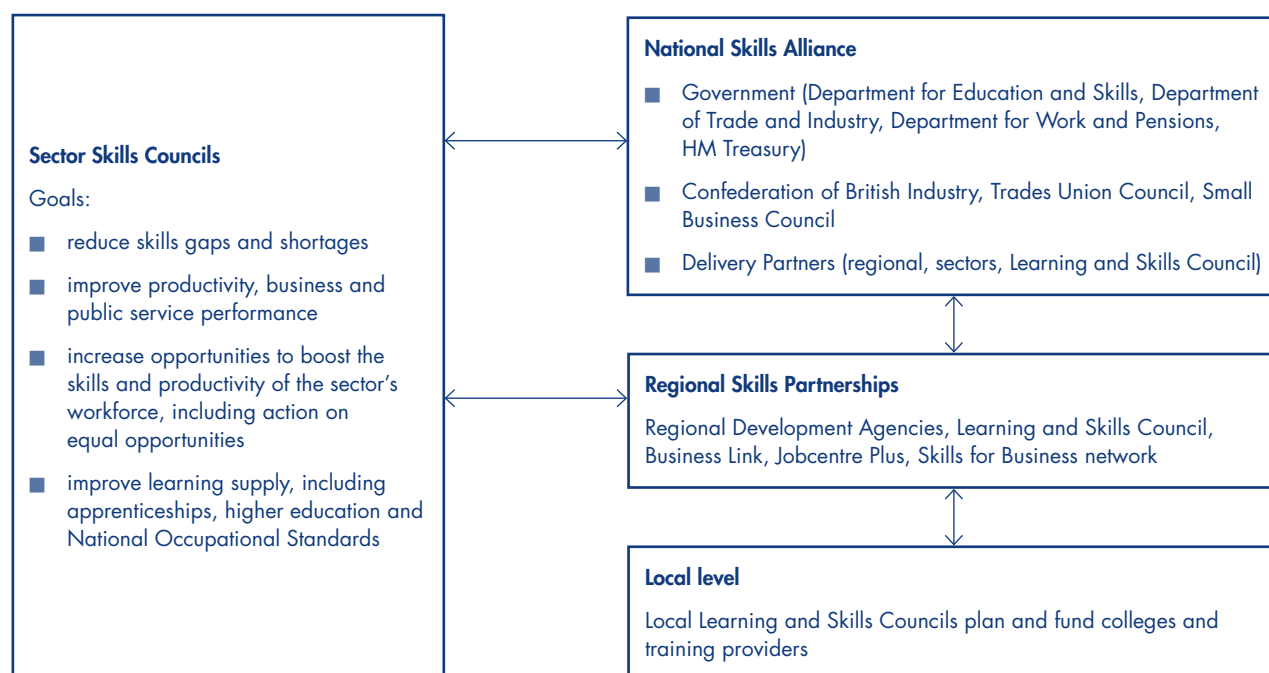
The Dissemination Best Manufacturing Practice project being taken forward by North East Productivity Alliance succeeded an initiative initially set up by Nissan to help their suppliers identify and fulfil training and competitiveness needs. Trained engineers from region and quality assured training companies help local companies to develop in-house training as well as developing the workforce to National Vocational Qualification (NVQ) levels 2-4. The project has helped over 4,000 employees reach an NVQ level 2 (550 in Business Improvement Techniques), more than 100 reach level 3 and 16 to reach level 4. Over 6,500 *learn*direct productivity courses have also been delivered. The project is now working with SEMTA (Sector Skills Council for the science, engineering and manufacturing technologies industry) to develop an NVQ at level 5.

Source: National Audit Office visits to employers

³² C&AG’s report HC29 Session 2005-06.

³³ The qualifications regulatory authorities for Scotland, Wales and Northern Ireland are also working with the Sector Skills Councils and the awarding bodies to develop guidance for their countries.

12 Sector Skills Councils' role and routes for influencing skills for employment



Source: Department for Education and Skills

CASE STUDY 14

Sector Skills Council liaison with employers nationally, regionally and locally

Skillset is the sector skills council for broadcast, film, video, interactive media and photo imaging. Its work is guided and informed by National, Regional and Sectoral Skills Panels representing employers, unions, trade associations, further and higher education and public agencies, including local Learning and Skills Councils, Regional Development Agencies and Jobcentre Plus. It works with these stakeholders to support and promote skills, training and education to improve the productivity and competitiveness of the audio visual industries throughout the UK. It offers services and support to individuals and companies, and seeks to influence regional and national funding decisions for the benefit of the industries it represents.

