

INCENTIVES TO TRAIN:

ENSURING EMPLOYER
ENGAGEMENT



NATIONAL SKILLS FORUM

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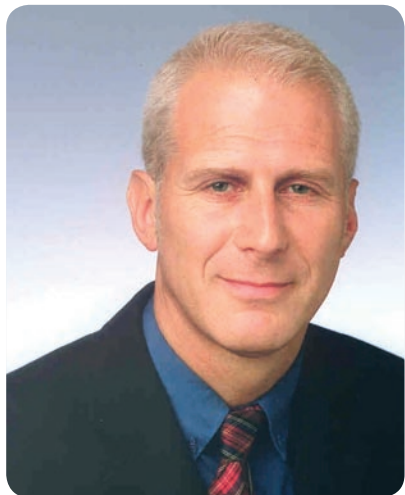
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1. Foreword



The past year has seen vocational education and training move up the Government's agenda and improving UK skills levels is now recognised as a priority issue. The FE world eagerly anticipated the publication of Lord Leitch's Review of Skills and debate about implementing his employer-led vision for 'world class skills' is now well underway. This debate is especially welcomed by the Associate Parliamentary Skills Group and National Skills Forum, with *Incentives to Train: Ensuring Employer Engagement* making a timely contribution. A successful employer-led approach relies on business engagement with training provision; skills policy must stimulate demand and facilitate this engagement where possible.

In October 2005 the National Skills Forum and Associate Parliamentary Skills Group published the views of MPs on skills levels and skills policies in their constituencies (*Skills: A Parliamentary Perspective*). My colleagues emphasised that employers need to engage more fully with training, recommending that Government 'remove some of the risks firms face in training their employees'. *Incentives to Train* has taken this proposal forward to the next stage. Consultation with over 65 stakeholders including parliamentarians, ministers, officials, employers, learning providers and unions has produced some sound policy recommendations. These include: mechanisms to facilitate SME engagement in training; statutory requirements for licences to practise in certain sectors; voluntary training levies; tax incentives for training; and an extension and expansion of leadership and management training to all levels.

Skills: A Parliamentary Perspective marked a first step towards facilitating a much-needed dialogue between parliamentarians, business and the skills sector on training policy. This research paper has realised that conversation, integrating parliamentarians and policy-makers with those that deal with the practical consequences of policy decisions. We must now ensure that these proposals inform the current policy dialogue and that open debate continues to flourish.

I am particularly grateful to City & Guilds for sponsoring this research and for their continued support of the Associate Parliamentary Skills Group and National Skills Forum in our shared aim of improving education, training and skills in the UK.

Gordon Marsden MP
Chair
Associate Parliamentary Skills Group

2. Introduction



When the National Skills Forum published its report *Skills: A Parliamentary Perspective* in Autumn 2005, there were two strands that we believed needed further attention. Research has therefore been focused on issues relating to the training of adults and on how we can stimulate employers to play their part in improving the performance of the UK workforce.

During much of the time that this research was being undertaken, we had been waiting for the final report of the review that Lord Leitch was preparing into how the UK could ‘up its game’ on skills to dramatically improve our global competitive performance by 2020.

We have now seen his detailed recommendations and already there has been much debate about implementation. The two reports now being published will, I hope, not only contribute to that debate but also extend its reach.

For my part, I should like there to be a clearer shared understanding of what is meant by a demand-led system and to ensure particularly that individuals’ needs are not overlooked. I accept Leitch’s analysis and support the targets he recommends but I want to see that these targets really do bring about measurable improvements in our sustainable economic development. We should not ignore the essential contribution that must come from adults if that change is to be realised.

Employers are right to insist that the State has a duty to ensure school leavers have the essential core skills of literacy and numeracy, but I believe they must also accept that they have a responsibility to support the development of their own people. Both individuals and employers must also accept that skills training is an investment, not a cost, and that they cannot expect the taxpayer to pick up all the bills for learning across our lifetimes.

One of the really positive developments over the past year has been the clear evidence that skills is now one of those policy areas jostling to be at the top of the Government’s agenda, and that all the main political parties recognise the centrality of skills for our future economic prosperity. As Lord Leitch says in his report, “where skills were once [seen as] a key driver of prosperity and fairness, they are now the key driver. Achieving world class skills is the key to achieving economic success and social justice in the new global economy.”

I am sure that this progress is in no small measure due to the tireless efforts of the Associate Parliamentary Skills Group and the attention that has been focused on skills by the Select Committee. I am grateful for the work they are doing, and my particular thanks go to Flora Alexander and Katherine Chapman for the work they have put into the compilation of these reports.

Chris Humphries CBE
Director General, City & Guilds

3. Executive Summary

Current Government policy favours an employer-driven, demand-led approach to workforce training. It is imperative that as many employers as possible are engaged in staff training if the UK is to compete effectively with emerging global economies. *Incentives to Train: Ensuring Employer Engagement* presents the views of a range of key stakeholders on how greater employer engagement in training can best be achieved. The findings are the product of a series of interviews and a roundtable discussion with experts including ministers, backbench MPs, peers, civil servants, academics, employers, business representatives, skills agencies, learning providers, NGOs and unions. Participants evaluated existing provision to incentivise training for employers, identifying the major areas of concern and proposing recommendations for change.

The following table summarises participants' main comments and recommendations.

Comments	Recommendations
<p>SME Engagement in Training: Limited resources (time, staff and funds) and tight margins act as barriers to SME engagement in training. SMEs need a different approach from that applied to larger companies and require a range of possible options as they will each act according to their different needs in different industries.</p> <p>More should be done to encourage SMEs to work collaboratively, pooling resources and sharing best practice. This could be done through the supply chain, peripatetic training provision, staff training officers and SME networks.</p>	<p>The supply chain should be used to greater effect in implementing training standards. Relevant Sector Skills Councils could take the lead, encouraging large companies to work only with suppliers that train their workforce to specified standards and to share training facilities where possible.</p> <p>More peripatetic training programmes are needed which take training to SME clusters (industrial estates, business parks etc).</p> <p>Staff training champions must be developed in small businesses to build training capacity within small firms.</p> <p>Existing networks such as local chambers of commerce and Business Link should be used to encourage collaborative action between SMEs with regard to training, linking in more closely with local FE institutions.</p>
<p>Skills Brokers: A policy of skills brokerage is an effective approach, providing SMEs with a single contact and a tailored package of provision. The policy has shown early signs of success and needs a period of 'bedding down'.</p> <p>There are, however, concerns that brokers duplicate existing provision, accredit rather than up-skill and that training capacity should be established in small firms to continue after brokers have moved on.</p> <p>Skills brokers should be linked up more closely with business advisory services to ensure that training is embedded in business strategy.</p>	<p>The work of skills brokers must be closely monitored for 'deadweight'.</p> <p>Skills brokerage should be embedded with business advice services.</p>
<p>Poaching: Whilst significant, the fear of poaching may be more of a 'perceived', 'exaggerated' or temporary phenomenon than a real barrier to training.</p> <p>Payback clauses do not necessarily remove the fear of poaching and could potentially discourage employees from undertaking training.</p>	<p>The fear of poaching should be combated by informing companies of the benefits of their staff gaining qualifications and encouraging dialogue on training between businesses within an industry, for example through National Skills Academy programmes.</p>
<p>Leadership and Management Training: Leadership and management training is a huge area of need in the UK and has the potential to bring about a culture shift with regard to training. Leadership and management training needs to take place at all levels of the workforce and should be linked more closely with Train to Gain to create a sustainable model of workforce development. A national drive would ensure maximum impact of the number of low-level programmes that have developed in the field of leadership and management.</p>	<p>There should be an extension and expansion of the successful Government-sponsored Leadership and Management Development Programme, which is nearing completion.</p> <p>Leadership and management training must be extended to all levels and linked more closely with Train to Gain and Learner Accounts.</p> <p>More consistency and robustness is required at a national level.</p>

Comments	Recommendations
<p>Vocational Qualifications: Vocational qualifications need to be more relevant to employers. Proposals in the Leitch Review to fund only vocational qualifications where the content has been approved by SSCs is a welcome initiative.</p> <p>Employers prefer short, bite-size qualifications and are likely to respond well to the Qualification and Credit Framework. It is important that employers are encouraged to accredit training in order to maintain a fluid labour market.</p>	<p>Awarding bodies need greater freedom from Government to develop more innovative and responsive qualifications.</p> <p>Employers should be encouraged to accredit training by raising awareness of the ensuing benefits to staff retention rates.</p>
<p>Licence to Practise Schemes: Licence to practise schemes are an effective way to encourage industries to up-skill. However, too much Government legislation will act as a deterrent and any licence should be designed by industry.</p> <p>In certain sectors a statutory requirement would provide an initial stimulus to ensure industry engagement. In other sectors Government's role should be to encourage licence schemes through expectation and stimulation rather than regulation.</p>	<p>Government to set a requirement for licences to practise in certain industries starting with sectors with health and safety and consumer protection implications. In the longer-term this could be extended to sectors with persistently low skill levels.</p> <p>The licence itself should be designed by industry with Sector Skills Councils taking the lead. Licences must incorporate accreditation of prior learning and set requirements for continuing professional development. They must also be compatible with current vocational qualifications.</p> <p>Licences should be self-funded, operating in a similar way to that of professional bodies.</p>
<p>Training Levies: Statutory training levies do not often work in practice and can fail to stimulate genuine demand. Employer-led, voluntary levies are far more effective.</p>	<p>Industry-led, voluntary levy schemes should be expanded and encouraged. Government should promote levies and legislate where necessary to facilitate their establishment in response to employer demand.</p>
<p>Collective Learning Funds: The DfES is currently piloting a collective learning fund with the TUC and employers. This is an ideal approach to encourage tripartite investment in workforce development.</p>	<p>Government should expand and facilitate integrated approaches to investment in workforce development through establishing collective learning funds where possible.</p>
<p>Tax Incentives for Training: The introduction of tax incentives for training would provide a real incentive for employers to invest in training, particularly SMEs. Barriers include deadweight, bureaucracy, cost to the state and difficulties in controlling which types of training are reimbursed. This is nevertheless an area worthy of further exploration.</p>	<p>Debate and research is needed to explore the practicalities and implications of introducing tax incentives for training, particularly in relation to their use as a potential incentive for employers to contribute to Learner Accounts.</p>
<p>Communication and IAG for Employers: Current Information, Advice and Guidance about workforce training for businesses is poor. Peer to peer communication and practical case studies are the key to spreading best practice.</p> <p>Sector Skills Councils are critical to promoting, conveying and tailoring the business case for training within their specific industries.</p>	<p>Chambers of commerce, Sector Skills Councils and Investors in People could play a greater role in communicating and spreading best practice about workforce training.</p> <p>More research may be needed into the economic benefits of training in order to provide a convincing business case for training.</p>

4. Table of Acronyms Used

ALG	Adult Learning Grant	LSDA	Learning and Skills Development Agency
BL	Business Link	LtW	Learning through Work
BITC	Business in the Community	MBA	Masters in Business Administration
BTEC	Business and Technology Education Council	MP	Member of Parliament
CBI	Confederation of British Industry	NEET	Not in Education, Employment or Training
CDL	Career Development Loan	NETP	National Employer Training Programme
CIPD	Chartered Institute of Professional Development	NGO	Non-Governmental Organisation
CITB	Construction Industry Training Board	NIACE	National Institute for Adult Continuing Education
CORGI	Council for Registered Gas Installers	NLC	Neighbourhood Learning Centre
CoVE	Centres of Vocational Excellence	NQF	National Qualifications Framework
CSCS	Construction Skills Certification Scheme	NOS	National Occupational Standard
DfES	Department for Education and Skills	NSA	National Skills Academy
DTI	Department for Trade and Industry	NVQ	National Vocational Qualification
DWP	Department for Work and Pensions	OCR	Oxford Cambridge and RSA Examinations Board
ECITB	Engineering Construction Industry Training Board	OECD	Organisation for Economic Cooperation and Development
EDAP	Employee Development and Assistance Programme	QCA	Qualifications & Curriculum Authority
EGAS	Educational Grants Advisory Service	RDA	Regional Development Agency
EMA	Education Maintenance Allowance	RSP	Regional Skills Partnership
ESOL	English as a Second or Other Language	SBC	Small Business Council
ETP	Employer Training Pilot	SBS	Small Business Service
FAB	Federation of Awarding Bodies	SEMTA	Science, Engineering and Manufacturing Technologies Alliance
FBLC	Federation of Business Link Consortia	SME	Small to Medium Sized Enterprise
FE	Further Education	SSA	Sector Skills Agreement
FEFC	Further Education Funding Council	SSC	Sector Skills Council
HE	Higher Education	SSDA	Sector Skills Development Agency
HEA	Higher Education Agency	STEP	Shell Technology and Enterprise Programme
HMT	Her Majesty's Treasury	SVQ	Scottish Vocational Qualification
IAG	Information, Advice and Guidance	TEC	Training and Enterprise Council
ippr	Institute of Public Policy Research	TUC	Trades Union Congress
JCP	Jobcentre Plus	Ufi	University for Industry
JSA	Jobseekers' Allowance	ULF	Union Learning Fund
LEA	Local Education Authority	ULR	Union Learning Representative
LMDP	Leadership and Management Development Programme	WBLA	Work-Based Learning for Adults
LSC	Learning and Skills Council		

