

# Skills

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Innovation & Skills

**SKILLS FOR GROWTH**

The national skills strategy

NOVEMBER 2009

Building  
Britain's Future 



# **Skills for growth**

## **The national skills strategy**

Presented to Parliament by the Secretary of State for  
Business, Innovation and Skills  
By Command of Her Majesty  
November 2009

## A Strategy for England

Skills are a devolved matter and this is a strategy for England. The Departments of HM Government are committing themselves to action in England only. All facts, figures, policies and actions refer to England only, except where stated otherwise. 'National' should be taken to mean England-wide except where the context indicates otherwise. The strategy does not commit any of the four Governments of the United Kingdom to any UK-wide actions or policy positions.

Many of the legislative commitments included in this strategy are contained in the Apprenticeships, Skills, Children and Learning Bill which is currently going through Parliament. It is hoped that, Parliament willing, the bill will receive Royal Assent at the end of the fourth parliamentary session.

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# Secretary of State's Foreword

**Skills are a key part of our plan for economic recovery and, as such, an urgent challenge. This country's future can only be built by educated, enterprising people with the right skills; the skills demanded by modern work in a globalised knowledge economy. Skilled people are more productive, they are more innovative, and they build stronger businesses.**



Peter Mandelson  
Secretary of State for  
Business, Innovation  
and Skills

In our society, skills must always be a ladder up. Skilled people get more out of work and rise higher. Equipping people who are out of work with the skills they need to take up jobs in key sectors will be essential to a strong recovery. The skills system needs to mesh with our university system in such a way that there is a clear vocational route from apprenticeship to technician to foundation degree and beyond.

Because skilled employment is one of the key determinants of social mobility, we need to create opportunities for hard working people to put themselves on the path to prosperity. And by equipping more of our population with these skills, we help employers become less reliant on migrant labour.

Yet skills in Britain have long been recognised as an area of relative competitive weakness. Since 1997 we have made real progress in tackling the economic and social scandal of adult illiteracy and innumeracy. We have revived apprenticeships that in the 1980s and 1990s had been allowed to wither away. We have eradicated much of the poor quality that blighted our further education system. We remain committed to basic skills for all. There will be no return to a system that lets people fall through the cracks because they lack the ability to read, write or add up.

Despite this, the UK's skills base still has notable weaknesses in key areas, especially for intermediate skills. As we emerge from the banking crisis and rebuild the British economy, the skills system needs a stronger focus towards strategic skills, businesses need to contribute more to shaping demand for skills, and learners need to be able to choose where they train and what they study to drive competition and improve courses.

This skills strategy addresses all these problems. It is, in many respects, a radical shift in our national priorities. It sets out an

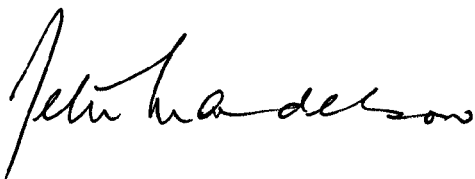
active approach to equipping this country for globalisation by making sure we have the skills that underwrite the industries of the future. Skills for high-tech, low carbon driven growth. We are committed to investing in these strengths, not least because it is employment in these high-value added, skilled occupations that drives the growth that underwrites everything else we want to achieve as a society.

To tackle the gap in intermediate skills in this country, we will expand our apprenticeship numbers to create a modern class of technicians. They will have transferable skills, gained as a result of both academic study and practical on-the-job experience.

As with our new framework for higher education, *Higher Ambitions*, we want to build new bridges between the workplace and higher learning, and engage businesses to a much greater extent in communicating the skills students need for the world of work, designing qualifications that deliver real value to graduates and funding the training from which they are one of the biggest beneficiaries. We will do this through new partnerships with employer-led bodies and the Regional Development Agencies, and through supporting proposals to strengthen engineering registration schemes and develop similar schemes for science technicians.