Source: National Audit Office interviews with Sector Skills Councils

13 The Sector Skills Council for central government

In June 2004, the Civil Service Management Board agreed that an Expression of Interest should be submitted to the Sector Skills Development Agency, as a first step into seeking a formal Sector Skills Council licence. A full Business Case was submitted to the Agency in September 2005, and was recommended to the Secretary of State for Education and Skills for approval for licensing by the Licensing Assessment Panel in November 2005.

The Sector Skills Council, to be called Government Skills, will cover:

- Government Departments
- Executive Agencies
- Non-Departmental Public Bodies
- Armed Forces

The sector has a diverse workforce, but central government employers focus on a common set of values and the requirement to improve delivery. The Sector Skills Council plans to deliver the following programmes:

- Professional Skills for Government
- Workforce Data
- Standards and Qualifications
- Developing sector capability and capacity
- Working with other sectors

Source: National Audit Office

- Twelve of the Sector Skills Councils have been invited to contribute towards the development of national *Skills Academies*³⁴ by 2008. Intended to cover all the major sectors of the economy in due course, Skills Academies are expected to deliver high quality training and to be innovative and creative, becoming employer-led centres of excellence to meet sectors' needs. They are also expected to work with other providers to disseminate any new methods and standards. Students enrolled at the Fashion Retail Academy, developed in conjunction with Arcadia Group Limited, have already started their courses.

4.8 The Sector Skills Development Agency recognises that the Councils may be stretched by these and other tasks they have to accommodate. The Agency is concerned that one of the risks in the Councils becoming self-funding will be the increasing need for them to focus on raising funds, which could distract them from their main objectives. Some sectors are also likely to find it more difficult than others to become self-funding because there is wide variation in the opportunities for funding, for example because of historical differences between sectors' investment in training and the larger proportion of small businesses in some sectors than others. The Agency is taking forward a project to examine challenges and possible ways forward with Councils.

4.9 We found some concern at the potential for bureaucracy and confusion in the Framework for Achievement, which is how employers perceived the replacement of some 5,000 qualifications in the National Qualifications Framework with qualifications to be built from units. They considered that there were still issues still to be resolved, such as the need to make it clear which courses lead to full qualifications for particular occupations; whether employers will welcome credits and levels for partial qualifications, and the balance that will need to be struck between fitness for particular employers' needs and support for employees to achieve full qualifications that improve their wider employability. For example, employees who engaged in the Employer Training Pilots said that the opportunity to gain a full qualification was, for them, one of the most important benefits.³⁵ The sector qualification strategies will require particularly detailed involvement from business and industrial sectors if the completed Framework is to fulfil

the key aim of being 'fit for purpose' for employers, and Sector Skills Development Agency is responsible for ensuring they are drawn up, which should facilitate employers in directly influencing the strategies' development. On higher education provision, Sector Skills Councils are working with other organisations to ensure that curriculum and assessment takes employers' needs for skills into account. **Case study 15** illustrates how one sector skills council is making progress in its sectors.

CASE STUDY 15

Sector Skills Councils have a crucial role in working with employers to develop 'fit for purpose' qualification strategies for their sectors

SEMTA is the Sector Skills Council for Science, Engineering and Manufacturing Technologies, covering aerospace, electrical engineering, electronics, including semi-conductors, mechanical engineering and metal trades, motor vehicles, shipbuilding, bio technology, nano technology, mathematics, and forensic science. Through partnerships with employers, SEMTA's Employer Network Team ensures that employers are engaged, informed and represented, so that their needs are provided for and they are made aware of issues that are likely to have an impact on their business.

SEMTA works closely with industry to identify and define the skills and knowledge requirements for the various occupations, across different performance levels. The requirements are mapped to the standards of the Occupational Standards Council for Engineering, which are developed for submission for approval and formal recognition as National Occupational Standards, using the language and terminology of each industry. A key use for the Standards is for the development of nationally recognised qualifications.

