

Building a skilled nation

The business perspective on education and skills

A report by the BCC Skills Taskforce

March 2006

The British Chambers of Commerce



Foreword



Welcome to the 2006 report of the BCC Skills Taskforce.

Getting the right mix of skills is crucial to the success of the UK economy. The British Chambers of Commerce represents over 100,000 businesses, through a network of 50 accredited chambers. Our business members constantly tell us that skills shortages are a major barrier to their growth and productivity.

The BCC Skills Taskforce was established in spring 2005 to consider the business view of Government policy on skills and its implementation, in relation to both young people's

transition from education to employment and the training of the adult workforce. The Taskforce was made up of a cross-section of members of the business community, chamber representatives and BCC staff.

In recent years we have witnessed a great deal of progress in terms of the Government's commitment to addressing skills gaps and the BCC has enjoyed a number of policy successes.

However, skills gaps are continuing to impact our productivity levels and the UK's performance is lagging behind that of many of our global competitors. If we are to survive competition from emerging economies and continue to be a major global player, we need to urgently address these issues.

I have a personal commitment to raising the skills of our workforce and a deep concern about the loss of our competitive advantage. The Government's own Leitch Review of Skills has highlighted the extent of the problem and the need for action. The coming year will bring some interesting challenges for Government on the skills issue and I hope that this report will help to inform the debate.

I would like to thank all of the members of the Taskforce for their commitment to the group and their contributions.

A handwritten signature in black ink, reading "Bill Midgley". The signature is fluid and cursive, with a large initial "B" and "M".

Bill Midgley
BCC President and Taskforce Chair

Conclusions

14–19 Education

- 1 All young people, whether taking the vocational or academic route, should leave school with a certificate in competency at work to show they have the basic functional skills necessary for the workplace. These include–
 - Functional English and maths
 - Digital literacy
 - Communication
 - Teamwork
 - Presentation skills
 - Reliability and enthusiasm
 - An understanding of enterprise/business
- 2 All school-leavers, whether they are taking the academic or vocational route must have had experience of the workplace.
- 3 Small and Medium sized Enterprises (SMEs) should receive more support in working with schools.
- 4 The Government missed a major opportunity in failing to introduce Mike Tomlinson’s recommendation for an over-arching diploma at 14–19. We would like to see the Government revisit this issue.
- 5 Employers must work with the Sector Skills Councils in developing the new vocational diplomas. Strong employer input is essential in ensuring the success of the pathways.
- 6 The diploma system must be marketed appropriately to parents as well as young people.

Careers Advice

- 7 Careers advice must be completely impartial – all young people must be presented with all potential routes.

8 Careers advice must be linked to the needs of the labour market.

9 Careers advice should start in Year 8, at age 12–13, well in advance of the start of the 14–19 phase.

10 The role of parents in a young person’s career choices is paramount and their support will be imperative to the success of the new vocational route. Parents must be shown that a vocational career route can be attractive, rewarding and well paid.

Apprenticeships

11 Apprenticeships should be more market-driven with the NVQ element better reflecting the needs of employers.

12 The system needs to be more responsive to skills gaps in regions and localities, as well as the needs of businesses.

13 The Government must improve the low completion rates of Apprenticeships.

14 More needs to be done to encourage smaller companies to take part in such schemes as Group Training Associations when delivering Apprenticeships.

Adult Skills

15 The UK must ensure that that it has a skilled and flexible workforce in order to adapt to future economic challenges and drive innovation and investment.

16 The Government must continue to support the improvement of leadership and management skills to ensure that UK businesses are more effective at all levels.

17 The Employer Training Pilots were popular with business and we welcome the roll-out of the national programme, Train to Gain. However, there are a number of issues still to be ironed out.



The Taskforce would like to see–

- Increased flexible assessment and access to training.
 - Increased advertising to employers – targeting hard to reach businesses.
 - The issue of ‘deadweight’ resolved with the Government looking at an offer for larger employers and ensuring that statutory training is not included within the system.
 - An impartial and independent brokerage system.
 - The continuation of 100% funding for Level 2¹ skills and 50% for Level 3.²
- 18** It should be emphasised that the brokerage system is a good way of engaging employers, especially SMEs, and getting essential feedback on a range of skills issues.
- 19** The Government should find ways to recognise the skills employees learn at work as many may only need part of a full qualification, which they may learn on-the-job, to be fully proficient in their role.
- 20** The Taskforce fully supports the drive to help FE colleges to become more employer facing and the establishment of a market in workforce development with FE colleges as one of a choice of providers for employers.
- 21** The Taskforce also supports the principle of contestability, with independent and public sector providers competing for the workforce development budget.
- 22** The Taskforce backs the Government’s drive to cut bureaucracy within the skills sector and this must continue.
- 23** Collaboration at regional and local level is key to filling skills shortages.
- 24** Business needs robust and trusted vocational qualifications that they understand and which meet their needs.
- 25** Those with old vocational qualifications should be allowed to rename them if they correspond to new ones or take extra courses to update the standard if required.

¹ Equivalent to five GCSEs at grade A* to C.

² Equivalent to A levels.

Introduction

British businesses are facing a plethora of domestic and international pressures on their ability to compete. This is happening against the backdrop of a fast-changing global economy.

The growth of emerging markets such as China and India, while opening up new trading opportunities for UK firms and cheaper goods for consumers, means that UK businesses, particularly manufacturers, are facing increasing international competition.