PART B. Major Policies on Employers and Training

5. Key Partnerships and Organisations

5.1. The Skills Alliance

The Skills Alliance was created by the Government in 2003 to oversee the implementation of the Government's Skills Strategy, forming a partnership between key partners with an interest in skills and productivity – the Treasury (HMT), the Department for Trade and Industry (DTI), the Department for Work and Pensions (DWP), the Department for Education and Skills (DfES), the Confederation of British Industry (CBI), the Trades Union Congress (TUC), the Small Business Council (SBC), and the key delivery organisations led by the Learning and Skills Council (LSC). Led by the Secretary of State for Education and Skills and the Secretary of State for Trade and Industry, the Skills Alliance represents a new social partnership for skills and acts as a high profile champion for the Government's 2005 Skills Strategy. The full Skills Alliance meets twice a year to review progress and agree priorities for actions. The Leitch Review of Skills (December 2006) proposed the formation of a new Commission for Employment and Skills which would replace the Skills Alliance in England and bring together employment and skills services. Government has accepted this proposal so the future of the Skills Alliance is uncertain.

5.2. Skills for Business Network

The Skills for Business network is comprised of the Sector Skills Development Agency (SSDA), which funds, supports and monitors the network of employer-led Sector Skills Councils (SSCs).

5.2.1. The Sector Skills Development Agency

The SSDA is a non-departmental public body and oversees the UK-wide network of Sector Skills Councils. The role of the SSDA is to:

- Fund, support and monitor the performance of SSCs across the UK;
- Monitor standards, ensuring quality across the network;
- Support the tailoring of skills provision to sector needs;
- Ensure SSCs give due consideration to generic skills;

- Promote the sharing of expertise and best practice between sectors;
- Assist employers in sectors bidding to have an SSC;
- Assist with essential functions in sectors without an SSC; and
- Provide a website where public bodies and individuals can access high quality sectoral labour market intelligence.

5.2.2. Sector Skills Councils

Sector Skills Councils were set up in 2004 to provide a new voice for employers to express skills priorities in their sector. They are independent organisations, licensed by the Secretary of State for Education and Skills and are led by employers. SSCs work with key partners including the Learning and Skills Council (LSC), the Qualifications and Curriculum Authority (QCA), the Regional Development Agencies (RDA), Jobcentre Plus (JCP) and Higher

Education Agencies (HEA). They are designed to be the primary means by which employers in each sector come together to identify their skills needs, and work with the training and education providers to meet those needs. Sector Skills Councils were designed to be the main vehicle for employers to influence skills policy, specifically:

- Tackling skills shortages in their sector;
 - Improving the supply of training, including apprenticeships, higher education and national occupational standards;
 - Increasing productivity, lifting the performance both of public and private sector; and
 - Creating opportunities to raise the skills and productivity of everyone in the sector's workforce, including taking action on equal opportunities.
- There are currently 25 licensed SSCs covering 85% of the UK workforce:

SSC	Sector
Asset Skills	Property, Housing, Cleaning and Facilities Management
Automotive Skills	Retail Motor Industry
Cogent	Chemicals, Nuclear, Oil and Gas, Petroleum and Polymer Industries
ConstructionSkills	Construction Industry
Creative and Cultural Skills	Advertising, Crafts, Cultural Heritage, Design, The Arts and Music
Energy and Utility Skills	Electricity, Gas, Waste Management and Water Industries
e-skills UK	Information Technology, Telecoms and Contact Centres
Financial Services Skills Council	Financial Services Industry
GoSkills	Passenger Transport
Government Skills	Central Government
Improve Ltd	Food and Drink Manufacturing and Processing
Lantra	Environmental and Land-Based Industries
Lifelong Learning UK	Employers who deliver and/or support the delivery of Lifelong Learning
People 1st	Hospitality, Leisure, Travel and Tourism
Proskills UK	Process and Manufacturing Industry
SEMTA	Science, Engineering and Manufacturing Technologies
Skillfast-UK	Apparel, Footwear, Textiles and Related Businesses
Skills for Care and Development	Social Care, Children and Young People
Skills for Health	NHS, Independent Voluntary and Health Organisations
Skills for Justice	Custodial Care, Community Justice, Court Services and Policing
Skills for Logistics	Freight Logistics Industry
SkillsActive	Active Leisure and Learning
Skillset	Audio Visual Industries
Skillsmart Retail	Retail
SummitSkills	Building Services Engineering Sector

5.2.3. Sector Skills Agreements

Sector Skills Agreements (SSA) are collaborative sectoral agreements between the supply-side and the demand-side to tackle training needs as identified by employers. They are brokered by SSCs in partnership with the SSDA, DfES, DTI as well as the Welsh Assembly Government, the Scottish Executive and the Department for Employment and Learning Northern Ireland. SSAs set out the areas agreed as priority by employers and in which they are willing to invest. Government has in turn agreed to reengineer the money it spends on training to respond to the sectoral priorities outlined in the SSAs. The process involves SSCs conducting in-depth analyses of their sector's current and future skills needs, including assessing current provision, locating the main skills gaps and identifying ways to meet those needs. Learning providers and funders of training are then consulted to identify how they can ensure employers' needs are met. Benchmarks and milestones are built into each SSA to monitor progress and Agreements are subject to constant updates to ensure responsiveness to business needs.

The first four SSAs were published in the March 2005 Skills White Paper (Getting on in business, getting on at work) and were taken forward by SEMTA, Construction Skills, Skillset and e-skills UK. A number of other SSAs are currently under development and the Government predicts that 20 SSAs will be published by 2009. The Government wants SSAs to become the key mechanism to ensure that employers needs shape the supply of training and funding and to secure increased demand and investment.

5.3. Regional Skills Partnerships

The Government has identified Regional Skills Partnerships (RSP) as a major component of the national Skills Strategy. Established in 2003, the aim of RSPs is to create a demand-led approach to skills and to give regions the flexibility to tackle their own individual challenges and priorities. RSPs work with key partners in each region, including the Regional Development Agencies (RDA), Small Business Service, local Learning and Skills Councils, Jobcentre Plus and the Skills for Business network. Regional Development Agencies are non-departmental public bodies with a primary role as drivers of regional economic development. The Partnerships represent an integrated approach to the delivery of Regional Economic Strategies, which work to improve regional economic performance.

5.4. Learning and Skills Council

The Learning and Skills Council is a non-departmental public body established in 2001, replacing the Training and Enterprise Councils (TEC) and the Further Education Funding Council (FEFC). The LSC exists to

improve the skills of young people and adults in England in order to create a world class workforce. It oversees the planning and funding of all post-16 learning except that which is provided in universities. The Learning and Skills Council operates both nationally and locally to facilitate improvements in:

- Further education;
- Work-based training;
- School sixth forms;
- Workforce development;
- Adult and community learning;
- Information, Advice and Guidance (IAG) for young adults; and
- Education business links.

As well as a national office, there are nine regional offices. Government is currently legislating to streamline and restructure the LSC so that it operates more responsively and on a regional basis rather than through the present 47 local LSCs.

5.5. Unions

Since 1998 unions have been provided with financial support under the Union Learning Fund (ULF) to encourage the take up of learning in the workplace. In April 2003 the Government introduced statutory rights to increase support to Union

Learning Representatives (ULR) and there are currently over 12,000 active across the UK. Union Learning Representatives play a crucial role in encouraging and supporting members in the workplace to get involved in training. They also work closely with SSCs and help promote Train to Gain and Skills for Life. In May 2006, the TUC opened Unionlearn to build on training at work currently run by unions and help spread the lifelong learning message. It offers guidance on training for employers and employees, with courses ranging from basic skills to MBAs at colleges, universities and workplaces, so as to suit individuals. The DfES has predicted that there will be around 22,000 in place by 2010, helping 250,000 workers a year with their training and development needs.

5.6. Confederation of British Industry

The Confederation of British industry (CBI) is the UK's leading independent employer organisation. The CBI's mission is 'to help create and sustain the conditions in which businesses in the United Kingdom can compete and prosper for the benefit of all'. It is a member of the Skills Alliance and feeds into skills policy representing the employer perspective at a high level.

6. Demand-Led Policy

6.1. Train to Gain

The new Train to Gain service was officially launched in September 2006, following the Employer Training Pilots (launched in 2002), and is designed to help businesses get the training they need by offering free, impartial advice through a trained skills broker. The service matches employer training needs with providers and develops a tailored training package designed to help businesses improve their productivity and competitiveness by ensuring their workforce has the

right skills to do the best job. It is Government's key policy drive to create a demand-led approach to skills training in the UK.

Skills brokers are trained by the Learning and Skills Council and are specialists in training with a proven track record of providing effective advice to business. Skills brokers help businesses to identify the right training, agree a tailored training package, advise on available funding and review progress. As well as advising on financial support for businesses, the

Train to Gain service also provides the following funding for employers:

- Access to funding to help employees gain their first full level 2 qualification and first Skills for Life numeracy and literacy qualification. (Funding also supports some other programmes including apprenticeships and Advanced Apprenticeships, NVQ Level 3 and some higher education qualifications.)
- Wage compensation for companies with less than 50 employees.

Train to Gain appeals to employers as they gain flexible and tailored training sourced through a single broker. The Train to Gain service targets businesses and sectors that have historically not engaged in training. For 2007-08 Government has allocated £457 million for funding Train to Gain.

Early evidence indicates that the Train to Gain service is reaching a number of new 'hard to reach' businesses. Final evaluations of the Employer Training Pilots (ETP) revealed that in the first phase of the pilot 18% of eligible business got involved in the service (over 3 years), 14% in phase two (over 2 years) and 7% in phase three (1 year). Most employers were small (40% had fewer than 20 employees)

and about 14% were classified as 'hard to reach'. However, quantitative assessment showed that 10-15% of employee training in the first year was 'additional' meaning that the majority would have provided similar training regardless of the service, although not necessarily the same training to the same employees.

6.2. Skills for Life

Skills for Life is the national strategy for improving adult literacy and numeracy skills launched by the Government in March 2001. The Government has set a target of improving the literacy and numeracy skills of 2.25 million adults by 2010. The Skills for Life Strategy Unit (formerly the Adult

Basic Skills Strategy Unit) is based in the Department for Education and Skills (DfES), and is responsible for the overall delivery of the strategy. The Skills for Life strategy has a strong focus on helping employers to develop their lower skilled employees and offers funding for employers through the Train to Gain service for employees to undertake Skills for Life programmes. It also offers a recently updated 'employer toolkit', supported by a free training programme, to help businesses tackle skills shortages. The toolkit is designed to help employers identify solutions to business problems arising from poor literacy and numeracy skills within their workforce.

7. Small and Medium Enterprises

7.1. Small Business Council

The Small Business Council (SBC) is a non-departmental public body set up in May 2000 to represent the voice of small businesses across Government. It consists of 19 owner/managers from a range of sectors all over the UK. The SBC champions a demand-led approach to skills policy and works with the Sector Skills Councils to ensure that the needs of small businesses are represented. The SBC also advises the Small Business Service, an agency of the DTI which works to support new businesses and business growth, including ensuring that the UK has the necessary skills.