SEMTA has been developing qualification strategies covering three sectors: Aerospace Engineering, Automotive Engineering and Electronics Engineering. Employers in these sectors have expressed major concerns about indicative shortfalls in technician level occupations. They particularly value work-based learning and view it as an essential complement to academic learning, which has led SEMTA to encourage increased provision of foundation degrees and introduce Higher Apprenticeships as another form of delivery of foundation degrees. It has used foundation degrees to provide an opportunity to embed well-structured work-based learning into science and engineering degrees, to help ensure that what is taught in the classroom translates effectively to the workplace.

Source: National Audit Office discussions with SEMTA and <http://www.semta.org.uk>

³⁴ *Skills: Getting on in business, getting on in work*, Department for Education and Skills, 2004-05, Cm6483-I, March 2005.

³⁵ 83 per cent of learners said that gaining a qualification was a benefit of the pilots. The most important benefit was skills to help their current job (40%) followed by gaining a qualification (22%). *Platform for Progression: Employer Training Pilots, Year 2 Evaluation Report*, Jim Hillage, George Loukas, Becci Newton, Penny Tamkin, Institute for Employment Studies, May 2005.

4.10 The Qualifications and Curriculum Authority, which is leading the development of the Framework, has a challenging task to produce a comprehensive Framework that is also comprehensible and easily accessible. For example, while it is intended that training brokers and providers will navigate the Framework's system on behalf of employers, there are concerns that employers who may wish to navigate the system themselves will find it complex.

4.11 Case study 7 on page 27 illustrated how employers can be encouraged to train their staff by the example of other employers, particularly those with whom they share a supply chain. **Case study 16** outlines an advanced form of such collaboration through supply chains that is being developed in the United States among companies in the aerospace industry.

CASE STUDY 16

The Supplier Excellence Alliance

The Alliance, comprising around 30 major companies in the United States, was formed to provide a strategic, industry-wide approach to developing the capacity of supply chains in the aerospace, defence and space industries. It aims, among other things, to achieve more efficient and effective development of skills in the sector by providing joint resources, including training materials, best practices, trainers, consultants, and sources of funding for improvement.

The Alliance uses the Lean Enterprise System, a method for companies and suppliers to work together to improve supply chain performance. Through relationships and partnerships among employers in the supplier networks, the employers can communicate openly and speedily, problem-solve jointly and provide mutual assistance to each other such as sharing IT processes. They can, for example, eliminate potential duplication of costs from different companies approaching the same supplier with unnecessarily different demands, which could lead to uncoordinated investments by the supplier in a range of business improvement activities, including skills training. An important element of the Lean Enterprise System is workforce development, which focuses on job skills certification and cross training to promote standard work and workforce flexibility.

Source: National Audit Office discussions with a Director of the Lockheed Martin Corporation and www.seaonline.org

APPENDIX 1

Key policies, initiatives and organisations

1 Figure 14 illustrates the main organisations involved in planning and delivery of learning to improve skills for employment.