Technological developments, including faster information flows, are facilitating this process by changing global patterns of production, especially where labour costs are concerned.

It is generally believed that in order to counteract the negative impact of low skilled jobs moving abroad, British businesses need to increase investment in higher value-added, knowledge-based industries.

However, emerging markets have shown that they can be competitive on many levels and are also increasing their share of higher-value added activities. Their populations also have the capacity to drive this development: China and India produce 4 million graduates each year, compared to just 250,000 in the UK.³

These fast-moving developments mean that the spectrum of jobs available to UK workers is changing rapidly. At the same time the type of labour available to businesses in the UK is shifting, as the UK population gets older and global migration increases. Over 70 per cent of the 2020 working age population are already over 16.⁴ With these changes in mind it is likely that many workers will have to reskill at some stage in their working lives.

The UK must, therefore, ensure that it has a flexible world-class skills base that can adapt to changes in technology. It is also vital that it can meet the needs of its citizens in terms of reskilling as this transformation occurs.

Alongside the threat from emerging markets are low labour productivity levels in the UK. Currently our productivity is lagging behind that of our global competitors. Output per hour worked is almost 30 per cent higher in France and more than 10 per cent higher in Germany and the USA than in the UK.⁵

The skills gap is one of the main reasons for this. Currently 85 per cent of German adults and 77 per cent of French adults of working age are qualified at Level 2⁶ or higher, compared with a figure of 64 per cent for the UK. Meanwhile, only 28 per cent of the UK workforce has intermediate level skills⁷ compared with 51 per cent in France and 65 per cent in Germany.⁸

According to the Interim Report of the Government's Leitch Review of Skills⁹, the spending of UK business on skills compares favourably to our global competitors. UK employers spend 3.6 per cent of their total payroll on training compared to an average across the EU of 2.3 per cent, 2.5 per cent in the USA and 1.2 per cent in Japan.¹⁰ However, in the UK, estimates of how much employers spend on training vary widely from as high as £23.5 billion to as low as £4.4 billion annually.¹¹

Regardless of private sector expenditure on training, the performance of our school system and the attainment of school-leavers is essential to the success of our economy. Currently, however, only 44 per cent of school-leavers gain five GCSEs at grade A* to C including

3 *Skills in the UK: The long-term challenge*, The Leitch Review of Skills Interim Report, HM Treasury, December 2005, p18.

4 *Skills in the UK: The long-term challenge*, The Leitch Review of Skills Interim Report, HM Treasury, December 2005, p19.

5 *Skills in the UK: The long-term challenge*, The Leitch Review of Skills Interim Report, HM Treasury, December 2005, p15.

6 Equivalent to five GCSEs at grade A* to C.

7 Equivalent to NVQ Level 3 and 4.

8 *Realising the Potential, A review of the future role of further education colleges*, Sir Andrew Foster, November 2005, p6.

9 *Skills in the UK: The long-term challenge*, The Leitch Review of Skills Interim Report, HM Treasury, December 2005.

10 *Skills in the UK: The long-term challenge*, The Leitch Review of Skills Interim Report, HM Treasury, December 2005, p104.

11 *Skills in the UK: The long-term challenge*, The Leitch Review of Skills Interim Report, HM Treasury, December 2005, p105.



English and maths.¹² The Department for Education and Skills itself views this standard to be the very minimum employability skills for basic productivity. In addition, young people gaining this level of qualification are far more likely to continue in education and training.¹³

This problem is highlighted in a recent report by the House of Commons Public Accounts Committee. According to *Skills for Life: Improving adult literacy and numeracy*, there are up to 12 million adults in the workforce with literacy skills and up to 16 million with numeracy skills at or below the level expected of an eleven year-old.¹⁴ Furthermore, the UK has one of the lowest rates of post-16 participation in education in the industrialised nations (75 per cent).¹⁵

The Government has introduced a wide range of incentives to try and combat these problems and commissioned a number of reports to examine the issues. We welcome the political will that we have seen but we now need action on improving skills and training that actually delivers lasting results. The balance between what the individual, employer and state pays is an increasingly important issue that the Government needs to resolve.

In the coming year the Government faces a number of tough decisions in looking at how to deal with these issues. We hope that this report will help to inform debate and put forward the employer perspective on skills.

12 *Realising the Potential, A review of the future role of further education colleges*, Sir Andrew Foster, November 2005, p14.

13 *Employers' perspectives on improving skills for employment*, National Audit Office, December 2005, p13.

14 House of Commons Public Accounts Committee Twenty-first Report: *Skills for Life: Improving adult literacy and numeracy*, January 2006, p14.

15 *Education at a Glance 2005*, OECD Briefing Note for the United Kingdom, OECD, September 2005, p7.

14–19 Education



Young people leaving education at any stage, post-16 or university, must be work-ready. Currently, however, 50 per cent of young people in England do not achieve Level 2, equivalent to five GCSEs at grade A* to C, by age 16. Only 44 per cent gain five or more GCSEs at grade A* to C including English and maths.¹⁶ The Department for Education and Skills (DfES) views this standard to be the very minimum employability skills for productivity. In addition, businesses tell us that many young people making the transition from education to work do not fully understand what is expected of them.