7.2. Business Link

Business Link is the official Government service providing advice and information for new and small and medium-sized businesses. It is dedicated to helping new and existing businesses innovate, improve, grow and become more competitive through skills, productivity, recruitment and business

development. Business Link helps to deliver much of the Train to Gain service, providing skills brokers and advising businesses on available provision.

In May 2004, Government launched the reformed Business Link website which brings together Government information, advice and support tools, including a training directory with over 500,000 courses, to assist the development of new and existing enterprises. Business Link also provides employers with practical tools for identifying training needs such as personal development plans and training evaluation guides.

Business Link services are delivered by 45 county-based Business Link Operators. These are funded by the Department for Trade and Industry and managed by the nine Regional Development Agencies. Business Link only covers the regions of England. Elsewhere in the UK, its counterparts are Business Gateway (Scotland), Business Eye (Wales) and InvestNI (Northern Ireland).

7.3. Leadership and Management Programmes

Part of the Government's Skills Strategy is a focus on developing leadership and management skills in the UK and this has particularly been directed at owner/managers of SMEs. The Leadership and Management Development Programme (LMDP) for SMEs offers owner/managers or managing directors of businesses with between 20 and 250 employees £1,000 grants to spend on any training and development that will enhance and improve their performance as leaders. The programme runs to 2008 by which time it is expected that around 17,000 managers will have benefited. The programme is managed mainly by Business Link Operators under contract from the Learning and Skills Council. There are also a number of leadership and management initiatives developing at a local level. In 2005, the DfES and DTI established a joint Leadership and Management Advisory Panel to advise Government on management and leadership issues and initiatives.

8. Training Options for Employers

8.1. National Occupational Standards

National Occupational Standards (NOS) are statements of the skills, knowledge and understanding needed in employment to a nationally recognised level of competence. They are developed by representatives of employment sectors, including Sector Skills Councils, on a UK-wide basis and inform vocational qualifications. They can also be used by employers for training, appraisal, recruitment and retention planning. There are national occupational standards covering almost every occupation in the United Kingdom.

8.2. Vocational Qualifications

A wide range of vocational qualifications are currently accredited into the national qualifications framework (NQF) and are offered by a large number of awarding bodies, covering almost every sector. Employers can choose from a number of vocational qualifications which range in size, level and assessment. Train to Gain and Skills for Life offer funding for employees to study up to a first full level 2 qualification and there is funding now in place for employers to offer apprenticeships, some NVQ Level 3 and higher education qualifications.

8.3. Qualification and Credit Framework

Since November 2004, the QCA and regional partners in Wales and Northern Ireland have been working to reform current vocational qualifications. The new Qualification and Credit Framework under development aims to recognise a wider range of achievements and be more responsive to employer and learner needs. It will operate using a unit-based qualification system whereby credits can be accumulated and transferred. The Framework is currently undergoing a process of testing and trialling until 2008.

8.4. Apprenticeships

Employers can influence training through engagement with apprenticeship programmes. Government has a commitment to increasing the number of apprentices in the UK and aims to make apprentice training as demand-led as possible. Apprenticeships are currently designed by employers through the SSCs, guaranteeing that the training is relevant. Over 130,000 organisations in England already employ apprentices, offering young people the chance to get on-the-job training and develop skills tailored to employer needs. An apprentice and employer can agree to work to one of two levels:

- An apprenticeship which lasts at least a year and gives the apprentice a Level 2 NVQ; or
- An Advanced Apprenticeship which lasts at least two years and gives the apprentice a Level 3 NVQ.

Most apprentices are paid a salary by their employer that reflects their skills, experience, age and ability. A few apprentices are on work placements with a business and get paid a training allowance by the Learning and Skills Council. Large businesses can access support from the LSC's National Contracts Service which can put them in touch with a suitable learning provider and help them customise their training programme. If employers agree to take on apprentices regularly, they can receive financial assistance towards salary and on-the-job costs.

8.5. CoVEs and National Skills Academies

In July 2002 the DfES launched a programme of Centres of Vocational Excellence (CoVE). These centres are FE colleges and other training providers which have close links to industry and which demonstrate excellence or expertise in a particular vocational area. An important part of the CoVE programme is the combined DfES/LSC effort to strengthen college engagement with employers. This effort has included trialling how far the range of services that colleges

provide to employers can be extended, e.g. skill-needs analysis, and business development and technology.

Building on excellence in the CoVE networks, employers can also invest in training for their sector through National Skills Academies (NSA). NSAs are national sector based, employer-led centres of excellence which provide an opportunity for employer involvement in the design and delivery of learning, so that training is tailored to the specific needs of their sector. The first four NSAs were announced in October 2005 and cover manufacturing, food and drink, financial services, and retail. In March 2006, the second round of prospectuses was announced outlining Government's proposals for a network of 12 NSAs by 2008.

8.6. Investors in People

The Investors in People (IiP) Standard is a business improvement tool designed to advance the performance of an organisation through its people. The Investors in People Standard gives organisations of any size a flexible framework adaptable to the particular workforce needs of a company and includes learning and development strategies. The IiP Standard is delivered in partnership with a number of organisations including: Quality Centres (13 Quality Centres in the UK offer Investors in People assessment and recognition services to organisations in their geographic area); Business Link; local Learning and Skills Councils; Local Enterprise Agencies; Education and Learning Wales; and the Department for Employment and Learning, Northern Ireland. Since its development in 1990, the Standard has been reviewed every three years to ensure that it remains relevant and accessible. There are currently over 37,000 organisations which have IiP status in the UK employing over 27% of the UK workforce.

9. Licences to Practise

The term 'licence to practise' essentially refers to any form of professional standard, either voluntary or statutory, to which employers in a sector have to adhere. Licences to practise have generally developed in industries with health and safety implications, either as changes in consumer regulation or minimum employment standards. Licences currently exist in a number of occupations and take varying forms.

There is currently a voluntary licence to practise in the construction industry in the form of the Construction Skills Certification Scheme (CSCS). The CSCS card proves that the holder

has passed a specified health and safety test (this usually means being qualified with an NVQ, a Scottish Vocational Qualification (SVQ), or On-Site Assessment and Training for experienced workers). Most of the construction industry is now covered by the CSCS, although criteria and standards vary slightly between trades.

Statutory licences to practise now also exist in a number of sectors. CORGI (the Council for Registered Gas Installers) operates a registration scheme for gas installers in the UK under a remit issued by the Health and Safety Executive. Since 1991 CORGI

registration has been compulsory for any business undertaking work on gas fittings or appliances. In January 2005 (amended in April 2006) it also became a legal requirement for all trades involved in carrying out domestic electrical installation work to comply with the new Part P electrical safety law of the Building Regulations. Licences are also a requirement for hackney carriage drivers, private car hire drivers, rail infrastructure maintenance workers and door supervisors. Licences to practise have also spread in recent years in the care sector and 50% of care staff on duty are now required to have an NVQ Level 2.

10. Training Levies

After the abolition of the Industrial Training Boards in the 1980s, two sectors retained a statutory training levy under the provision of the 1964 Industrial Training Act. These are the Construction Industry Training Board (CITB) and the Engineering Construction Industry Training Board (ECITB). In the construction industry, the industry asks CITB-ConstructionSkills to collect an annual levy from all liable employers (a wage bill of less than £69,000 satisfies

exemption) and CITB Grants are then given to employers who train. The ECITB levy operates in a similar way. In order for the levies to be statutory, every year the Industrial Training Boards are required to ask Parliament to extend the levy for another year. This may soon change as the Further Education and Training Bill, introduced into the House of Lords in 2006, contains a clause that requires proposals for levy orders to cover a three-year period.

The Further Education and Training Bill also contains clauses to 'amend the 1982 Industrial Training Act to modernise and streamline the process by which Industrial Training Boards demonstrate support for a levy proposal among employers in the relevant industry'. This suggests that training levies may become a more widespread mechanism for employer investment in training in the future.

11. Information Advice & Guidance for Employers

Employers can gain Information, Advice and Guidance (IAG) on training from a number of different sources. Business Link is the primary port of call for

employers to find out about training provision and with the spread of the Train to Gain service, skills brokers will become a major information provider.

Many FE colleges also have their own Business Development Units which provide IAG services for local employers.

12. Leitch Review of Skills

In 2004, the Treasury and the DfES commissioned the Leitch Review to identify the optimal skills mix that the UK would need in 2020 for economic prosperity and to outline policy proposals that might best achieve the level of change required. Lord Leitch, former chief executive of Zurich Financial Services and chairman of the National Employment Panel, led the

independent review, which drew on evidence from over 250 organisations.

In December 2006, Lord Leitch published his final report *Prosperity for all in the global economy – world class skills*. In its vision for the UK 'to become a world leader in skills by 2020', the Review focused significantly on increasing employer engagement, influence and investment in training

and advocated a demand-led approach to skills. The following principles were emphasised:

- Shared Responsibility: Employers, individuals and Government must increase action and investment.
- Economically Valuable Skills: Skills with real returns for individuals, employers and society should be prioritised.

- Demand-Led Skills: The skills system must respond to employer and individual needs and vocational skills must be demand-led rather than centrally planned.

The main recommendations with regard to employer engagement in training are to:

- Strengthen the employer voice through a new employer-led Commission for Employment and Skills. This Commission would report to central Government and manage overall employer influence on skills.
- Reform, re-license and empower Sector Skills Councils. In order to deliver more economically valuable skills, the Review also recommends that only vocational qualifications that have been approved by SSCs should receive public funding.
- Launch a new employer 'Pledge', a voluntary commitment for employers to train all eligible employees to level 2 in the workplace. The Review also recommended that if insufficient progress has been made on this by 2010, a statutory entitlement to workplace training at level 2 should be introduced.
- Increase employer investment in level 3 and 4 qualifications by expanding Train to Gain into higher levels, increasing the volume of apprenticeships (a target of 500,000 by 2020 has been recommended), increasing co-funded workplace degrees and improving engagement between employers and higher education institutions.

- Create new employer-led Employment and Skills Boards to influence the delivery of a new integrated employment and skills service for people out of work.

The Government has welcomed the Leitch Review, lauding its commitment to achieving world class skills and has accepted the proposal for a new Commission on Employment and Skills. Over the next months, the Government is holding a series of events on Leitch to consider the Review and how best to implement the vision. It is expected that the Government will publish its official response to the Leitch Review proposals in mid-2007, after the Comprehensive Spending Review.

PART C. Key Debates

13. UK Skills in Crisis

The UK skills crisis has been heavily commented on from a number of quarters and its importance cemented by the Leitch Review's assertion that the UK 'must raise its game' in order to continue to compete in the global arena. Although UK skill levels have improved significantly in recent years, the UK skills base nevertheless "remains mediocre by international standards".¹ In OECD comparisons of 30 countries, the UK ranks 17th in terms of low skills, 20th in intermediate skills and 11th in high skills. This is because competitors are improving their skills at a faster rate and from a higher skills base. In addition, 7 million UK adults lack functional numeracy and 5 million lack literacy. The LSC's most recent annual *National Employers Survey* found that although the proportion of employers affected by skills gaps has decreased annually since 2001, employers still indicated that they experience skill shortages among applicants for a quarter of all vacancies.²

The 2006 CBI *Employment Trends Survey* also found that employers are dissatisfied with the skill levels of workforce entrants. In terms of key skills 45% of employers were dissatisfied with school leavers' literacy and 44% with their numeracy. 52% of employers complained about the shortage of employability skills (such as communication, team-working, and problem-solving, often referred to as 'soft skills') in school leavers while 30% complained about the same problem in graduates.³

14. Demand-Led Approach

Current Government policy advocates an employer-driven, demand-led approach to workforce training. It is therefore imperative that as many

employers as possible are engaged in staff training if the UK is to compete effectively with emerging economies. Since the abolition of the Industrial

Training Boards in the 1980s, key decisions about workforce training lie with employers. Statutory requirements do affect training with regard to health

¹ The Leitch Review of Skills Final Report, *Prosperity for all in the global economy* (December 2006), p.10.

² Learning and Skills Council, *National Employers Skills Surveys 2005* (June 2006).