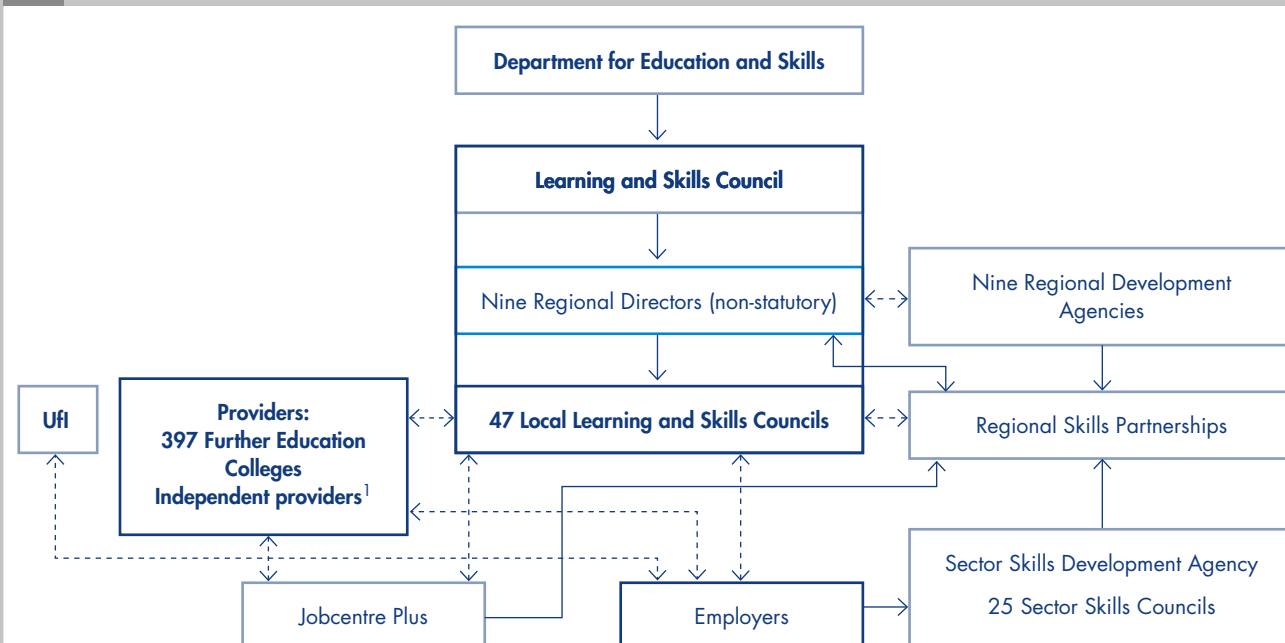
2 There are many policies and initiatives aimed at addressing employers' need for skills development and engendering a culture of lifelong learning for all adults. Three of the most significant developments, in the context of this report, are outlined below.

- **The Skills Alliance**, formed in 2003, consists of four government departments (Education and Skills, Trade and Industry, Work and Pensions, HM Treasury), with the Confederation of British Industry, Trades Union Congress, Small Business

Council, and other organisations led by the Learning and Skills Council. Intended as a strong partnership between businesses, unions and government organisations, the Skills Alliance aims to deliver government reforms. Further details on the role and objectives of the Alliance are set out in Appendix 4.

- **Regional Skills Partnerships**, set up from April 2004, are established in all nine English regions. They bring together the Regional Development Agencies, the Learning and Skills Council, Jobcentre Plus, Small Business Service and Skills for Business network, to integrate action on skills, training, business support and labour market services at regional level.

14 Organisations involved in the planning and delivery of learning for employees



Source: National Audit Office

NOTE

- ¹ Includes private sector, voluntary and community sector providers.

- **The National Employer Training Programme** will apply the lessons learned from the Employer Training Pilots and give employers the opportunity to access a full range of demand-led training, including free training for their low-skilled workers. The main features of the Programme will be:
 - a brokerage service for employers with independent brokers responsible to and funded through the Learning Skills Council – brokers will act for employers to assess training needs and source integrated training packages and provision;
 - advice on the most appropriate training provision and qualifications, agreed by employers through their Sector Skills Councils as the most relevant to meeting current and future skills needs within their sectors, and set out in sector skills agreements;
 - a core offer, to employers willing to give their employee time to train, of free training for employees who lack basic skills and/or a first full level 2 qualification;
 - support from the broker to source a wider training package at level 3 and higher, non-qualifications based training, to deliver high quality and value for money for employers who want to invest in the skills of their workforce;
 - the Pre-Budget Report 2005 announced an additional £38 million per year from 2006-07 and 2007-08 for wage compensation to help businesses with less than 50 employees train their low-skilled employees; and
 - relevant, flexible, high quality training provision in the workplace, where employers want it, to suit operational needs.
- The pilot areas are: Berkshire, Birmingham and Solihull, Black Country, Cambridgeshire, Derbyshire, Devon and Cornwall, Essex, Greater Manchester, Kent and Medway, Lancashire, Leicestershire, London East, Shropshire, South Yorkshire, Tyne & Wear, Tees Valley, County Durham, Northumberland (with the rest of the North East added in the third year to form a regional pilot), West Yorkshire, Wiltshire and Swindon. The Programme is being rolled out nationally from 2006-07. Delivery of training under the Programme is forecast to cost the Learning and Skills Council £230 million in 2006-07 and £399 million in 2007-08.
- The Learning and Skills Council's **Agenda for Change** is a fundamental programme of reform for the learning and skills sector. It is designed in response to feedback on barriers to the 14-19 and skills agendas received during roadshows that the Learning and Skills Council ran for college principals in the summer of 2004. Working with the sector, the Learning and Skills Council has looked at how best to meet the workforce skills needs of employers; build a sector fully committed to quality and the highest standards; how funding methods can be changed to support priorities as simply as possible; how data collection and exchange can be streamlined; how the sector can achieve business excellence; and how the reputation of the sector can be enhanced. Preliminary work informed the major review of the future of further education colleges, led by Sir Andrew Foster, who reported in November 2005 (Appendix 3).