Employers are reluctant to spend valuable time and money educating staff in skills they should have learnt at school. All school-leavers must be equipped with the basic skills they will need in the workplace, including English, maths and ICT, as well as more generic competencies, including an under-

standing of the world of work, communication skills, teamwork, and the right attitude. If young people do not have these skills this impacts negatively on the productivity of the workforce.

Core skills

It is an acknowledged fact that the provision of basic skills is a serious problem. Currently 14 per cent of 16 to 24 year olds have a literacy ability below Level 1, equivalent to five GCSEs below grade A* to C, and 14 per cent of adults of working age have no qualifications.¹⁷

A lack of basic skills is a barrier to productivity and future educational achievement. It is, therefore, imperative that all young people leave school with these skills. The Government has outlined plans in its 14–19

¹⁶ *Realising the Potential, A review of the future role of further education colleges*, Sir Andrew Foster, November 2005, p14.

¹⁷ *Realising the Potential, A review of the future role of further education colleges*, Sir Andrew Foster, November 2005, p6.



education implementation plan to ensure that school-leavers in the future will have the basic skills they will need in the workplace:¹⁸

- No one will be able to pass GCSE maths and English at grades A* to C without having mastered the functional elements; and
- The new basic vocational diploma will not be achievable without functional English and maths.

A recent report by Ofsted highlights failings in the Government's plans for teaching these skills to younger learners. Inspectors found that schools were not doing enough to improve the literacy and numeracy skills of pupils who start secondary school in Year 7 (11 and 12 years old) with below average abilities.¹⁹

In the majority of the 180 schools inspected, the teaching of literacy and numeracy across the curriculum was given a low priority. In a tenth of schools, there was still "a lack of commitment to the strategy among teachers".²⁰

It is imperative that all young people are supported in learning at all stages of their educa-

tion in order that they have the foundations in place for future achievement.

However, as well as these basic functional skills, businesses need school leavers to have other generic transferable skills or 'soft skills', such as communication skills and teamwork, as well as an understanding of business, to help them to contribute effectively in the workplace.

If young employees do not have a combination of these competencies, their progression prospects at work are limited.

The Taskforce found that the core capabilities required by employers in school-leavers include the following –

- Functional English and maths
- Digital literacy
- Communication
- Teamwork
- Presentation skills
- Reliability and enthusiasm
- An understanding of enterprise/business

¹⁸ 14-19 Education and Skills Implementation Plan, Department for Education and Skills, December 2005, p32.

¹⁹ The Secondary National Strategy: An evaluation of the fifth year, Ofsted, December 2005, p 4-5.

²⁰ The Secondary National Strategy: An evaluation of the fifth year, Ofsted, December 2005, p 4-5.

The Government has outlined plans in the Youth Green Paper to help foster in young people a better attitude to their community. The Taskforce believes that this should be extended with a more coordinated approach to preparing young people for the workplace, whether they are taking the academic or vocational route, through work experience, workshops and one to one guidance.

Young people need a thorough understanding of employer expectations, as well as high-quality advice on making a good job application and support in developing teamwork, communication and presentation skills. This could be delivered through schools and the careers advice service and should also involve employers. School-leavers who have developed these basic skills could be awarded a certificate in competency at work.

The Taskforce is very supportive of the aims of the Education Business Partnerships (EBP) Network, and other organisations facilitating links between schools and businesses and welcomes the Government's moves towards increasing the provision of enterprise education in schools.

There is a need, however, for greater support for employers, especially SMEs, in getting involved and understanding what is expected of them when they go into a school or take on a work experience student. Although many small businesses would like to work with schools, they often do not have the resources or time and many have concerns about bringing work experience students onto their premises. With more support and the opportunity to team up with other businesses it may be possible for more SMEs to engage in this activity more successfully.

Responsibility for delivering enterprise education must not lie with schools alone because, while some are very good at it, many others do not have the satisfactory expertise. Funding must be available to organisations that are successful at linking schools and businesses, to provide SMEs with the necessary support.

A coordinated approach is essential in preparing school-leavers for the workplace. All school-leavers, whether they are taking the academic or vocational route, must have had experience of the workplace. Young people need to be business-minded and understand how the decisions they make at work impact upon their employer in order to be able to contribute successfully.

“Generally speaking, we have problems with the basic skills of the school-leavers we employ. Many do not have the appropriate maths and English skills or the right attitude to work. One young man in particular had to drop out of his electrician apprenticeship because he couldn't do the coursework – his maths and English weren't up to scratch.

“Electricians need good English skills in order to write reports and good maths skills to work out resistances using equations. Young people at school need to understand how important these skills will be to them in the workplace.”

Richard Daughtrey
Brighton Fire Alarms



Conclusions

All young people, whether taking the vocational or academic route, should leave school with a certificate in competency at work to show they have the basic functional skills necessary for the workplace. These include –

- Functional English and maths
- Digital literacy
- Communication
- Teamwork
- Presentation skills
- Reliability and enthusiasm
- An understanding of enterprise/business

All school-leavers, whether they are taking the academic or vocational route must have had experience of the workplace.

SMEs should receive more support in working with schools.

Vocational diploma

It is the view of the Taskforce that a split between the vocational and academic routes within the school system does not serve the economy well, nor does it appropriately cater for the education and training needs of young people.