³ CBI *Employment Trends Survey 2006* (September 2006).

and safety, in the personal care sector and in the handling of dangerous substances. In all other areas, employer-led Sector Skills Councils facilitate and encourage voluntary action through Sector Skills Agreements. This approach does, however, rely on Sector Skills Councils effectively articulating the needs of all employers in their sector, an ambitious remit and one which the Education and Skills Select Committee highlighted in their recent report on

Further Education.⁴

Many employers do offer high quality training in the UK and skills agencies are recording improved participation rates. The new Train to Gain service is designed to help employers get the skills training they need for their organisation and early participation rates have been promising. However, lack of employer commitment to training remains a problem in the

UK, particularly in comparison to international counterparts. Of particular concern is the lack of employer provision for apprenticeships and work experience placements. Employers invest approximately £33.3 billion on training per year,⁵ but over one third of employers admit to failing to provide any training in the past year while two fifths of the workforce say they have not received any training in the past 12 months.⁶

15. Government Intervention

Whilst there is general support for a demand-led approach to training, commentators have argued that a training system left entirely to employer demand will not guarantee the required levels of employer investment and, further, that it might not address the skills shortages of the UK or meet the needs of individual learners. Learner 'demands' may not always be in employers' immediate interests and therefore it is frequently argued that some measures need to be in place to ensure that training is appropriate for the UK economy and for the learner. This is a significant area of debate among policy-makers and a number of bodies have urged for statutory requirements for minimum standards of training in the workplace. For example, in a recent report,

2020 Vision for Skills, the TUC called for legal rights to paid time off to train in the workplace, more union involvement in Government's skills strategies and collective bargaining rights on workplace skills to ensure that staff can receive the training they may need.

Alternatively, some commentators call for Government intervention to ensure that all employers invest in training by raising the minimum bar. The two most commonly debated policies in this area are employer training levies, whereby employers are required to pay a certain amount towards training within their industry which can be claimed back or exempt if companies meet certain training standards; and licence to practise schemes, where certain requirements

or licences have to be attained before an individual can operate within an industry. The recent Education and Skills Select Committee report urged 'the Government to consider the merits of promoting the more widespread use of employer levies'. The new Further Education and Training Bill announced in the Queen's speech at the state opening of Parliament in November 2006 also includes a commitment to 'modernising the arrangements for demonstrating consensus for industrial training levies and for putting levies in place'. Government is, however, clear that encouraging employers to see the benefits of training and stimulating demand is preferable to forcing employers to commit to training either through compulsory levies or licences to practise.

16. Employer Incentives

The current demand-led policy approach necessarily favours offering incentives to employers, rather than punitive measures. The Train to Gain scheme offers tailored, personal and flexible provision as well as financial support through wage compensation for small firms. There has been debate about whether future policy on

incentives for workforce development could see employers offered tax credits to increase the demand for training and the 2006 CBI *Employment Trends Survey* found that 60% of employers felt they should receive more Government support for training. However, the Government seems keen

to avoid the problem of 'deadweight' with regard to tax incentives (paying employers to do what they would have done in any case) and its underlying attitude is that public financial incentives to train people in work need to be matched by employer commitment to investment in training.

⁴ House of Commons Education and Skills Select Committee, *Further Education: Fourth Report of Session 2005-06*, paragraph 52.

⁵ Learning and Skills Council, *National Employers Skills Surveys 2005* (June 2006).

⁶ TUC, *2020 Vision for Skills* (August 2006).

17. A More Responsive Supply Side

The 2006 CBI *Employment Trends Survey* found that employers want a more responsive supply side. The majority of employers surveyed reported that they had had contact with Government agencies: 62% with local LSCs and 54% with SSCs. However, 92% of employers continued to use private providers for training, whereas only 49% used FE colleges and there was a strong feeling that private providers continue to meet business needs better than FE colleges.⁷ Many colleges have been increasingly offering flexible delivery and establishing Business Development Units to liaise directly with local employers. However,

the CBI Survey concluded that more FE colleges need to improve their employer-focused provision, aiming to deliver training at a time, place and in a way that meets employer needs.

Many employers also feel that vocational qualifications need to be more responsive to workplace needs. Qualifications are the most common measure of skills, providing benchmarks for employers to assess the suitability of prospective employees. However, current vocational qualifications can be regarded as a barrier to employer engagement in training as they insufficiently match

workplace requirements and can be difficult to navigate. This problem was addressed in the Leitch Review by recommendations to restrict public funding to vocational qualifications that have been approved by the SSCs. Another tension with regard to qualifications is employer reluctance to accredit their staff for training. While there have been calls from some quarters for greater recognition of informal workplace training, it is also pointed out that employees need accredited qualifications in order to move around the labour market.

18. SME Engagement

In the National Skills Forum research *Skills: A Parliamentary Perspective*, MPs were agreed that ‘small and medium-sized enterprises hold the key to the future success of the English economy’ and also that ‘they are not currently engaged with training providers in a meaningful way’.⁸ It is more difficult for small firms to provide the resources necessary for training

staff and owner/managers are often more preoccupied with the day-to-day activity of running the business than long-term investments in workforce development. The risks for small firms of investing in training staff are also greater as for them it represents a proportionally bigger investment and, if the staff member subsequently leaves, the impact on the workforce is more

acute. The Train to Gain programme has a stated commitment to focus on SME engagement through its brokerage service and a number of bodies facilitate SME engagement in training such as the Small Business Service. This is an important issue and an area that needs attention if the UK is going to succeed in up-skilling its current workforce.

PART D. Research Results

20. Research Methods

The primary method of research was a series of interviews and consultations with key stakeholders including MPs, peers, Government and Shadow Ministers, civil servants, employers, academics, business representatives, skills agencies, learning providers, NGOs and unions. Desk research was undertaken in advance of the interview process to ascertain the major issues in the policy area to feed into the initial questionnaire. This included an examination of current and previous policies, research papers, events, and campaigns.

The interviews were conducted in a two stage process. The first stage involved fifty 20-30 minute telephone interviews during which participants were asked broad questions about the major policy areas. These included: SME engagement; Train to Gain; licence to practise; training levies; financial incentives; and communication and IAG services for businesses.

⁷ CBI *Employment Trends Survey 2006* (September 2006).

⁸ National Skills Forum, *Skills: A Parliamentary Perspective* (Autumn 2005).

The second interview stage involved twenty 30-60 minute interviews with stakeholders who had given informed responses in the first round or who specialise in areas which had emerged as particularly significant. A questionnaire was devised in response to the issues raised in the first

round with the aim of generating and evaluating policy recommendations.

The final stage of the consultation process was a high level roundtable discussion of 20-25 senior stakeholders including the Minister for Skills, which provided an opportunity for frank

and open discussion of the interview findings. Participants received summary papers of the findings in advance and the objective of the discussion was to evaluate the policy proposals and offer further insight into issues where little consensus had been reached.

The following individuals participated in the research:

Adrian Anderson, Acting Chief Executive, University Vocational Awards Council (UVAC)

Robert Armitage, General Manager of Training and Director, National Electrical Certification and Training Alliance Limited (NECTA)

Brandon Ashworth, Head of Skills and Employment, Sector Skills Development Agency (SSDA)

Mike Barbier, Assistant Director, Enterprise and Business Environment, Small Business Service (SBS)

Steve Besley, Head of Policy, Edexcel

Tim Boswell MP, Co-Vice Chair, Associate Parliamentary Skills Group

Dr John Brennan, Chief Executive, Association of Colleges (AoC)

Sara Caplan, Assistant Director, Education and Skills Advisory Services, KPMG

Hilary Chadwick, Director of the National Employer Service, Learning and Skills Council (LSC)

Nicola Clark, Director of Marketing & Communications, Investors in People (IIP)

Will Clark, Partnership Development Manager, Nord Anglia Lifetime Development

Jaine Clarke, Director of Skills for Employment, Learning and Skills Council (LSC)

Mark Corney, Director, MC Consultancy

David Cox, Learning & Development Associate, ClinPhone Group Ltd

Michael Davis, Managing Director, CFE (formerly Centre for Enterprise)

Lord Dearing

Simone Delorenzi, Research Fellow, Institute for Public Policy Research (ippr)

James Evans, Skills Research Adviser, Creative and Cultural Skills

Martin Freedman, Head of Pay and Conditions, Association of Teachers and Lecturers (ATL)

James Frith, Policy Executive, Employment and Skills, Greater Manchester Chamber of Commerce

Andrew Harrop, Head of Policy, Age Concern

Tricia Hartley, Joint Chief Executive, Campaign for Learning

John Hayes MP, Conservative Shadow Minister for Vocational Education

Jacqui Henderson, Chief Executive, UK Skills

Stephen Hillier, Director of the Skills Group, Department for Education and Skills (DfES)

Phil Hope MP, Minister for Skills, Department for Education and Skills (DfES)

Graham Hoyle, Chief Executive, Association of Learning Providers (ALP)

Chris Humphries, Director General, City & Guilds

Peter Huntington, Chief Executive, GoSkills

Professor Ewart Keep, Deputy Director, Centre on Skills, Knowledge and Organisational Performance (SKOPE)

Julie Kenny, Chair, Small Business Council (SBC)

Anne Kiem, *Director of External Affairs, ifs School of Finance*

Terry Killer, *Skills Manager, Microsoft UK*

John Landeryou, *Assistant Director of Inspection, Adult Learning Inspectorate (ALI)*

Trish Lavelle, *Head of Education and Training, Communication Workers Union (CWU)*

Pablo Lloyd, *Deputy Chief Executive, Ufi*

Gordon Marsden MP, *Chair, Associate Parliamentary Skills Group*

Geoff Matthews, *Head, Honda Institute*

Hugh Milward, *then Public Affairs Manager, Learning and Skills Council (LSC)*

Laura Moffat MP, *PPS to Secretary of State for Education and Skills*

Tony Moloney, *UK Training Manager, National Grid*

Clare Morley, *Director of Education and Training, Association of Accounting Technicians (AAT)*

Iain Murray, *Senior Policy Officer, Trades Union Council (TUC)*

Judith Norrington, *Head of National Policy Development, City & Guilds*

Gill Palfrey, *Learning and Development Manager, B&Q*

Andy Powell, *Chief Executive, Edge*

Liz Rhodes, *Director, National Council for Work Experience (NCWE)*

Clare Riley, *Group Manager, Education Relations, Microsoft UK*

Adrian Sanders MP

Marion Seguret, *Senior Policy Adviser, Confederation of British Industry (CBI)*

Baroness Sharp of Guildford, *Liberal Democrat Education Spokesperson in the Lords*

Barry Sheerman MP, *Chair, Education and Skills Select Committee*

Dame Ruth Silver, *Principal, Lewisham College*

Ian Smith, *Head of Skills, London Underground*

Liz Smith, *Director, Unionlearn*

Phyllis Starkey MP

Brian Stevens, *Chair, FEdS Consultancy*

Alastair Thomson, *Senior Policy Officer, National Institute of Adult Continuing Education (NIACE)*

Professor Mike Thorne, *Vice-Chancellor, Anglia Ruskin University*

Sir Mike Tomlinson, *Chair, The Learning Trust*

Professor Lorna Unwin, *Institute of Education*

Christine Vincent, *then Director of Learning and Teaching, British Educational Communications and Technology Agency (BECTA)*

Stephen Williams MP, *Liberal Democrat Spokesperson for Further and Higher Education*

Andy Wilson, *Principal, Westminster Kingsway College*

Professor Alison Wolf, *King's College London*

21. Research Results

Participants' comments and recommendations fell into eight major categories. Each category contains a summary of the major concerns raised during the initial round of interviews, followed by recommendations and responses as emerged from the second

round interviews and roundtable discussion. The eight categories are:

- SME Engagement in Training;
- Vocational Qualifications;
- Poaching;
- Leadership and Management;
- Licence to Practise;
- Training Levies;
- Financial Incentives; and
- Communication and IAG for Employers.

SME ENGAGEMENT IN TRAINING



22. Barriers to SME Engagement in Training

Terry Killer, Skills Manager at Microsoft UK, summarised the difficulties of training for SMEs in the following terms: "They cannot afford training, they cannot afford the time for training or to provide the opportunities." Participants stressed that tight margins often relegate staff training to "a third order concern" and Gordon Marsden MP reflected that "SMEs spend most of their time just keeping afloat".