The better the market reflects the skills needs of business and the expectations of learners, the clearer the benchmarks of quality and relevance for our further education colleges will be. For that reason, this White Paper contains far-reaching proposals to empower learners through new skills accounts that will enable them to plan and invest in their own futures. By giving learners greater power to choose among courses we expect quality to rise. We will reward colleges that respond, and cut back funding to courses that fail.

Investing in skills is a vital part of this Government's growth plan for economic recovery. We need to get skills policy right in a way that no Government has fully done before. This White Paper sets out how we will do that.

A handwritten signature in black ink, reading "Peter Mandelson". The signature is written in a cursive, flowing style.

Peter Mandelson  
Secretary of State for Business, Innovation and Skills

# Executive summary

## The skills challenge

- 1 As with all developed economies, this country's future can only be built on educated, enterprising and skilled people. Our economic recovery and long term prosperity will require people who are not only highly skilled, but who have the right skills, appropriate to the changing economy. Increasing social mobility will depend on enabling the great majority to acquire these skills, with quality information helping individuals to make good choices. This is a strategy to support economic growth and individual prosperity, opportunity and choice.
- 2 We know that investing in skills pays a double dividend for society. Skilled individuals have more options and climb higher. They earn more, get greater satisfaction from their jobs, and the wealth they help to create stimulates the creation of more jobs. Skilled people are the building blocks of successful businesses, especially businesses built on sophisticated services or complex processes. A one percentage point increase in the proportion of employees trained is associated with an increase in productivity of 0.6 percentage points<sup>1</sup> – which in turn is worth around £6 billion a year to the UK economy.
- 3 For this reason, skills policy must be based on twin objectives: wider and more flexible access to skills training at every level, including through more opportunities to study part-time; and an even greater focus on the skills required for the modern world of work. These objectives also underpin the framework for higher education, *Higher Ambitions*, that we published in November 2009.
- 4 We must learn the lessons of *Unleashing Aspiration*, the report of the Panel on Fair Access to the Professions, led by Alan Milburn. This highlighted that the UK's professions have become more, not less, socially exclusive over time. We accept the thrust of that report and its focus on the need to boost apprenticeships and vocational routes into higher education and the professions. We also welcome the recent wide-ranging UK Commission for Employment and Skills' report *Skills, Jobs, Growth*.
- 5 The skills system must ensure that access to higher skills and capabilities is as wide as possible. The demonstrated benefits in social mobility and earning potential that come with higher skills must be open to everyone, not just a few. At the same time, we must maintain the drive to improve basic literacy, language and numeracy skills and ensure all adults establish a basic platform for employability. The employment rate of those with Level 2 qualifications is over 50% higher than for those without qualifications.<sup>2</sup> We must ensure that we support people who are on out-of-work benefits to get the skills they need to get a job and stay and

1. J. van Reenen, H. Reed, L. Dearden, *The impact of training on productivity and wages: evidence from British panel data*, Institute of Fiscal Studies (2005)

2. Analysis of *Labour Force Survey* (2008, Q4). Employment rate of those with no qualification 50% versus employment rate of those with Level 2 qualification of 78%



progress in work, continuing to help them as a priority within the skills system.

- 6 It is critical that young adults gain the skills they need at the start of their working lives. But the great majority of our 2020 workforce is already in a job, which means that our skills system must also be equipped to increase the skills of those already in employment. Amongst older adults there is a legacy of weak literacy and numeracy, which all too often hampers the educational performance of their children. Too many of our teenagers and young adults are neither in employment, nor in education or training. In all of these cases, a flexible and accessible skills system, harnessing all the

talents of the public, private and third sectors, is a key part of the solution.

- 7 But the nature of the skills we need is also evolving. The needs of growing markets like bioscience and low-carbon will require new and higher level skills. The skills system needs to equip Britain with a workforce capable of prospering in the demanding conditions of a globalised knowledge economy.
- 8 In doing this we will maintain our focus on ensuring equality of access by giving a clear remit to promote equality and diversity to the key bodies. Through our Equality Bill, our public sector partners will have a legal duty to tackle underlying social and economic disadvantages. By equipping more of our population with the skills they need to prosper, we shall also help employers become less reliant on low-skilled migrant labour.