APPENDIX 2

Methodology

Introduction

- 1 This report is based on:
 - consultative advice from and research by PriceWaterhouseCoopers to help scope and devise our study approach;
 - a literature review of documents by the Department for Education and Skills, Learning and Skills Council, research undertaken or commissioned by them, and research by others;
 - discussions with key stakeholders and officials in the Department, Learning and Skills Council and other stakeholder bodies;
 - visits to 7 colleges and 25 employers;
 - a telephone survey of 508 private sector employers;
 - interviews with a small sample of Sector Skills Councils; and
 - consultation with an expert reference panel.

Consultative advice

- 2 In scoping our study, PriceWaterhouseCoopers undertook a mapping exercise setting out the various points of contact between employers and publicly funded training and submitted proposals for the study methodology based on initial research.

Literature review

- 3 We commissioned PriceWaterhouseCoopers to review the extensive literature from government departments, agencies and other bodies relevant to employers and skills. All documents were reviewed against a standard template designed for the study, focusing on policy background, employers as customers and employers as influencers.

Discussions with key stakeholders

- 4 Throughout the planning and fieldwork stages, we consulted widely with stakeholders. Some of the interviews were carried out by PriceWaterhouseCoopers, using a semi-structured interview template. We carried out others ourselves using the same template. The groups we consulted were:

British Chambers of Commerce
 Confederation of British Industry
 Investors in People
 The Federation of Small Businesses
 The Institute of Directors
 The Sector Skills Development Agency
 The Association of Learning Providers
 Department for Education and Skills
 Department of Trade and Industry
 Her Majesty's Treasury
 The Small Business Council
 The Small Business Service
 Learning and Skills Council
 Association of Colleges
 Institute for Fiscal Studies
 Institute of Employment Studies
 Ofsted
 The Department for Work and Pensions
 Ufl (*learn*direct)
 Qualifications and Curriculum Authority
 Adult Learning Inspectorate

Visits to colleges and employers

Colleges

- 5 We visited seven colleges to identify:
 - good practice examples of colleges providing services tailored to employers' needs; and
 - colleges' perspectives of the main issues around providing skills training for employers.
- 6 We selected them through stakeholders' recommendations, and through the Association of Colleges' list of 'Colleges at the Heart of Business'. We interviewed members of college senior management and, in many cases, colleges' employer liaison personnel, using a mixture of structured and semi-structured interview templates. The colleges we visited were:
 - Bedford College;
 - Bournville College;
 - Bury College;
 - East Berkshire College;
 - Manchester College of Arts and Technology (MANCAT);
 - Newbury College; and
 - Worcester College of Technology.

Employers

- 7 With the colleges' help we identified suitable employers to visit who were engaging in training tailored to their needs, and/or engaging in influencing the training agenda. We visited 25 employers and interviewed a mix of senior management and human resources personnel, using structured and semi-structured interviews as appropriate. During the visits we aimed to:
 - identify good practice examples of employers engaging frequently in training and in influencing the training agenda;

- explore how easy/hard employers find accessing training, influencing training at a local level, and influencing training at a regional and national level; and
 - establish employers' perspectives of the main issues around engaging in publicly-funded training.
- 8 We also invited the employers we visited to give us some feedback on the Learning and Skills Council's Employers Guide to Training Providers, and received 10 responses.

Telephone interviews

- 9 We commissioned PriceWaterhouseCoopers to conduct structured telephone interviews with 508 employers to establish employers' views on the training industry, particularly publicly-funded training. PriceWaterhouseCoopers proposed a study methodology for a representative sample stratified by size and sector of employer. Responses are spread evenly across the regions. The survey was conducted in April and early May 2005.

Interviews with Sector Skills Councils

- 10 We commissioned PriceWaterhouseCoopers to conduct structured interviews with five Sector Skills Councils to establish their views on the main issues around provision of skills for employers. Sector Skills Councils were chosen according to recommendations and research of interesting practices.