Such preoccupations limit the resources available for training in small firms, with participants identifying the following barriers: the cost of training; time off for staff training in the workplace; staff release for external training; and organising and sourcing provision. As well as limiting resources, narrow margins can also limit the inclination to train and participants were keen to stress that the key to SME engagement in training was to convince small firms of "the benefits of training to their business strategy".

In practical terms, Chris Humphries, Director General of City & Guilds, highlighted the complexities of reaching SMEs by pointing out that 72% of the workforce is employed by just 3% of employers (larger firms with over 50 employees): "Therefore we reach two thirds to three quarters of the workforce through firms with more than 50 employees and the question is how to reach the remaining 20-25%." Given that this 25% is employed by 97% of UK companies, totalling over a million firms, Humphries emphasised that "we need a different strategy" for engaging SMEs which "will operate on a different scale". Respondents were clear that "no one solution will fit all" and rather, a range of possible options need to be available to small businesses, as they will act according to their different needs within different industries. A number of participants felt that more could be done to support SMEs to pool their resources and work collaboratively.

23. Pooling Resources

23.1. Supply Chain

A number of respondents suggested that the supply chain could be used more in this respect. Sara Caplan, Assistant Director, Education and Skills Advisory Services at KPMG, explained: "If SMEs are in a supply chain, they can come under the wing of larger employers that they supply and get training in this way." As well as facilitating training, establishing supply chain standards acts as a direct

incentive for small employers to train. Professor Thorne, Vice-Chancellor of Anglia Ruskin University, described how this could be achieved: "We need to convince a few big companies to hire only firms with certain standards of training and then smaller firms will see the tangible benefits of training." Professor Thorne also pointed out that this would benefit larger companies as they would receive a higher level of innovation from their suppliers.

The sectoral dimension was flagged up here as it was noted that supply chain standards may work well in some industries, such as automotive, aerospace or IT, but not in others. It was suggested that Sector Skills Councils could play more of a role in developing supply chain standards or highlighting best practice within supply chains in their industries.

Tim Boswell MP also noted that the “role of the public sector is significant here – they account for 40% of the purchase of the construction industry and could set up supply chain standards”.

► Recommendation

Participants recommended that in certain sectors, the supply chain could be used to greater effect to implement training standards. Relevant Sector

Skills Councils could take the lead and encourage big companies to work only with suppliers that trained their workforce to specified standards and to share training facilities where possible.

23.2. Clusters

Chris Humphries pointed out that 80% of small firms exist in clusters. Therefore taking training to employers on industrial estates and business parks was identified as an effective way of reaching SMEs. James Frith, Policy Executive in Employment and Skills at the Greater Manchester Chamber of Commerce, echoed this view: “SMEs need to be offered flexible training and workshops – bring the training to them”. Chris Humphries described successful schemes in the mid-1980s run by the Training and Employment

Councils (TECs) in which local facilitators took learning onto industrial estates. Small firms would share a room on site with a peripatetic tutor and the training could be timed around the edges of the working day thus splitting time investment between the employer and employee. Peripatetic provision of this sort operates at a local level and is relatively cost effective to the employer. It was recognised that further education institutions do offer flexible learning but there was support among participants to revisit previous programmes. Chris Humphries suggested that this might be something the Learning and Skills

Council’s new 148 local partnership teams could explore.

► Recommendation

It was recommended that more peripatetic training programmes are needed which take training to SME clusters (industrial estates, business parks). Previous Government-funded programmes could be revisited. This could be examined by the new 148 local partnership teams recently created under the Learning and Skills Council.

24. Wage Compensation for Staff Released for Training

Most participants welcomed the provision in the Train to Gain programme for wage compensation for employers to cover adults released to study for their first level 2 qualification. Wage compensation, some participants argued, helps to remove one of the potential barriers to SME engagement in training. However, the Small Business Council (SBC) pointed out that rather than the issue of wage compensation, “the problem that small firms face if they release staff for training is who is going to cover that work”. As such the SBC noted with surprise the inclusion of wage subsidy in Train to Gain. John Brennan, Chief Executive of the Association of Colleges (AoC), also said that the evidence from the Employer Training Pilots showed that wage compensation was “largely ineffective”.

One participant suggested that local further education institutions could

provide students to small firms to substitute staff released for training. This would provide valuable work experience for the student as well as strengthening local partnerships between further education providers and employers. Other participants, however, warned that training the substitute employee to do the job would actually be more costly to small employers. It was pointed out that the effectiveness of wage compensation as an incentive to train also varied between sectors. Jaine Clarke, Director of Skills for Employers at the Learning and Skills Council, noted: “In the care sector there is a statutory responsibility for a certain ratio of carers to patients and in that situation wage compensation is important, whereas in other sectors, for example manufacturing, working the production line differently can release someone without additional wage costs.”

- Although the issue of wage compensation with regard to staff release was highlighted, overall participants felt that this was not the most pressing barrier preventing small businesses from engaging in training and therefore that greater provision would make minimal difference as an incentive to train.

25. Staff Training Officers

Tricia Hartley, Joint Chief Executive of the Campaign for Learning, suggested providing mechanisms for small businesses to train a member of their own staff to take on the role of 'learning champion', a 'training officer' with the skills to identify and recommend ways to address training needs within an organisation, or developing models in which such a role could be shared between several neighbouring SMEs. There was a lot of support for this proposal during the interview process. In particular, the 'Skills for Small Business' scheme delivered through TECs under the Department for Education and Employment in 1995 was mentioned.⁹ Under this scheme, firms with less than 50 employees were supported to develop a 'key worker' in each firm to act as a training champion and help prepare and implement a Company Training Plan. The key worker registered for between one and six NVQ units at level 3 or above from a range of categories

including training and assessor skills, management skills and technical skills. Chris Humphries commented that in 1996 this was rated as one of the most successful Government programmes by the CBI. Mike Barbier, Assistant Director, Enterprise and Business Environment, at the Small Business Service (SBS) described the success of a similar programme, the Small Firm Development Account, which was piloted by the Centre for Enterprise on behalf of the DfES in the East Midlands. This scheme, which fed into the Employer Training Pilots, targeted companies with between 5 and 49 employees which had not yet received Investors in People (IIP) status.¹⁰ It provided the company's 'training champion' with up to 12 months support from a Business Link training advisor to develop and implement a training plan for the business. The pilot also covered 50% of the external training costs listed in the plan for the first year. Mike Barbier argued that this programme had great potential

and could link more closely with Train to Gain: once skills brokers have completed their work at a firm, the training officer could continue building capacity for training within the firm.

- Participants highlighted the success of previous initiatives to develop training champions in small businesses as a way of encouraging a structured approach to workforce development. Two key programmes were mentioned: the 'Skills for Small Business' programme, delivered through TECs in 1995; and the more recent 'Small Firm Development Account' pilot, supporting training champions to pursue workforce development opportunities.

► Recommendation

Participants recommended that these initiatives be revisited and that staff training champions should be developed in small firms (linked to Train to Gain) to build training capacity after skills brokers have moved on.

26. Training Loans for Small Firms

Some participants suggested providing cheap loans to small firms for training purposes. Mark Corney, Director of MC Consultancy, argued that "some firms can still not afford the costs of training even after state subsidies and we need to look carefully at small firms loans". Corney advocated these loans particularly with a view to enabling small firms to accommodate apprentices:

"Government should rethink whether a bigger, more comprehensive adult apprenticeship loan scheme for small firms might be appropriate (for first

level three adult apprenticeships). This could link with the DTI Small Firms Loans Guarantee scheme."¹¹

Jacqui Henderson (UK Skills) pointed out that Business Training Accounts for SMEs have worked in the past. The majority of participants, however, felt that given the narrow margins and short-term mindset of many small companies, the drawbacks of taking out a loan may outweigh the potential benefits of training. Furthermore, Mike Barbier (SBS) did not regard the actual cost of training as a major deterrent:

"Maybe I'm listening to the better run companies not the harder to reach ones, but I haven't heard any evidence that it's the cost of training that's a barrier".

- Access to cheap loans for small businesses for training purposes was not generally regarded as a priority. Convincing SMEs of the benefits of training was considered of greater importance.

⁹ See Department for Education and Employment Research Brief, *TECS and Small Firms Training: Lessons from Skills for Small Business* (September 1997).

¹⁰ See Department for Education and Skills, *Evaluation of the Pilot Small Firm Development Account Year 2*, Research brief No: RB619 (February 2005).

¹¹ The Small Firms Loans Guarantee scheme is run by the DTI and offers guarantees for small businesses to take out loans of up to £250,000.

27. Train to Gain Skills Brokers

Participants were in the most part positive about skills brokers and particularly welcomed the focus on engaging hard to reach SMEs, providing a service as ‘trusted advisors’ and facilitating tailored provision. There were some reservations, however, about the effectiveness of skills brokers as well as doubts about whether they represent the best value for public money. The issue of deadweight was a recurring theme given the figures of up to 90% deadweight in some areas during the Employer Training Pilots.¹² Tricia Hartley acknowledged that brokerage services under the Employer Training Pilots had been patchy in quality, and pointed out that it was important that Train to Gain brokers have sufficiently in-depth understanding of both business and workplace learning to offer the most relevant advice. Andy Wilson, Principal of Westminster Kingsway College, suggested that any review of Train to Gain would thus need to include an assessment of the number of referrals to colleges for training that had come through brokers and those that had come by other means.

Some participants were concerned that brokers could be target-driven rather than employer- or learner-driven, arguing that there were no incentives for skills brokers not to go for ‘easy wins’ and merely accredit existing competencies rather than up-skill. Professor Lorna Unwin stressed that a policy of skills brokerage was “a massive waste of public money if it is simply giving adults certificates that accredit what they can already

do”. Furthermore, Martin Freedman from the Association of Teachers and Lecturers pointed out that while the Train to Gain brokerage model “is useful as far as it goes, all the money is still going to employers but there is no obligation on employers to invest in staff training. This encourages a culture of dependency on the state.”

There were fears that skills brokers could also be duplicating existing relationships or weakening the capacity of providers to be directly responsive to employers. As Professor Ewart Keep put it, skills brokerage was funding “throughput” rather than “capacity building” and he felt that public money would be better invested in group training associations or by building sustainable skills within learning providers. Phil Hope MP, Minister for Skills, countered this point of view:

“The important point about the broker is the added value which is outreach to employers who would otherwise not train, and employers have rated the brokers’ ability to identify sources of funding, and their knowledge of training provision as the most important features of the brokerage service. This won’t get in the way of provider-employer relationships because an increasingly demand-led system will be more responsive and in the longer-term colleges will not need a broker.”

Despite some reservations, the majority of participants recognised the need for a period of ‘bedding down’ for the policy and many were strongly in favour of the brokerage

approach. Jaine Clarke confirmed that although it is early days Train to Gain has already yielded impressive results. The independence of skills brokers was identified as attractive to SMEs and Andy Wilson pointed out that they provide a valuable “sales voice” for providers which “many FE colleges struggle with”. Julie Kenny, Chair of the Small Business Council, argued that brokers are important because employers, especially SMEs, get “bombarded with information about similar courses” and this puts them off. Geoff Matthews, Head of the Honda Institute, reiterated this point, explaining that the Honda Institute specifically positions itself between training providers and dealers in order to provide a single, controlled port of call. Marion Seguret from the CBI stated:

“Our 2006 Employer Trend Survey found that 62% of firms had contact with their local LSC but that only 36% received helpful information – of those only 55% of firms with less than 50 employees had had contact and only 16% had received helpful information. Business Link had a bit more success – two thirds of employers had had contact with Business Link and 36% had received helpful information. 54% had contact with a Sector Skills Council and only 22% were given helpful information. The key message is that the skills structure must be simplified to enable employers to have a single point of contact e.g. through a broker.”

¹² See Department for Education and Skills, *Evaluation of the Pilot Small Firm Development Account Year 2*, Research brief No: RB619 (February 2005).