### Recent progress

- 9 Over the last decade the performance of the school system has sharply improved and the skills system has increasingly focused on the needs of the economy and the skills of the workforce. The 14-19 reform programme has raised to 18 the age to which young people will stay in education and training. It is delivering learning routes, such as diplomas and 16-18 apprenticeships that will encourage all young people to develop the skills they need for further learning and employment. Performance by further education



colleges and other training institutions has improved dramatically and satisfaction rates from employers and learners have risen. The skills system has responded with flexible training options for businesses and individuals through the recession.<sup>3</sup>

- 10 Since 2001, over 2.8 million adults have improved their basic skills and achieved a national qualification. Over 2 million people have started an apprenticeship since 1997. We have started to tackle the employment prospects of those at the greatest distance from work, through new strategies such as *Valuing Employment Now* for people with learning difficulties. The Train to Gain service has been very successful, engaging with over 143,000 employers and enabling more than 1 million people to start learning programmes at work. Feedback from employers and learners has been very positive with employers citing reduced staff turnover and improved working practices; and learners saying that the training gives them skills to do their jobs better and get on.
- 11 Trade Unions have helped us reach hard to reach workers giving them the advice, support and confidence they need to improve their skills. In 1998 we introduced the Union Learning Fund, now worth some £21.5 million a year, to help unions build their contribution to workforce skills development. There are now

over 23,000 trained Union Learning Representatives who helped over 220,000 workers into learning last year.

- 12 But despite all this progress, the UK started well behind other countries at the end of the last decade in investing in the quality of our skills base. The evidence in the White Paper, and in the parallel analytical document,<sup>4</sup> is that we are not catching up fast enough.

### The argument of this strategy

- 13 The goal of this strategy is a skills system defined not simply by targets based on achieved qualifications, but by 'real world' outcomes. We want a system that provides a higher level of vocational experience; one that promotes a greater mix of work and study and that encourages skills that are transferable from job to job. Skills must be taught expertly and carry genuine weight with employers. For students with the ambition to do so, we must broaden opportunities to progress through further education into higher education.
- 14 Although this strategy renews our commitment to the targets set by the 2006 Leitch report for improving our skill levels, it proposes new priorities or approaches in six key areas.
- 15 **First, how we promote the skills that matter for economic prosperity in modern Britain.** Since 1997, we

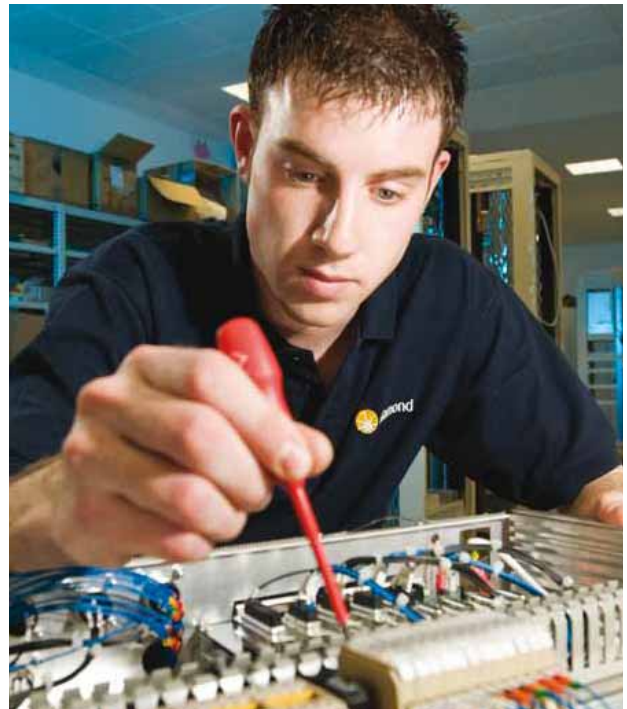
3. *Real Help Now* was launched to help both business and individuals cope through the recession. Flexibilities have also been introduced to the Train to Gain programme to make the system more responsive to current needs

4. *Skills for Growth: Analytical Paper* is available at [www.bis.gov.uk/publications](http://www.bis.gov.uk/publications)

have made substantial progress at two ends of the skills system. A focus on basic skills and Level 2 qualifications has substantially improved adult literacy and numeracy and helped millions of adults gain broad employability skills. We must continue that drive. At the other end of the spectrum, many more young people have been given the opportunity to go to university – rising towards our aspiration of 50% participation.