In February 2005 the Government launched its 14–19 White Paper in response to Mike Tomlinson's review of the education system. The Tomlinson Report advocated the introduction of an overarching diploma at 14–19 that would have retained GCSEs and A levels for the foreseeable future. The diploma, by bringing the vocational and academic routes closer, would have gone a long way towards

altering perceptions about the apparent superiority of the academic route. The lack of parity of esteem between the two routes is currently holding many young people back.

However, in the 14-19 White Paper the Government set out plans for the introduction of a vocational diploma, leaving the current academic route intact. Although the Taskforce believes that the Government missed a major opportunity in failing to introduce the overarching diploma, it welcomes the new vocational pathways that will be introduced from 2008. This will go some way towards establishing a robust alternative to the academic route, addressing the needs of business and young people alike.

Business involvement in the new vocational route is imperative. Businesses need respected qualifications that serve their needs, while young people taking the diploma and their parents require reassurance that this route is worthwhile and that there will be promising career opportunities at the end. There must be open dialogue between employers and employer groups with the Sector Skills Councils in developing the diplomas and employers must be practically involved in delivering work experience during the diploma.

This dialogue is sometimes difficult to facilitate with businesses in the SME sector. The Sector Skills Councils must therefore target these businesses and go out to them, setting up meetings and telephone conversations in order to gain feedback on the new system.

The issue of the lack of parity of esteem between the academic and vocational routes must also be tackled by making the diplomas as robust as possible. The new diplomas should aim to provide world-class vocational training and should be marketed appropriately to employers, teachers, students and parents.



Conclusions

Government missed a major opportunity in failing to introduce Mike Tomlinson's recommendation for an overarching diploma at 14-19. We would like to see Government revisit this issue.

Employers must work with the Sector Skills Councils in developing the new vocational diplomas. Strong employer input is essential in ensuring the success of the pathways.

The diploma system must be marketed appropriately to parents as well as young people.

“We had a young boy on work experience who was never going to make university but had a good attitude. In conjunction with the school he was released for two days training a week provided he attended the other three days at school 100 per cent and sat all his exams. The net result was that he did better at school and we offered him a job when he left as we knew he would be useful.”

Keith Trimble
Anglo Carbon & Contacts Limited

Information, Advice and Guidance

Careers advice

Effective, relevant and up-to-date careers advice is paramount to ensuring the success of the new vocational route and the Taskforce welcomes the Government's commitment to reforming Connexions in the Youth Green Paper, Youth Matters.



For too long careers advice has not addressed the needs of all young people. Too many people have been advised to take the academic route when they may have been better suited to the vocational one.

Careers advice must be of high quality and completely impartial – all young people must be presented with all potential future career options.

Therefore, while the Taskforce welcomed more local control over the provision of information, advice and guidance, as outlined in the Youth Green Paper, it questioned the Government's proposals for giving schools too much command over the careers advice provider they use. This is in case they use this influence to keep young people in the academic route post-16, when it is in their interest to, for example, when the school has a sixth form attached.

Careers advice should start as early as possible in Year 8, at age 12–13, well in advance of the start of the 14–19 phase, so that young people are well prepared for the choices they will have to make. It should also involve parents at this stage, so that they can support their children in making these decisions.

The Taskforce agreed that in order to raise standards of careers advice, there should be better collaboration and input from the education and business sectors to allow for a more coordinated and uniformly high-quality approach.

As such, Connexions and the careers advice service should link directly with organisations facilitating education-business links, such as the Education Business Partnerships Network, in order to put young people interested in a particular career route in touch with a mentor in that sector and enable them to access relevant work-experience opportunities.

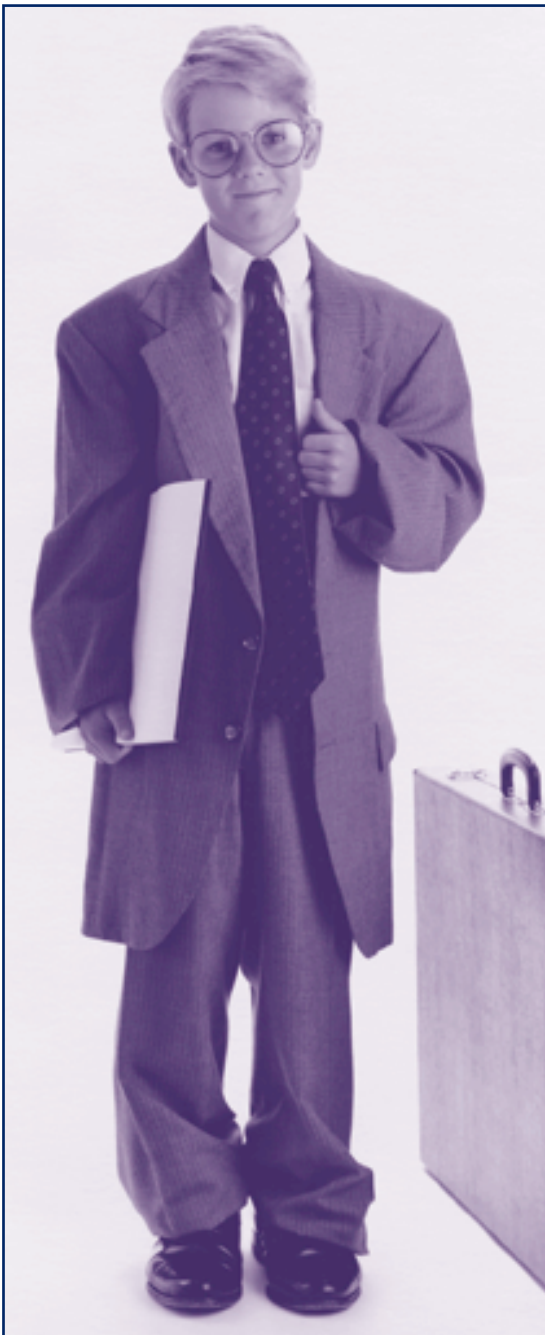
Careers advice must be linked to the needs of the labour market, as well as individual aspirations. All those seeking careers advice must have access to up-to-date information on local and regional skills needs. This would be in the interests of young people, business and the economy.