Furthermore, a number of participants reflected Andy Powell's (Chief Executive of Edge) view that skills brokers do demonstrate the right approach because a "company will only genuinely become interested in training if they understand that it will add to their business development". Geoff Matthews pointed out that, like all businesses, small firms are primarily concerned with "business results" and what will bring them immediate value to the bottom line.

This might include training staff to deal with new technologies, new markets or new products. It was stressed by a number of participants that skills brokers must therefore be closely aligned with business advisers. Julie Kenny argued that businesses want someone to advise jointly on business and skills together and felt that joining up skills brokers and business advisers was an important area that needs to be looked at for the future of the programme.

► Recommendation

Participants were broadly in favour of skills brokers but recommended that they be closely monitored for deadweight.

► Recommendation

Participants recommended a closer alliance between business advisers and skills advisers in order to embed skills training into a company's business plan.

28. SME Networks and Training Associations

A number of participants emphasised the importance of local business networks in encouraging the pooling of resources and sharing of best practice with regard to training among small firms. Jaine Clarke noted that "the impact of networking is very hard to quantify and so we often see it as an area we can cut, but in organisations such as the chambers of commerce and Business Link employers are saying they want networking-an opportunity to learn from other business people-more than anything". Andy Powell commented on the general movement towards "social networking and web 2.0", with organisations such as 'The Horses Mouth', an online social network for mentoring. Barry Sheerman MP also highlighted the importance of networks to encourage local entrepreneurship.

The local chambers of commerce and Business Link were flagged up by participants as the preferred platforms for exchange between SMEs and best placed to cultivate dialogue on training and collaborative action. James Frith agreed and pointed to the role of leading businesses in each sector:

"Flagship businesses should get this message out as they talk the same language as the people they need to reach." Establishing small business employer networks was also highlighted in relation to the Train to Gain skills brokers: "There needs to be something beyond that first intervention from the skills broker that creates new networks for employers to get on with their own skills development in the medium and longer term" (Jaine Clarke). Professor Ewart Keep urged Government "to pay for collective infrastructure" such as group training associations, rather than leaving it to individual businesses.

Mike Barbier also suggested that local colleges could link into the networks that employers use such as the chambers of commerce. Baroness Sharp highlighted good practice in Germany and Scandinavia, where SMEs discuss training with their peers in chambers of commerce and "rub shoulders" with FE colleges at rotary club meetings. Jacqui Henderson, Chief Executive of UK Skills, suggested that offers on training could be put forward as part of the employer network membership package for these

organisations (for example a 2-for-1 on training workshops). Participants lauded the way that some FE colleges have created their own local networks. Ruth Silver, Principal of Lewisham College, described monthly breakfast meetings held at Lewisham College with local SMEs. These take place at 7.30am which mean that businesses with little free time can attend. This improves the relationship between local colleges and small businesses, allowing shared information about available services.

► Recommendation

Existing networks such as local chambers of commerce and Business Link should be used to encourage collaborative action between SMEs with regard to training, where possible linking in more closely with local further education institutions.

► Recommendation

Learning providers should adopt the best practice demonstrated by some FE colleges who are liaising directly with local businesses to raise awareness and share information through a business development unit.

POACHING

29. Poaching as a Barrier to Training

The fear of ‘poaching’ staff was identified by participants as a barrier to employer investment in training. Geoff Matthews expressed the common view that “the smaller the company the bigger the issues of poaching”. Sara Caplan from KPMG also cited examples in large chemical firms of companies suffering from the poaching of trained staff. The concern is that a firm may invest in training a member of staff only for them to move to a rival company offering a higher salary once qualified. For small firms this can constitute a sizable risk in terms of investment in training and potential workforce depletion. This fear was felt to be the reason why some employers are reluctant to accredit training or are keen to limit training to skills specific to the current job.

30. Payback Clauses

Some employers, such as B&Q and Clinphone, include payback ‘sponsorship schemes’ agreed with staff members undertaking significant training such as CIPD (Chartered Institute of Professional Development) or an MBA. This means that when an employee undertakes training and leaves the company, they are obliged to pay back some of the cost of training with the amount owed as a percentage of the value invested diminishing over time.

Whilst a number of participants felt that payback clauses were ‘understandable’ (John Landeryou, Lord Dearing), Martin Freedman among others commented that payback clauses can act as a disincentive to employees. Nicola Clark, Director of Marketing and Communications at Investors in People, emphasised that training makes staff more loyal and Terry Killer from Microsoft was clear on the matter: “I don’t believe that staff leave organisations that are committed to training and development. Any form

of payback clause often backfires as it changes the employees’ attitude towards the company.”

- The majority of participants felt that whilst ‘understandable’, payback clauses do not necessarily remove the fear of poaching and could potentially discourage employees from undertaking training. Participants highlighted the need to convey to employers the positive impact of training on staff loyalty, performance and retention rates.

31. Perceived Threat

Moreover whilst some participants regarded poaching as a “serious issue”, the majority of participants actually felt that poaching was more of a ‘perceived’ threat and could be used, in the words of Chris Humphries, as “an excuse not to train”. Simone Delorenzi, Research Fellow at the Institute for Public Policy Research (ippr), also suggested that the fear of poaching may have been exaggerated. Respondents highlighted the positive impact of training such as increased staff loyalty and improved retention rates. As Stephen Williams MP, Liberal Democrat Spokesperson for Further and Higher Education pointed out, poaching “would not be a problem if everyone trained”. Peter Huntington from GoSkills agreed, describing poaching as a “temporary phenomenon”.

Chris Humphries regarded the fear of poaching as an “education issue”, emphasising the need to promote the examples where companies which award qualifications have reaped benefits to the bottom line. Dr Phyllis Starkey MP agreed: “Work needs to be done in small firms to combat the idea that to train an employee is inherently risky.” Sara Caplan noted that the Employer Pledge recommended in the Leitch Review “will help ensure that employers really will commit”. It was also pointed out that the establishment of new National Skills Academies which bring together companies within an industry will help to reduce the fear of poaching between large competitive companies by forging better relationships. The chemical

industry was highlighted as an example where the industry had consolidated as a result of employers talking together about a Skills Academy in their sector.

- A number of respondents felt that the fear of poaching may be more of a ‘perceived’, ‘exaggerated’ or temporary phenomenon, rather than a real barrier to training.
- This perception or fear can be combated by better education, including informing companies of the benefits of their staff gaining qualifications and by encouraging dialogue on training between businesses within an industry, for example through National Skills Academy programmes.

LEADERSHIP AND MANAGEMENT

32. Leadership and Management: A Culture Change

Improving leadership and management skills was identified as a key lever in raising UK skills levels and fostering a culture of training in the workplace. Michael Davis, Managing Director of CFE, described the benefits: “If owner/managers appreciate and recognise the benefits of training, they will not only be better able to do their job, but the ‘trickle-down’ effect will increase the likelihood of management investment in workforce training.” Leadership and management training was repeatedly identified as having the potential to bring about a cultural shift: Davis argued that investing in up-skilling managers “helps to raise their expectations so as to raise their aspirations as to what is possible”. Mike Barbier stated that “it sets the whole culture of the workforce”. Jaine Clarke also emphasised the link between management and staff turnover, noting that the latter “was often down to the experience with a particular manager” and adding that without good leaders other forms of training can prove fruitless “because people are not staying long enough to complete their level 2”.

32.1. Leadership and Management for SMEs

Sara Caplan described leadership and management as a “huge area of need” for all types of organisation, but perhaps even more so for SMEs because “in larger firms you have less risk of people being promoted on the basis of technical competence without them having had management preparation”. The DTI-led Leadership and Management Development Programme (LMDP) for small businesses was cited by a number of participants as highly successful and worthy of future public funding. The LMDP offers £1,000 grants to directors of medium-sized enterprises (20-250 employees) to spend on personal training and development. Marion Seguret of the CBI noted that the programme leads to real productivity gains, a notion reiterated by the Small Business Service who reported that 70% of small businesses who had taken part in the programme said that they would invest more in training. Participants welcomed Lord Leitch’s recommendations that the LMDP be extended to include companies with as few as 10 employees, a limit previously set at 20.

► Recommendation

Funding should be made available to extend and expand the successful Government-sponsored Leadership and Management Development Programme, which is nearing completion.

32.2. Leadership and Management at All Levels

There was also a plea among participants that leadership and management programmes include all levels of staff training to reflect the devolution of responsibility within the workforce. Chris Humphries stressed the need to “recognise that this need is not at level 4 and 5 but actually further down”. Liz Smith, Director of Unionlearn, also emphasised the need for a “bottom up, whole organisation approach” to leadership and management training. Smith argued that this has the double benefit of improving the organisation of a company but also of helping the individual employee gain transferable skills which are necessary to the UK labour market. Professor Unwin suggested that this could be an area where “Government could provide money to make sure that every part of a business was licensed to ensure they had a number of their middle-tier managers trained”. Humphries also noted that

there are a number of exemplars of companies building good leadership and management at all tiers and suggested that these could be spread through the Sector Skills Councils.

Julie Kenny, Chair of the Small Business Council, highlighted the existence of resistance to management training at the level of team leader or supervisor among workers with low basic skills. She explained that some low-level managers avoid training and will jeopardise promotion for fear of how training might “make them look”. It was suggested that support from Union Learning Representatives could be valuable in this context.

There was also a lot of support for proposals to embed leadership and management training within Train to Gain in order to create a more sustainable model of workforce development. Jaine Clarke summarised: “We need to combine leadership and management with Train to Gain to improve the skills of leaders as well as the workforce. This must lead to a more sustainable model of owner/managers recognising the benefits of training in themselves, the workforce and their business.” It was also suggested that leadership and management development

programmes could be linked up with Learner Accounts in the future.

► **Recommendation**

Leadership and management training should be at all levels, developing supervisory skills at all tiers of the workforce.

► **Recommendation**

Leadership and management provision needs to be linked more closely with Train to Gain and in the future with Learner Accounts in order to maximise individual investment in management level training.

32.3. A Robust National Model

Some participants called for more consistency and robustness at a national level to ensure the maximum impact of the number of low-level programmes that have developed within the field of leadership and management. Participants recognised the value of current initiatives but there were suggestions that a national drive would be helpful. It was suggested that this could be taken forward by Sector Skills Councils, perhaps with a ‘learner champion’ at national level as suggested by the Leadership and

Management Advisory Panel in their recent submission to Leitch on this issue.¹³ This idea is compatible with linking leadership and management policy to Train to Gain.

► **Recommendation**

Participants called for more consistency and robustness at a national level to ensure the maximum impact of the number of low-level programmes that have developed within the field of leadership and management. It was suggested that this could be taken forward by Sector Skills Councils, perhaps with a ‘learner champion’ at national level.

VOCATIONAL QUALIFICATIONS

33. Flexible Supply

There was consensus that flexible delivery systems are key to engaging SMEs in training. A number of participants echoed Clare Morley’s view that: “We must have the supply side right before investing in getting the demand.” Taking training to the employer and timing provision to take place at the edges of the working day has been discussed in paragraph 2.1.2 and closer networking between local colleges and SMEs in paragraph 2.6. Another major area for improvement in the supply side emerged during the interview process: the need for unit-based, ‘bite-size’ qualifications compatible with the workplace. Participants emphasised the importance of making qualifications relevant and attractive to employers in order to encourage workforce training.

33.1. Employer-Led Vocational Qualifications

The need to offer more flexible vocational qualifications and improve responsiveness to employer needs was a recurring theme during the interviews. Gordon Marsden MP commented that qualification reform is the “single thing that will make qualifications attractive to adults and employers”. The present landscape of vocational qualifications was described as complex, inflexible, not user-friendly and even “impenetrable”, according to Professor Thorne. NVQs proved particularly unpopular among employers. Sara Caplan ascribed this unpopularity to the fact that “some employers feel that NVQs are an accreditation mechanism for existing skills and would prefer their employees

to be learning new skills and processes”. NVQs were also frequently described as overly bureaucratic and “paperbound”, with participants criticising the gearing of Government targets towards NVQ achievement.