16 But Britain has not completely shed its historic weaknesses at advanced technician and vocational levels. Compared to our international competitors, too few of our young adults acquire advanced vocational skills after leaving school. Employers face a workforce with insufficient skills at the intermediate technician, associate professional and skilled occupation levels<sup>5</sup> which are critical to many of the industries of the future. The time has therefore come to broaden, but not replace, our ambition that 50% of young people should go to university to include advanced vocational education, and in doing so build a modern class of technicians, associate professionals and people with higher level craft and trade skills.

17 More skills are not enough in themselves. We need the system to deliver skills with economic value. So we will shift the focus of the skills system by measuring its success in meeting employers' skills needs and



enabling learners to progress in work, as well as in the achievement of qualifications.

18 Second, **how we can dramatically expand the advanced apprenticeship system for young adults** to help meet this broader ambition and deliver the advanced vocational skills that the economy requires. The apprenticeship programme has undergone a renaissance over the last decade. Last year saw record starts, completions and success rates for apprenticeships. But building the technician class will require more. Expanding advanced apprenticeships for young adults must be a central plank of our strategy to equip the next generation for the higher level jobs of the future and help generate the wealth we

5. UK Commission for Employment and Skill, *Working Futures 2007-2017* (2008) predicted a likely increase in the demand for skilled technicians and associate professionals of 654,000 over the period 2007 to 2017 (1.4% per annum)

need to create more jobs. We also need to increase the opportunities for advanced level apprentices to move on into higher education.

**19 Third, how we ensure the system responds to demand from businesses, while ensuring that key sectors for growth and employment sectors are better supported through the skills system.** We need a system which is driven above all by the demands of the market. We need to give businesses more power to shape the provision of training through their choices and priorities, building on the success of the Train to Gain programme. But, within a demand-led system, it is right that more of the funding within the skills budget is focused on the sectors and markets on which future growth and jobs will depend.

**20 Fourth, how we can go further in ensuring all adults are empowered to equip themselves for future jobs.** It remains critically important that adults who missed out at school are able to gain basic skills up to Level 2, but we also want all adults to be encouraged to continue training throughout life. To do so, we need to give learners real consumer choice through skills accounts, supported by high quality information, advice and guidance on the quality and relevance of courses. The choices made by learners can then really drive improvements in the performance of the skills system

**21 Fifth, how we can raise recognition among more businesses of the value of investing in workforce skills –** including through better use of their existing skill base. We need to support some businesses and sectors to raise their ambition for equipping their staff with skills. Where they benefit from higher skilled staff they should make a greater contribution to funding training. We need to back sectors where the great majority of employers and unions want to work together to set minimum skills standards in their industry. We need to use Government's influence as a purchaser to encourage employers to invest in skills. And we must help employers with the effective implementation of the proposed new right to request time to train.

**22 Sixth, how we can further improve the quality of provision at further education colleges and other training institutions** through a simpler system that empowers learners with greater choice between courses. The system must provide progressively greater autonomy to colleges and training institutions that demonstrate teaching excellence, but also cut funding to lower priority courses. Employers have encouraged us to aim for the largest **simplification of the skills landscape** for many years, with a goal of removing over 30 publicly funded skills bodies over the next three years.