Conclusions

Careers advice must be completely impartial – all young people must be presented with all potential routes.

Careers advice should start in Year 8, at age 12–13, well in advance of the start of the 14–19 phase.

Careers advice must be linked to the needs of the labour market.



The role of parents

The Taskforce supports the Government's proposals outlined in the Youth Green Paper to ensure that parents have better access to information in order to understand the choices that teenagers face.

Parents, in the majority of cases, play an integral role in their children's education and career choices. It is vital that they are not ignored in the Government's drive to raise standards in the education system.

We believe that the Government should undertake a publicity campaign to ensure that parents have access to comprehensive and impartial information on all potential education and career choices their children face, including the new vocational diplomas.

The role of parents will be particularly important to the success of the new diplomas and in raising parity of esteem between the vocational and academic routes. If parents understand and have confidence in the system, they are more likely to support their children in taking the vocational diploma.

Conclusions

The role of parents in a young person's career choices is paramount and their support will be imperative to the success of the new vocational route. Parents must be shown that a vocational career route can be attractive, rewarding and well-paid.

Apprenticeships

Business is very supportive of Apprenticeships and of the Government's plans to improve and expand them. According to the Institute for Employment Research, there is a strong economic argument for business investment in Apprenticeships. Businesses recruit Apprentices because they improve productivity levels, staff retention and career progression and ensure effective transfer of knowledge from older, more experienced workers.²¹

Employers are happy to contribute to the Apprenticeship system by paying wages, conducting on-the-job training and releasing apprentices for training off-site. Currently, however, some employers believe that the scheme isn't sufficiently market-driven and that the NVQ element of the Apprenticeship does not always adequately reflect their needs.

The Sector Skills Councils have been tasked with updating the Apprenticeship frameworks in order to ensure that they are 'fit for purpose', reflecting the needs of employers. This has been welcomed, as has the introduction of a centralised system for employers to access information on the Apprenticeship system, which has made it simpler for interested employers to learn about the programme.

However, there are currently a number of unresolved issues with Apprenticeships. Firstly, interpretation of the Learning and Skills Council (LSC) policy on Apprenticeships differs from area to area. For example, in Coventry and Warwickshire Apprentices can only be recruited between the ages of 16 and 21, in Birmingham they can be recruited between 16 and 24 and in Derbyshire between 16 and 18. This is confusing and unfair to both young people and employers, who require more uniformity from the system.

The Government's target to achieve 175,000 young people between the ages of 16 and 21 starting Apprenticeships during the 2004/05

academic year was achieved in November 2005. The LSC is now working towards a target to increase the number of those who complete their Apprenticeship by 75 per cent, from a figure of 43,149 in 2002/03 to 75,511 in 2007/08. The percentage of young people currently completing Apprenticeships is 39 per cent.²² This high failure rate is a serious problem that needs to be remedied.

According to the LSC 80 per cent of all new jobs before 2010 will require a Level 3²³ qualification or above.²⁴ It is essential, therefore, that more young people finish their Level 2²⁵ Apprenticeship in order to progress to higher level qualifications.

Careers advice is absolutely paramount in ensuring that young people are given the option to pursue the Apprentice pathway and not pushed into following the academic route. This is also important in order to ensure that employers offering Apprenticeships get the right young people for the roles.

According to the Final Report of the Government-commissioned Apprenticeships Taskforce 35 per cent of those on advanced level engineering Apprenticeships believed the careers advice they had at school seemed to be influenced more by what their school wanted, than by what would be best for them.

This is unacceptable. All young people must have access to high-quality impartial careers advice that reflects the needs of the labour market and students of all academic abilities and backgrounds must have the opportunity to take the Apprenticeship route, including graduates, who are currently prevented from doing so. In addition, the organisation of the Apprenticeship system needs to be more responsive to skills gaps in regions and localities.

Apprenticeships must complement the new 14–19 diploma system. There appeared to be

21 Apprenticeships Taskforce Final Report: *The Business Case for Apprenticeships*, July 2005, p12.

22 LSC press release, *More Apprentices Recruited to Meet Target*, 16 November 2005.

23 Equivalent to A levels.

24 *Skills in England 2001: The Key Messages*, Learning and Skills Council, November 2001, p8.

25 Equivalent to five GCSEs at grade A* to C.

some danger of Apprenticeships being totally subsumed into Diplomas. It is therefore pleasing to see recognition in the Government's 14–19 implementation plan that, while it is important to have clear progression routes between Apprenticeships and Diplomas, the two qualifications should be kept distinct.