John Brennan suggested: “These systems could be freed up if you allow some bargaining about price and customisation of content – then you will create a more flexible and responsive system.” It was also argued by some respondents that awarding bodies need greater freedom from Government to develop more responsive and innovative qualifications. Professor Alison Wolf stated: “At the moment the bodies responsible for vocational qualifications are extraordinarily lacking in autonomy. Prior movement

is needed before awarding bodies are free to do much.” Steve Besley echoed this view: “Qualifications are too mechanistic. Edexcel would like more freedom to be able to respond more to the market than the Government.” Most participants felt that qualification reform needed to happen collaboratively between employers, the QCA and awarding bodies. Participants welcomed Leitch’s recommendation that public funding be restricted to those vocational qualifications where the content has been approved by employer-led Sector Skills Councils, urging, in the words of Chris Humphries, that Government “look at what is right for each sector – the right mix, choice and diversity”.

- Participants emphasised the importance of making qualifications

¹³ Leadership and Management Advisory Panel, *Raising Our Game* (Oct 2006).

relevant to employers in order to encourage workforce training. There was some consensus that greater freedom from Government was needed in order to allow awarding bodies to develop more innovative and responsive qualifications.

- Participants welcomed the recommendations in the Leitch Report to restrict public funding to vocational qualifications where the content has been approved by employer-led Sector Skills Councils.

33.2. Bite-Size Qualifications

There was consensus that the new Qualification and Credit Framework currently under development will be attractive to employers, particularly small firms, as it will create shorter, unit-based qualifications. Terry Killer

from Microsoft reiterated this point, citing the need for bite-size units of learning and “short, sharp interventions”. Killer argued that SMEs are not generally interested in qualifications so that with a unitised approach these can be built up incrementally.

Participants recognised that there is a balance to be struck here, as both individuals and the UK economy require complete qualifications in order to maintain a fluid labour market. Therefore employers must also be encouraged to accredit full courses of training as well as up-skill their workforce. Chris Humphries emphasised that over two thirds of employers use qualifications as a first filter on jobs, which places an even higher premium on making qualifications attractive to employers. Humphries argued that staff retention rates are improved in companies that

accredit their training, thus presenting the business case for employer investment in qualifications. Phil Hope MP argued that the proposed Qualification and Credit Framework will allow individuals and employers to access smaller chunks of learning and package them together in a way which best meets their needs, supporting personalised learning, portability of learning and hence labour market mobility.

- Participants stated that SMEs are attracted to short, ‘bite-size’ units of learning and as such are likely to respond well to the Qualification and Credit Framework.

► Recommendation

Employers should be encouraged to accredit their training by raising awareness of the benefits to staff retention rates.

LICENCE TO PRACTISE

34. Expanding Licences to Practise

The debate surrounding the expansion of licence to practise schemes featured regularly in the consultation process. There was generally a positive response to extending licences to practise in the UK in certain industries. Baroness Sharp argued that just as there are requirements for the traditional professions, such as lawyers, accountants and doctors, so there should be for trade and craft-based professions. It was posited that such standards guarantee professionalism and quality in industries and, as Ruth Silver argued, “people like to achieve qualifications”. Chris Humphries summarised: “The evidence from around the world suggests that licence to practise schemes work. They raise skill levels, increase respect for those occupations, improve quality, provide a level playing field for good companies and increase public confidence.” However, there were divergent views as to how licence to practise schemes should operate. The principal areas of contention were whether licences should be voluntary or statutory, whether they should apply to all sectors, and what form they should take (a registration system, a specified qualification or exam, or demonstrations of work practice).

35. The Role of Government

35.1. Legislation

Opinion was divided as to whether Government legislation would help in this area. A few participants were in favour of Government introducing statutory licences. Professor Thorne

described this as “the key Government intervention that would get employers to train.” Martin Freedman, Head of Pay, Conditions and Pensions at the Association of Teachers and Lecturers, also stressed that licences “should be

statutory across all sectors” arguing that “a voluntary approach will just not work”.

However, most participants agreed that if there were Government legislation in this area at all, it should be minimal.

Professor Wolf warned of the two negative consequences of introducing statutory licences to practise: “Licensing would drive up prices of the licensed services which penalises the poor and secondly, tends to push the activity onto the black market.” The Small Business Service reiterated that licences would create a closed market, pushing prices up. Participants were equally concerned that a statutory licence would encourage a minimalist approach to training and that it would produce more qualifications through a bureaucratic accreditation process rather than improve the nation’s skills. It was argued by some that Government’s role should be to encourage licence schemes through expectation and stimulation rather than regulation. For example John Hayes MP surmised: “Government is immensely powerful in this respect as they are a major purchaser of goods and services. Through expectation, not regulation, Government can stimulate and help encourage the spread of licences.”

It was proposed by some participants that Government intervention would be most effective in the form of introducing a requirement for a licence to practise. Ruth Silver suggested that “Government could set a requirement within 3 years, for example, allowing time for design, development, piloting and revising” but warned that “Government should just set the requirement, nothing else”. This idea was met with a positive response as participants reflected that this would ensure licences were employer-driven whilst providing the initial stimulus to ensure industry engagement. Gordon Marsden MP pointed out that this would need to be trialled on a pilot basis first. John Landeryou from the Adult Learning Inspectorate also suggested that a voluntarist approach could be supported by further legislation if sectors failed to develop their licence within the specified timescale.

Participants were adamant that any form of licence to practise be developed by industry within each sector, rather than by Government. Robert Armitage from NECTA linked the electrical industry’s luke-warm reaction to the new Part P registration regulations to the fact that they were Government designed (by the then Office of the Deputy Prime Minister) rather than industry-led rather than industry-led, thus alienating a large proportion of existing electricians. There was general agreement that Sector Skills Councils would be best placed to lead on this in collaboration with awarding bodies. Hilary Chadwick of the LSC suggested that discussions should be linked up, where possible, to Sector Skills Agreements. A number of participants also envisaged a role for Sector Skills Councils in facilitating informed dialogue about licences in industries without a statutory requirement.

- Participants were generally in favour of expanding licence to practise schemes but wary of too much Government legislation.

► Recommendation

Government could set a requirement for a licence to practise in certain industries but the licence itself would need to be industry-designed with Sector Skills Councils taking the lead. Sector Skills Councils also have a role in facilitating informed dialogue about licences in industries without a statutory requirement.

35.2. Sector by Sector Approach

Participants strongly emphasised that licences would be effective in some sectors more than others and not appropriate at all in certain sectors. It was pointed out that in the creative industries a licence to practise scheme might be difficult to implement in terms of setting standards in art and design. Consequently, decisions to introduce a requirement for a licence

would have to be undertaken on a sector by sector basis.

A number of participants suggested that a compulsory requirement should be introduced in the “obvious” sectors to begin with and then best practice disseminated. These sectors were identified by Chris Humphries as all trades in the UK that “impact upon public health or upon consumer protection and confidence”. The CBI and SBC were in favour of licences provided they reflected consumer demand. Marion Seguret from the CBI observed that “licences to operate might be used in sectors where it is essential that employees have the required technical competences to perform their jobs – but there is little support for adoption of this approach as it will not be appropriate to most sectors”. There was less consensus about proposals to introduce statutory requirements for licences according to sectoral skills shortages. Whilst the principle was approved by most interviewees, Stephen Hillier among others warned against “Government dictating to industries”. Participants did, however, agree that introducing a requirement for a licence in persistently under-performing sectors should be considered in the longer-term.

► Recommendation

A statutory requirement should only be considered on a sector by sector basis. In some sectors, licences would not be appropriate.

► Recommendation

Requirements for licences should be introduced in sectors with health and safety and consumer protection implications in the first instance. In the longer-term this could be extended to sectors with persistently low skill levels.

35.3. Content and Implementation

A few issues were flagged up during the interview process as particularly pertinent in terms of licence design. Recognising appropriate prior accreditation was a major concern among participants in order to prevent workers having to repeat training already undertaken. A number of participants also felt that requirements for Continuing Professional Development and lifelong learning needed to be included in the design of any licence. The relationship between vocational qualifications and licences to practise was also highlighted and Peter Huntington, Chief Executive of GoSkills, urged for “more uniformity between requirements of the licence and vocational qualifications”. It was suggested that a relevant body, Government department, the LSC or Sector Skills Councils could develop some guidelines on issues to be considered to accompany any

statutory requirement.

Different types or aspects of licence to practise schemes were identified by participants: registration, certification, and licensing. A number of participants were in favour of a registration system for which minimum agreed qualifications would be necessary for entry. Chris Humphries suggested that although excluded from licence design, Government could have a role in providing this registration system, similar to the state registration system in the US. John Landeryou urged that there would need to be strong publicity around any registration system as its effectiveness as a training incentive depends on the public being aware of such standards when they select people to work for them. Robert Armitage of NECTA ascribed the limited success of the electrical industry’s Part P registration system to this factor: “Unfortunately it has not been well publicised so the customer does not know to ask for it and so it loses its

appeal as an incentive to train.” Lord Dearing emphasised the role of trade associations and awarding bodies in publicising professional standards.

There was general consensus that licences should be self-funded, with costs being met by both individuals and employers. Andy Powell suggested that lessons can be learned from the professions which are not subsidised by Government and where individuals pay a high price to train.

► Recommendation

Licences must incorporate accreditation of prior learning and set requirements for continuing professional development. They must also ensure compatibility with current vocational qualifications.

► Recommendation

Licences should be self-funded, operating in a similar way to those of professional bodies.

TRAINING LEVIES



36. Training Levy Schemes

Participants were split in their level of support for training levies during the interviews. In instances where a training levy has been developed voluntarily within a sector, participants were very supportive, such as in Skillset, the broadcasting and film sector. Chris Humphries described this recent development as “fantastic”. Professor Thorne was in favour of levies because “they are the simplest way of doing it” and highlighted successful levy schemes in Sweden. Phyllis Starkey MP also argued that “training levies are the most effective incentive in most sectors as they get rid of the fear of poaching”. Hilary Chadwick expressed the majority view that levies “are the perfect way if industry-led”.

Sectoral variations were again flagged up. Andy Powell commented that levies work in sectors “where there is a largely freelance or itinerant workforce”. Marion Seguret from the CBI also noted that levies are working in industries with large numbers of self-employed people (e.g. construction, film industry) but stressed that a “pragmatic approach must be taken sector by sector rather – new levies must not be adopted without the support of the majority of firms in a sector”. Other participants supported levies in principle but felt them to be incongruous in the current industrial climate. Martin Freedman supported the notion of levies but felt that the expansion of levy schemes was “unlikely in current circumstances”. John Landeryou agreed: “Levies are not in keeping with the spirit of the times which prefers a demand-led approach.”

A significant number of participants disagreed with levies in principle, arguing that levy schemes are bureaucratic and fundamentally ineffective. Peter Huntington

described levies as “too blunt” an instrument and noted the difficulty of ensuring that they are genuinely employer-led. John Landeryou described levies as “messy” and argued that “philosophically we need to create incentives at the level of the employer or employee not through representative bodies”. Professor Wolf criticised levies in that they “weigh heavily on SMEs as big enterprises can always find something to offset training”. SMEs do not often have the resources to claim back money spent on training to the same extent as larger companies. Baroness Sharp warned:

“When we have had levies in the past, a lot of money went towards paying for inspectors. If we do it we must have a properly organised training body and must avoid too much emphasis on inspecting the training courses of individual organisations as this acts as a disincentive.”

Problems with the levies under the industrial training boards in the 1970s were frequently highlighted.

36.1. Statutory Training Levies

In general there was limited support for the introduction of statutory training levies and most agreed with John Brennan that “if an industry sees a levy as helpful, great, but they should not be imposed”. Different views did emerge: Trish Lavelle from the Communication Workers Union felt that levies should be made mandatory in all industries as part of the work of the Sector Skills Councils. In reference to the CITB compulsory levy, Brandon Ashworth from the Sector Skills Development Agency

argued that “statutory levies work well in some industries – where they are an established tradition in the industry and the industry keeps voting for them”. However, Chris Humphries highlighted that whilst the construction levy did continue to win support, the level of support across the sector was not overwhelming, suggesting that not everyone in the industry is in favour of the compulsory levy. Humphries was adamant that all-industry, ‘blunt instrument’ statutory levies are not the way forward: “I have never seen one work sustainably.” He argued that the final stage of the levy process, ensuring that monies re-issued to employers is spent on training, has “never been satisfactorily worked out”. This results in a situation where “the individual is no better off but there is an extra cost to British industry as a whole”.