Expert reference panel

11 We convened a panel to act as a sounding board for the development of the study methodology, and to comment on our emerging findings. Reference panel members were:

| | |
|-----------------|-----------------------------------------------------------------------------------------------|
| Edward Barker | Director, Skills Unit, Department of Trade and Industry |
| Kate Anderson | Director of Research, Learning and Skills Development Agency |
| Judith Compton | Head of Standards and Qualifications, Workforce Development, Sector Skills Development Agency |
| Mark Dawe | Deputy Director, Learning and Skills Performance Group, Department for Education and Skills |
| Geoff Glover | Human Resources, Manager, Ford Southampton Plant |
| David Greer | Director – Skills for Employment, Learning and Skills Council |
| David Hunter | Chief Executive, Lifelong Learning Sector Skills Council |
| Ewart Keep | Deputy Director, ESRC Centre on Skills and Knowledge and Organisation Performance |
| Iain Murray | Trades Union Congress |
| Mike Ryan | Managing Director, Idaho Technology Limited |
| William Sargent | Chairman, Small Business Council (until June 2005) |
| Richard Wainer | Skills and Employment Policy, Confederation of British Industry |

APPENDIX 3

Review of the future role of further education colleges

In November 2004 Sir Andrew Foster was invited by the Secretary of State for Education and Skills and the Chair of the Learning and Skills Council to carry out a review of the future role of further education colleges. He was asked to advise on the key challenges and opportunities facing colleges of further education over the next five to ten years and to suggest how their future contribution might be maximized. He reported in November 2005, in a report entitled *Realising the Potential – A review of the future role of further education colleges*, focusing on the following themes:

Vision, and platform for change – the historical context, some of the problems in the sector, and the need for further education to have a clear purpose and dedication to quality.

Skills imperative – the need for colleges to sharpen their focus and direct their efforts towards improving employability and supplying economically valuable skills.

Pursuit of excellence – revised approach to quality improvement, including a more determined approach to persistent underperformance in the sector, and development of specialisms in general further education colleges.

Reforming regulation and inspection – the role of the Quality Improvement Programme and the proposed merger of the Adult Learning Inspectorate and Ofsted; greater use of self-regulation and loosening of detailed central engagement.

The authentic central role – the need for conditions in which further education can prosper and deliver, including top-level commitment; colleges no longer to be in the 'third' place after schools and universities.

Getting the basics right – the need for better management information, through development of a single purpose agency to collect relevant data and transform it into intelligence. Lack of parity of esteem with those working in other sectors to be addressed through a national strategy.

Main recommendations

The report's recommendations focus on developing a national network of excellent quality, innovative and dynamic colleges able to meet the demands of economic competitiveness and social justice:

- 1 Primary purpose of general further education, tertiary and specialist colleges should be improving employability and supplying economically valuable skills.
- 2 There must be a relentless drive on quality, underpinned by a streamlined quality improvement infrastructure, and a tougher time-bound approach to failing provision. Provision should increasingly be commissioned from those best able to supply value for money.
- 3 There needs to be a stronger voice for learners including a requirement to collect learner views in a consistent way.
- 4 Colleges must improve their services to employers, through improving the pool of recruits and their responsiveness to specific local and regional employer needs; improved engagement between employers and colleges.
- 5 Revitalized workforce reform and leadership development programmes.
- 6 Incentives for colleges to specialise, liaising with Skills Academies and Centres of Vocational Excellence.
- 7 Simpler and clearer accountability, reducing the central roles of the Department and the Learning and Skills Council, and a stronger clearer lead for further education colleges. Self-regulation, particularly for those who are locally responsive and demonstrate excellence to learners and employers and value for money.
- 8 More transparent models of funding and resource distribution.