The Apprenticeship Taskforce promoted Group Training Associations (GTAs) as a method for SMEs and rural businesses to become involved in Apprenticeships. GTAs bring businesses in a locality together to share the costs and administrative burdens of running Apprenticeship programmes, and expand the breadth of the scheme offered to an Apprentice by a small employer.

We believe that the Government should do more to better support smaller businesses that want to become involved in the Apprenticeship programme through schemes such as this.

“In essence, NVQs are light weight and Apprenticeships don't promise the in depth knowledge that allows the individual to fully develop their potential.

“For example, tool setting and pre-shop practice tasks are heavily weighted to health and safety concerns but do not put enough emphasis on the practicalities of sorting out, say, a non standard tool in a non standard machine.

“When deciding a pass or fail – nobody fails. The attitude is – “well they are a safe worker – we know they are not going to damage anyone – so we can pass them.” But can they do the job? Who knows? Apart from the employer, who cares?”

Simon Topman
ACME Whistles, Birmingham

Conclusions

Apprenticeships should be more market-driven with the NVQ element better reflecting the needs of employers.

The system needs to be more responsive to skills gaps in regions and localities, as well as the needs of businesses.

The Government must improve the low completion rates of Apprenticeships.

More needs to be done to encourage smaller companies to take part in such schemes as Group Training Associations when delivering Apprenticeships.



Adult Skills

Businesses are facing increasing challenges due to employees not having the right skills.

In a recent BCC survey, of those businesses who had struggled to recruit in the last year, 38 per cent found applicants lacked adequate basic skills while 37 per cent of firms thought that applicants lacked the required higher level skills – Level 3²⁶ and above.

The UK must ensure that that it has a skilled and flexible workforce in order to adapt to future economic challenges and to drive innovation and investment.

There are a number of disincentives to employers to train that the BCC identified in a recent survey of business members. These included –

- Unaffordable cost – 38%
- Too many courses/providers to choose from – 18%
- Required course not available locally – 32%
- On the job training already provided – 35%

The following reasons made it difficult to recruit staff –

- Applicants with inadequate basic skills – 38%
- Applicants without necessary higher-level skills - 37%
- Applicants did not have the required attitude – 57%
- Benefits system discouraging applicant – 28%

According to a recent report by the House of Commons' Public Accounts Committee, the Government's Skills for Life scheme has done little to improve the quality of adult literacy and numeracy teaching.

Despite Government investment of £3.7 billion in the programme, 12 million people do not have the literacy skills and 16 million do not have the numeracy skills of an 11 year old, out of a workforce of 30 million people working full-time or part-time.²⁷ The report makes recommendations to help deliver improvements to the programme. This is imperative if we are to improve low productivity levels in the UK and increase the numbers of adults who go on to attain higher-level qualifications.

The need for people with higher-level skills is rising and is exacerbated by competition from emerging economies. According to the Leitch Review of Skills' Interim Report almost a third of firms reporting skills gaps within their workforce say that these gaps prevent them from moving into higher-value added and more productive economic activity.²⁸

The skills of business managers are absolutely essential to this agenda and are relatively weak in the UK. We support the work that the Government has been doing to improve higher-level skills, introducing Foundation Degrees and programmes such as the Leadership and Management Initiative. The Leadership and Management Initiative offers managers of businesses with between 20 and 250 employees access to formal, informal and other types of learning, tailored to meet their needs. We need to continue this type of work to ensure that UK businesses are more effective at all levels.

26 Equivalent to A levels.

27 House of Commons Public Accounts Committee Twenty-first Report: *Skills for Life: Improving adult literacy and numeracy*, January 2006, p14.

28 *Skills in the UK: The long-term challenge*, The Leitch Review of Skills Interim Report, HM Treasury, December 2005, p6.



Conclusions

The UK must ensure that that it has a skilled and flexible workforce in order to adapt to future economic challenges and drive innovation and investment.

Government must continue to support the improvement of leadership and management skills to ensure that UK businesses are more effective at all levels.

training options from both independent and public sector providers. A full subsidy is available for the cost of training taken up by the business for employees lacking a first Level 2²⁹ qualification. A pilot is currently running which extends the subsidy to 50 per cent of Level 3 training. Wage compensation will be offered to smaller employers for the amount of time the employee is in training.

The pilot scheme has been popular with employers. By the end of November 2005 over 220,000 learners and 26,000 employers had signed up.³⁰

The most important elements of the scheme for employers are—

- The fact that the training is subsidised, flexible and delivered in the workplace, reducing the impact on the business. This is possible because the employer can choose the training provider they use. In the pilots independent providers delivered 60 per cent of training. This competition between colleges and independent providers for funds from the workforce development budget, known as ‘contestability’, is necessary if the FE sector is to

National Employer Training Programme

The BCC gave full support to the Government’s Employer Training Pilots and a number of Chambers were involved in the delivery of the scheme, which is to be rolled-out nationally this year under its new title Train to Gain.

The programme aims to tackle skills shortages by sending brokers into companies to provide full skills audits and construct training plans. The employer is then presented with a range of

²⁹ Equivalent to five GCSEs at grade A* to C.

³⁰ ETP Evaluation Year 3, Department for Education and Skills.



become more responsive to the needs of business and the labour market.

- The training needs analysis and brokerage aspects of the programme. Smaller businesses often do not have the expertise to identify training needs among their staff or the best training solutions to suit them. Chambers have found that the skills diagnostic is the best way to encourage small businesses to train at all levels – not only when financial assistance is offered.