It was repeatedly pointed out that levies do not stimulate demand or change culture if they are felt to have been imposed upon an industry. A few participants suggested that there may be a case for considering legislative intervention with levies in targeted sectors with training needs. For example, Robert Armitage noted that the waning of apprenticeships programmes in the electrical industry was linked to the scrapping of industrial levies in the 1980s. Barry Sheerman MP suggested that: “I am not in favour of Government imposing compulsory levies, but if an industry persistently does not train, Government may need to consider action”. However, Graham Hoyle, ALP, reflected the general consensus with his comment: “I think we’re better off persuading rather than forcing.”

- There was little support for the introduction of statutory training levies.

36.2. Voluntary Training Levies

Most participants were in favour of encouraging and expanding voluntary levy schemes. Stephen Hillier of the DfES was in support of Sector Skills Councils examining training levies, describing the voluntary levy as “under-exploited territory”. However, Hillier emphasised that Government would be supportive rather than prescriptive, outlining its role as “encouraging, supporting, willing to examine the case for legislation to back up these arrangements”. It was generally agreed that Government should promote the more widespread use of industry levies and facilitate the establishment of levies in industries where employers were in support of this approach. The clauses in part 3 of the 2006 Further Education and Training Bill, which seek ‘to modernise and streamline the process by which Industrial Training Boards demonstrate support for a levy proposal among employers in the relevant industry’ were welcomed in this respect. Jacqui Henderson also suggested that Government could “work with a few Sector Skills Councils” to consider seriously the benefits of a levy in sectors who are not investing in training.

- Participants were in favour of expanding and encouraging industry-led, voluntary levy schemes.

► Recommendation

Government should promote levies and legislate where necessary to facilitate the establishment of levies in response to employer demand.

37. Collective Learning Funds

As an alternative to traditional notions of industry levies, a number of participants suggested the need for a social partnership approach with collective funds holding employer, union and state contributions. Ruth

Silver summed up this sentiment with her comment: “I’m in favour of tripartite responsibility – in favour of some levy system where everyone pays into it.” Stephen Hillier described the Collective Learning Fund,

currently being piloted by the DfES in collaboration with the TUC, which is co-owned by employers, unions and the state. This interested a number of participants, many of which pointed to the success of similar schemes

such as the Ford EDAP (Employee Development and Assistance Programme) scheme. Professor Unwin did, however, point out that most workplaces are not unionised and warned that “the union-side also needs to be linked into business improvement”.

Learner Accounts were flagged up as the ideal mechanism to facilitate a collective approach. It was felt that employers generally view Learner

Accounts positively as they simplify the management of funding streams from the state and individual, and provide a ‘safe’ pot for employer investment in workforce development. Pablo Lloyd, Deputy Chief Executive of Ufi, commented: “They are ideal for SMEs because they are substantial enough to cope with the appropriate amount of control and safe-guarding of public funding and simple enough for SMEs to use.”

- Participants supported the development of collective learning funds such as the DfES who are currently piloting with the TUC.

► Recommendation

Government should expand and facilitate integrated approaches to investment in workforce development through establishing collective learning funds where possible.

FINANCIAL INCENTIVES

38. Tax Incentives

Many participants were in favour of the introduction of some form of tax incentive to encourage employers to engage with training. This might take the form of tax credits, tax vouchers or simple tax deductions. Sir Mike Tomlinson regarded this as the “critical” measure to encourage employer engagement in training. David Cox, Learning & Development Associate at ClinPhone Group Ltd, stated that “tax breaks on a certain quantity of spend would be the most interesting incentive” for small businesses, providing them with a “visible” incentive for investing in staff development. Professor Unwin was of the opinion that tax breaks for training are “a way for Government to say that they do understand the problems that a lot of businesses face. It would be a major gesture and better use of public money than Train to Gain”.

38.1. Barriers to Introducing Tax Incentives

Although there was a lot of support for the principle of tax credits for training, a number of barriers were identified which might prevent their being effective. Many were concerned about ‘deadweight’ issues with tax incentives, fearing that tax relief would be subsidising training that employers would do anyway. Michael Davis also argued that “tax breaks are too complicated” and Steve Besley, Head of Policy at Edexcel, was adamant that “bureaucracy gives you a small return - tax incentives are not the answer”. Jaine Clarke purported that offering tax incentives on training will benefit employers but not necessarily help the skills needs of the UK:

“There is the danger that companies will continue to invest in the specific and immediate training that their business needs without contributing to UK skills needs.” Stephen Hiller from the DfES disagreed with the premise of tax incentives, asserting that tax credits are an indirect form of state funding and if the money were available it “may as well be made available directly through grants and Train to Gain”. Professor Keep was sceptical about the fundamental effectiveness of tax credits as an incentive: “There is either a business case for training or there is not.”

- A number of barriers to introducing tax credits for training were identified including deadweight, bureaucracy, cost to the state and the difficulty in controlling which types of training are being reimbursed.

38.2. Further Exploration

Despite reservations, many participants still felt that tax incentives for training are worthy of further exploration. Nicola Clark described tax breaks as a “real incentive”, with several participants expressing frustration at the apparent lack of consideration being given to the area. It was pointed out that Japan, a major competitor of the UK, has just introduced tax credits for training purposes. Mike Barbier suggested ways that tax credits could support other areas of Government policy, for example linking to qualification achievement within a company and supporting Train to Gain targets. Targeted tax credits were suggested by Sara Caplan from KPMG in recognition that: “It would be too expensive to introduce these across the board, but they could be used for priority sectors at priority levels for the

UK economy.” James Frith was also supportive of a targeted approach: “Tax breaks are especially desirable as they talk in business’ language and bring in ring-fencing and empowerment.” Alternatively, although unconvinced of the merits of large-scale tax incentives, Andy Powell argued that: “There should be local tax incentives introduced for business involvement in education and encouraging business, schools and colleges to work together, rather than for training and developing the workforce.”

Participants stressed that any form of tax incentive would need to be as simple as possible, particularly if it were to engage SMEs. Professor Thorne

warned that if tax incentives were to be introduced, they would need to be “a very simple offer”, similar in principle to the system of tax relief for money spent on the arts in the US. Careful monitoring would also be required to scrutinise deadweight and ensure that SMEs would benefit from the scheme as well as larger companies. Research and development tax credits (tax relief to encourage companies to invest in innovation and new technologies) were frequently mentioned as a model for reference and Mike Barbier suggested that lessons can be learned from their implementation to inform the successful development of training tax incentives.¹⁴ Sara Caplan noted with particular interest the potential for

tax credits to be used as an incentive for employers to contribute to their employees’ Learner Accounts.

- There was general consensus that the issue of tax relief with regard to training was in need of real debate and worthy of further exploration and research, particularly in relation to its use as a potential incentive for employers to contribute to Learner Accounts.

► Recommendation

Debate and research is needed to explore the practicalities and implications of introducing tax incentives for training particularly in relation to its use as a potential incentive for employers to contribute to Learner Accounts.

39. Insurance Companies

It was suggested in the early stages of the interview process that insurance companies could play a greater role in encouraging employers to invest in training by providing preferential insurance rates for those with trained staff. Hugh Milward, then LSC, posited that insurance companies “could offer discounts on insurance for those companies that have certain qualifications”. Brandon Ashworth highlighted examples where insurance savings have contributed to the success of licence to practise schemes, for example the Green Card certification

in Construction Skills.¹⁵ Nicola Clark also mentioned insurance companies but felt that “further investigation was needed”.

There were, however, few detailed recommendations or expressions of support during the in-depth interviews for ways to make better use of insurance savings as a financial incentive for employers to train. Terry Killer from Microsoft also highlighted a problem with this approach: “Companies are only as good as the people in them. What is kite-marked

are the people, not the company, and so what happens if they leave?” Moreover, a common response to the idea was that “preferential insurance rates tend to happen anyway” (Peter Huntington, GoSkills). Consequently, this was not regarded as an area with significant potential to provide incentives for employers.

- There was not a lot of support for suggestions to try and make better use of insurance companies as a financial incentive to train.

COMMUNICATION AND IAG FOR EMPLOYERS

40. The Business Case for Training

Participants were in clear agreement that the only way to secure genuine employer investment in training was to generate demand by convincing employers of the business case for training and promoting the benefits to the bottom line. Michael Davies from the Centre for Enterprise stressed that it was not a question of communicating ‘rewards’ for training but rather a matter of presenting a convincing business strategy. Tricia Hartley expressed that “unfortunately in the UK workplace learning has the reputation as something you do to be nice to people when employers

¹⁴ For example, as well as offering tax relief for investment in research and development, small and medium sized companies can also claim back tax credits in the form of cash sums.

¹⁵ The green card construction certification skills scheme is a site operative professional membership card. The green card is available to those operatives who carry out basic site skills only.

should be doing it for the future survival of their business” and added “don’t ask ‘Why train?’, ask ‘Can you afford not to train?’” Julie Kenny of the Small Business Council stressed the need for Train to Gain and business advisers to work closer together in this respect, communicating through collaboration that skills and business strategy are interlinked. Tim Boswell MP stated: “The point needs to be made fairly regularly that training can mean better performance from a motivated staff and less turnover.” The arguments were summarised by James Frith: “Training increases staff loyalty, reduces staff turnover, improves the perception of the company, and raises productivity.” Will Clark, Partnership Development Manager at Nord Anglia Lifetime Development, felt that a high profile campaign for employers was needed to convey these messages, in the manner of the campaign around Learndirect.

40.1. The Role of Sector Skills Councils

Many participants criticised current Information, Advice and Guidance services for employers, describing them as piecemeal, confusing and lacking in coherence. Graham Hoyle from the Association of Learning Providers held the view that there was a “hole” in the communication strategy of the Learning and Skills Council and that current Government campaigns were “ineffective”. Gill Palfrey from B&Q also argued for the need to simplify existing provision. Suggestions included a ‘one stop shop’ for businesses to receive regular updates and conferences to share best practice. Stephen Williams MP advocated business development officers from further education institutions liaising directly with industry to promote provision. Skills brokers were particularly welcomed in this respect, providing a simple and trusted point of contact for employers (see paragraph 2.5).

The importance of peer to peer communication was particularly emphasised. Participants felt that there was a greater role for chambers of commerce and Investors in People in promoting the benefits of training as they are trusted by employers. The majority of participants stressed that communicating this message should also be a priority for the Sector Skills Councils. Andy Powell stated:

“The fundamental role of the Sector Skills Councils should be to communicate the economic benefits of training to employers. Sector Skill Councils should galvanise their sector and the find the best ways of conveying the message. There is a generic message about the economic benefits of training but the message must be tailored to the sector and to the type of business.”

In particular, case studies and practical examples were identified as key to communicating the benefits of training to and between employers. The Royal Mail case studies were singled out as a prime example and Investors in People are also currently developing some ‘impact studies’ to provide real life examples of the benefits of investing in workforce training.

- Current Information, Advice and Guidance about workforce training for businesses were considered poor. Peer to peer communication and practical case studies were identified as key resources to spread best practice about workforce training. Sector Skills Councils have a critical role to play in promoting, conveying and tailoring the business case for training within their specific industries.

► Recommendation

Chambers of commerce, Sector Skills Councils and Investors in People could play a greater role in communicating and spreading best practice about workforce training.

40.2. Research

Mike Barbier described current Government focus on boosting level 2 qualifications within the workforce as “unconvincing to businesses”. Professor Thorne and Chris Humphries both suggested that more credible research was needed to quantify the economic benefits of training. Anne Kiem, Director of External Affairs at the ifs School of Finance, proposed that “there needs to be a piece of research done by a top university’s research department to pinpoint the facts and figures on the economic benefits of training. This should involve a cost-benefit analysis showing the rewards reaped by companies for their adult employees learning from level 1 to level 4.” Professor Unwin took this proposal a stage further and argued for the creation of “substantial centres of business expertise” because “the majority of employers need substantial help so that they understand much better how to develop their businesses”.

► Recommendation

More research may be needed into the economic benefits of training in order to provide convincing business cases for training.



**National
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working together on the skills agenda

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