## The proposals in this strategy

### *Promoting skills for economic prosperity*

*We will set a new overarching ambition for our higher education and skills systems that three-quarters of people should participate in higher education or complete an advanced apprenticeship or equivalent technician level course by the age of 30*

- 23 This bold new ambition will give added emphasis over the coming years to the need to train people in advanced vocational skills at Levels 3 and 4, alongside continuing to expand higher education. Our proposals to create a technician class and expand advanced apprenticeship numbers are key to this ambition. This will both meet an economic need and, through increasing advanced vocational routes into work, give a wider range of people the opportunity to gain the skills for a rewarding career. We remain committed to the ambition of a world class skills base set out by Lord Leitch, meaning that our skills levels should be in the upper quartile of those in the OECD group of countries by 2020. We are making good progress towards the interim targets we set for 2011.

*We will measure the success of the skills system by employment and other outcomes, not just qualifications targets*

- 24 It is important that acquiring qualifications is not seen as more

valuable than acquiring new skills. Increasing qualification levels cannot be the only way we measure the achievements of the skills system. We shall in future adopt a national scorecard approach in measuring skills progress, using four elements:

- Ensuring the supply of skills matches demand
- Ensuring the skills we deliver have economic value for employers, raising productivity as a result of training
- Ensuring we help adults improve their employability and progress – by measuring employment and earnings outcomes from training, and taking further steps to integrate employment and skills training
- Driving progress on raising skills towards a world class skills base – using industry-approved vocational qualifications as the main indicator

- 25 The national scorecard will be introduced in time for the next spending review period. The UK Commission for Employment and Skills will provide independent reporting on the new measures as part of its annual series of *Ambition 2020* publications. We will use underpinning indicators in the national scorecard to monitor the impact of this strategy by regions, sectors, and socio-demographic groups such as gender, race and disability.

**Expanding the apprenticeship system to build a new technician class**

*We will almost double advanced apprenticeship places for young adults*

26 More advanced apprenticeships are crucial to our ambitions to create a technician class – and wage return data suggests that this form of vocational training is particularly effective compared to other levels and types of training. So we will significantly expand advanced apprenticeships, with up to 35,000 new advanced and higher level apprenticeships beginning over the next two years, with the possibility of further expansion in subsequent years. The funding investment to support this will rise from around £17 million in 2010-11 to some £115 million in 2014-15.

27 We will work with the Department for Children, Schools and Families to support the development of University Technical Colleges. These will offer new opportunities for 14-19 year olds to undertake vocational and applied study. Alongside the introduction of 14-19 Diplomas, University Technical Colleges will greatly strengthen the flow of young people coming into the labour market with the skills and capabilities employers want, particularly for technician careers. We will ensure good progression from University Technical Colleges to other routes of study including advanced apprenticeships and foundation degrees.

*We will build stronger pathways into higher education for apprenticeships, including the development of the apprenticeship scholarship proposed by the Panel on Fair Access to the Professions*

28 The number of individuals progressing from non-academic routes to higher education remains low despite the significant expansion of apprenticeships seen in the last decade. The figure today, as identified by the recent report from the Panel on Fair Access to the Professions, led by Alan Milburn, remains at around 0.2%. We will commit funds to their proposal for an Apprenticeship Scholarships Fund, to provide a “golden hello” of up to £1,000 to 1,000 of the best apprentices seeking to go into higher education. The fund will be open to applications from apprentices across England and successful applicants will receive the scholarship once their place at a higher education institution has been confirmed.

29 We will boost the numbers and availability of Level 4 apprenticeship frameworks. We will work with higher education institutions, Sector Skills Councils, professional bodies and employers to pilot composite honours and masters programmes which maintain at their heart the principal requirements for an apprenticeship: employed status, technical expertise, occupational competency and professional recognition of their skills.

***Ensuring the system responds to demand from businesses, while better supporting key sectors***

*We will focus more of the skills budget on the areas of the economy which can do most to drive growth and jobs*

30 Our economy must continue to turn on the twin axes of high growth and high employment. In *New Industry, New Jobs* and *Jobs of the Future* we began to outline some market areas and sectors which will be crucial to future growth. In April 2010 we will create a Skills Funding Agency that will switch more funding into the sectors and markets where it can make a demonstrable difference in underwriting necessary skills development. Although it is impossible to predict in advance precisely where such targeting might be needed, a capacity of £100 million for priority sectors in future years would fund some 160,000 training places at Levels 2 and 3.