The independence of the broker is key to the success of the scheme. Trust is an essential factor in getting businesses to invest in training. Companies want to know that they are not simply being sold a product without any consideration of their own needs. They require simple, jargon-free information and advice on skills gaps and clear routes to training and information.

This is especially true of SMEs. Brokers can add value and reduce costs by bringing together

smaller employers with the same training needs. Brokerage is also a good way of engaging employers, especially SMEs, and getting essential feedback on a range of skills issues.

There are still problems, however, with the Employer Training Programme that need to be resolved. These include the issue of the broker relationship with employers that already have a relationship with a provider. In such cases, businesses may not need brokerage. However, others may not be getting impartial advice on the broadest range of training options open to them.

Another challenge to overcome is ‘dead-weight’ – when training is funded through the scheme that the employer would have paid for anyway. According to the Institute of Fiscal Studies, the Employer Training Pilots increased the volume of training by only 0.5 per cent in pilot areas because much of the training happened in companies that were already providing or considering similar schemes.³¹

³¹ *The impact of the Employer Training Pilots on the take up of training among employers and employees*, The Institute for Fiscal Studies, December 2005, p12.

“I found out about the Employer Training Pilots through my local Chamber. I hadn’t paid for any staff training before but it looked like a good idea and obviously the subsidy and wage compensation was a real incentive.

“The whole experience was really positive. The training was delivered in the workplace by a local college so there was minimum disruption. Since then there has been a notable improvement in staff productivity, confidence and morale. I’m now looking at options for further training.”

Emma Welcome
Magic Touch Cleaning, Birmingham

In addition, only 14 per cent of the businesses that took part in the pilot scheme were ‘hard to reach’ businesses.³² The Government must ensure that the training subsidy is better targeted towards those that are really in need of it.

This could be achieved through improved communication about the programme to hard to reach businesses – and employees – through greater networking, supply chain work and celebratory case studies. Businesses need to see how the scheme will benefit them, providing increased productivity for marginal investment.

Despite these issues, the Taskforce was supportive of the scheme as a major step forward in targeting skills gaps in the workplace and introducing greater contestability of funding in order that a proper market in workforce development is established.

Conclusions

The Employer Training Pilots were popular with employers. Business welcomes the roll-out of the national programme. However, there are a number of issues still to be ironed out. The Taskforce would like to see –

- Increased flexible assessment and access to training.
- Increased advertising to employers – targeting hard to reach businesses.
- The issue of ‘deadweight’ resolved with the Government looking at an offer for larger employers and ensuring that statutory training is not included within the system.
- An impartial and independent brokerage system.
- The continuation of 100% funding for Level 2 skills and 50% for Level 3.

It should be noted that the brokerage system is a good way of engaging employers, especially SMEs, and getting essential feedback on a range of skills issues.



Non-accredited training

The issue of non-accredited training was highlighted by the Taskforce. In a recent BCC survey, over 30 per cent of businesses said that the fact that they train employees on the job was a disincentive to them buying in training from outside.

In some cases the Assess Train Assess model, where an employee undergoes a skills assessment and then undertakes training in the elements they lack, is well received by businesses. This ensures that the employee does not spend too much unnecessary time away from the workplace in training and saves money as the employee does not have to take a full course to gain their qualification.

This, however, does not always tackle the issue of smaller hard-to-reach businesses that are resistant to buying in external training because they are put off by cost and problems caused by a lack of cover when an employee is

out of the office and/or believe that the training they already do on the job fully meets their needs.

For example, a worker may only need certain elements of a Level 2 qualification to be fully proficient and productive in their job – not the whole thing. A number of employers and employer bodies use skills passports for recognising the skills employees learn on the job.

The Government should consider the benefits of such schemes in devising a system for recognising the skills employees learn at work.

Conclusions

The Government should consider the benefits of finding a way to recognise the skills employees learn at work as many may only need part of a full qualification, which they may learn on-the-job, to be fully proficient in their role.

Further Education Sector

While the Further Education (FE) sector is certainly of value to employers, the structure of courses could be better adapted to fit the requirements of business. At present, the performance of FE colleges in providing skills for business is patchy, as the Foster Review, published in November 2005, has stated. According to LSC statistics, only 15 per cent of employers make use of FE colleges when looking for solutions to their skills needs, suggesting that the FE sector is currently not providing training tailored to the needs of employers across the board.

According to Foster, independent providers demonstrate significant responsiveness to employers delivering:³³

- 80 per cent (200,000) of Apprenticeships
- 60 per cent of Employer Training Pilot (ETP) (80,000+)
- 5–10 per cent of FE provision via franchising (250,000 learners)
- Over 50 per cent of Entry to Employment (E2E) provision

Foster, the DfES and the LSC all acknowledge this fact. The LSC's Agenda for Change, published in August 2005, outlines the Government's intention to make colleges, led by the CoVEs (Centres of Vocational Excellence) network and Skills Academies, the first choice for employers. We are hopeful that, as a result of this, business will see more colleges offering courses tailored to their present and future needs.

Many FE colleges already work with independent providers to offer a flexible employer-responsive service, which business welcomes. In many cases this works well. There are, however, a number of problems with collaboration that Chambers have experienced, which are mainly due to the inflexibility of the FE sector,

and which impact on the supply of skilled people to the workforce.