More information about the review is available from: www.dfes.gov.uk/furthereducation

APPENDIX 4

The Skills Alliance

- 1 The Skills Alliance was set up as a result of the Skills Strategy White Paper '21st Century Skills, Realising Our Potential' in July 2003. Its role is to oversee the implementation of the Strategy and promote coherence across government and its agencies, aiming to address weaknesses in both the supply and demand of training.
- 2 The Alliance has the following objectives:
 - engage employers, trade unions and their representative organisations in taking forward the Strategy;
 - monitor progress in implementing the Strategy;
 - advise the government on ways of enhancing the design and effectiveness of the Skills Strategy;
 - ensure collaboration between the key agencies in delivering the shared objectives on skills and business support through the new regional structures (Regional Skills Partnerships); and
 - report annually on progress.
- 3 The Skills Alliance is led by the Departments for Education and Skills and Trade and Industry and consists of a Social and Economic Partnership and a Delivery Group. It brings together key partners with an interest in skills and productivity, who work with the government to drive forward the Skills Strategy.

- 4 The Social and Economic Partnership consists of Ministers from four government departments, and three key partners (Trades Union Congress, Confederation of British Industry, Small Business Council). The Social and Economic Partnership reviews issues and progress from a strategic perspective and agrees future action. The Delivery Group, led by the Learning and Skills Council, focuses on priorities for action, and has met to discuss matters such as marketing and communications. The members include senior representatives from the following organisations:

| Social & Economic Partnership | Delivery Group |
|------------------------------------------------------------------------|--------------------------------------------------|
| Department for Education and Skills (Secretary of State – Joint Chair) | Learning and Skills Council (Chair) |
| Department of Trade and Industry (Secretary of State – Joint Chair) | Investors in People |
| Her Majesty's Treasury | Ufi |
| Department for Work and Pensions | Association of Colleges |
| Confederation of British Industry | Higher Education Funding Council for England |
| Trades Union Congress | Small Business Service |
| Small Business Council | Sector Skills Development Agency |
| | Jobcentre Plus |
| | Qualifications and Curriculum Authority |
| | Connexions |
| | Association of Learning Providers |
| | National Institute of Adult Continuing Education |
| | North West Development Agency |

5 The Skills Alliance meets twice a year to review progress and agree future plans. It has produced one annual report documenting the progress on the Skills Strategy, entitled *Skills Alliance: Skills Strategy Progress Report*, July 2004 and a booklet, *Skills Strategy – Case*

Studies. In addition, the Social and Economic Partnership meets twice a year and the Delivery Group meets three times a year. The Alliance keeps the progress of the Sector Skills Councils (**Figure 15**) under review.

15 Sector Skills Councils cover a range of industries

| Name | | Date established |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Asset Skills | Property, housing, cleaning and facilities management | September 2004 |
| Automotive Skills | Retail motor industry | December 2003 |
| COGENT | Chemicals, nuclear, oil and gas, petroleum and polymer industries | February 2004 |
| ConstructionSkills | Construction | September 2003 |
| Creative and Cultural Skills | Advertising, crafts, cultural heritage, design and the arts | June 2005 |
| Energy & Utility Skills | Electricity, gas, waste management and water industries | December 2003 |
| e-skills UK | Information technology, telecommunications and contact centres | April 2003 |
| Financial Services Skills Council | Financial services industry | April 2004 |
| GoSkills | Passenger transport | November 2004 |
| Government Skills | Government Departments, Executive Agencies, Non-Departmental Public Bodies, Armed Forces | November 2005 |
| Improve | Food and drink manufacturing and processing | June 2004 |
| Lantra | Environmental and land-based industries | April 2004 |
| Lifelong Learning UK | Community-based learning and development, further education, higher education, library and information services and work-based learning | January 2005 |
| People 1st | Hospitality, leisure, travel and tourism | April 2004 |
| ProSkills | Process and manufacturing industries | August 2005 |
| SEMTA | Science, engineering and manufacturing technologies | April 2003 |
| Skillfast-UK | Apparel, footwear and textile industry | January 2004 |
| Skills for Care and Development | Social, care, children and young people | February 2005 |
| Skills for Health | All staff groups working in NHS, independent and voluntary health organisations | April 2004 |
| Skills for Justice | Custodial care, community justice and police | April 2004 |
| Skills for Logistics | Freight logistics industry | February 2004 |
| SkillsActive | Active leisure and learning | October 2003 |
| Skillset | Broadcast, film, video, interactive media and photo imaging | January 2004 |
| Skillsmart | Retail | September 2004 |
| SummitSkills | Building services engineering (electro-technical, heating, ventilating, air conditioning, refrigeration and plumbing) | December 2003 |

Source: Sector Skills Development Agency