As Foster states, in the past, the UK economy was structured around large industries in particular localities. That situation has changed as local economies have evolved. Few are dependent on single industries and are now far more diverse. These smaller employers want tailored training delivered at a time and location convenient to them. It has, therefore, been more difficult for FE colleges to maintain dialogue with the business community and to react to local skills needs.

The Foster Report noted the difficulties associated with employer engagement in this context and stated that it is the job of Government bodies and agencies, in the network established within the Skills Strategy including Sector Skills Councils and Regional Skills Partnerships, to plan effectively for skills shortages, and priorities identified by the Regional Development Agencies.³⁴ It is the view of the Taskforce that currently this does not happen effectively enough.

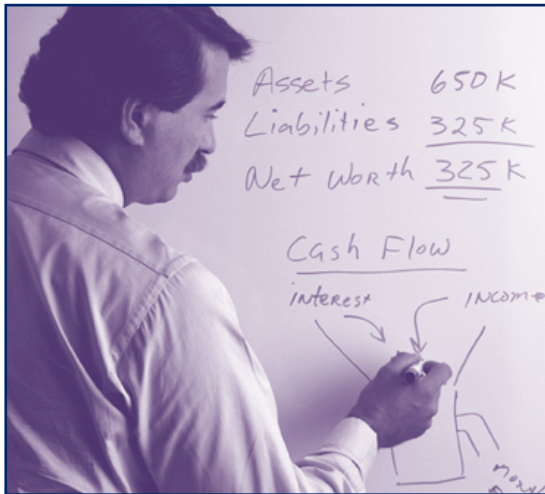
Another challenge to filling skills gaps is that businesses find it difficult to predict skills needs in the future. Many tell us that it is difficult to predict the training they will need in six months, let alone years into the future.

As such, there are a number of obstacles to overcome for businesses in identifying skills shortages and for training providers, including FE colleges, to react to.

The Taskforce firmly believes in the principle of contestability, with FE colleges and independent providers competing for funding from the Government's workforce development budget so that the FE sector is required to deliver flexible, high-quality training tailored to the needs of employers. Foster supported this principle and through the National Employer Training Programme, Train to Gain,

³³ *Realising the Potential, A review of the future role of further education colleges*, Sir Andrew Foster, November 2005, p11.

³⁴ *Realising the Potential, A review of the future role of further education colleges*, Sir Andrew Foster, November 2005, p36.



we are beginning to see a small part of the workforce development budget opening up to independent providers. However, in order to drive up standards, this needs to continue.

Contestability will give employers and individuals choice between the best training options available. It will ensure that the best providers, independent and public sector, thrive and that unsatisfactory provision is driven out.

Conclusions

The Taskforce fully supports the drive to help FE colleges to become more employer facing and the establishment of a market in workforce development with FE colleges as one of a choice of providers for employers.

The Taskforce also supports the principle of contestability, with independent and public sector providers competing for the workforce development budget.

Vocational qualifications

A major problem with vocational qualifications and courses is that Government invents new systems but doesn't get rid of the old, leaving a confusing plethora of courses and systems in place.

This re-branding is problematic for employers as it devalues qualifications. The qualifications need to be consistent, trusted and have currency and relevancy. Sometimes course implementation is not standardised and courses can be incorrectly implemented which also contributes to the lack of confidence in qualifications. In addition, the subjectivity of assessors needs to be addressed. If these issues are remedied, over time the qualifications will be valued.

The Taskforce proposed the idea that people with old qualifications could rename them if the old qualification was similar to a new one, or could take extra training courses to update the standard if required. This would allow for continuous workforce development.

Conclusions

Business needs robust and trusted vocational qualifications that they understand and which meet their needs.

Those with old qualifications should be allowed to rename them if they correspond to new ones or take extra courses to update the standard if required.

An integrated approach to tackling skills shortages

The recent report of the House of Commons Public Accounts Committee on learning and skills raises some interesting questions about the roles of the various Government bodies and agencies with responsibilities for skills.³⁵

Better co-ordination is required between Government departments and agencies and private sector bodies like Chambers of Commerce with responsibilities for skills, to ensure that they are as streamlined as possible, that their roles do not overlap and that they communicate with one another.

Collaboration at national, regional and local level is key to tackling skills shortages. Local institutions, including the LSCs, the FE sector, employers, schools and the careers advice service must work together so that the right training courses are provided for young people and adults alike, to serve the needs of business in that area, supporting regional business strengths and preventing future skills shortages.

Regional Skills Partnerships (RSPs) have responsibility for this collaboration. However, in the experience of Chambers, many RSPs have not shown themselves to be fully effective. Many seem to be dominated by the supply-side. We would like to see more business representation on the RSPs and real results on addressing skills gaps within the regions.

“In our area, the Regional Skills Partnership has all the right ideas about our skills gaps. For example, there is lots of building work happening here and, as such, we are going to need to train lots more construction workers.

“However, while it seems to be making the right noises, we have yet to see any evidence of real action being taken to address the issues.”

Tony Carroll
Black Country Chamber

Conclusions

The Taskforce is supportive of the Government’s drive to cut bureaucracy within the skills sector and this must continue.

Collaboration at regional and local level is key to filling skills shortages.

³⁵ House of Commons Public Accounts Committee, Twenty-fifth Report: *Securing strategic leadership in the learning and skills sector*, February 2006.



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