31 Priorities for increased funding include life sciences, digital media and technology, advanced manufacturing, engineering construction and low carbon energy. However, the UK Commission will work with employers to ensure we fully understand the short, medium and long-term skills needs of the economy. This will span both training and higher education institutions. Regional Development Agencies, city regions and local authorities will feed in their

knowledge of demand in different parts of the country. Sector Skills Councils will contribute knowledge of sectoral demand and how business processes in different sectors are changing. This will enable the skills system to be more active in identifying skills gaps and shortages, and more responsive in supplying training provision that raises the skills of UK workers to compete for jobs.

*We will strengthen links between the work of the Migration Advisory Committee and training priorities in the skills system*

32 The UK Commission-led analysis of future sectors and jobs will take account of the work of the Migration Advisory Committee in the form of its shortage occupations analysis. This will help us to ensure that the skills system is sufficiently responsive in tackling both current, acute shortages and likely future demand for skills. We will work with Sector Skills Councils to ensure we build the right partnerships with employers to support training of the domestic population to compete successfully for jobs in skills shortage areas. Over time, we will ensure that there is less need to fill skills gaps through migration, because we are better at equipping our own people with the right skills. The Gibson review<sup>6</sup> is considering how we could pursue this goal within the specific area of engineering construction.

6. The Department for Business, Innovation and Skills has commissioned Mark Gibson to review skills and productivity in the engineering construction sector. It is expected to report later this year

*We will give an important new strategy setting role to the Regional Development Agencies*

- 33** Regional Development Agencies, working in partnership with the Sector Skills Councils, local authority leaders and sub-regional bodies, will take responsibility for producing regional skills strategies that will articulate employer demand and more closely align skills priorities with economic development. The Skills Funding Agency will contract with colleges and providers to deliver the skills priorities in these strategies.

*We will pilot a Joint Investment Scheme with Sector Skills Councils in areas key to economic recovery, with a cash match from employers*

- 34** The employer-led Sector Skills Councils have achieved significant progress in raising employer interest in skills. They are spearheading a far-reaching reform of the skills system, to ensure that by the end of 2010 anyone who gets a vocational qualification can be confident that the employers in their chosen sector will value it.
- 35** Some sector skills organisations have argued that they could raise significant new investment from employers to boost skills in priority sectors if funds were matched by Government. We therefore propose to pilot a Joint Investment Scheme

from autumn 2010 with a small number of sector skills organisations in areas key to economic recovery, at skilled technician and associate professional levels. A combined fund which might grow over time to £100 million – including a £50 million cash match from employers – would support some 75,000 training places in priority sectors at advanced vocational levels (3 and 4). Employers covered by the scheme will be able to identify the training or higher education institutions they believe are most capable of delivering the training their industry needs.

*We will continue to support employers to drive and shape supply in key areas of the economy through announcing a fifth competitive bidding round of the National Skills Academies programme*

- 36** National Skills Academies have been a successful example of collective employer action and co-investment. They enable employers to shape training provision in key areas of the economy. So we are, through this strategy, announcing a fifth competitive bidding round of the National Skills Academy programme. We will continue to attract employer investment in skills by making more than £16 million of public revenue funds available for the National Skills Academy programme as a whole in 2010-11.

**Empowering all adults to equip themselves for future jobs**

*We will introduce skills accounts for every learner, to put the learner's choice at the forefront of driving improvement and quality in the skills system and ensure more people train at the best institutions*

37 To help adults get into work, progress in work or get a better job, we want to improve everyone's awareness of their training entitlements and their ability to exercise choice over the courses they take and how and where they take them. Through the new skills accounts, we want learners to become well informed, active consumers who drive improvements in colleges and training institutions.

38 The Government will increase the reach and power of accounts by trebling the number of places where they can be used; and by allowing greater access to the best colleges. But we will avoid the problems of individual learning accounts by ensuring skills accounts can only be used with accredited providers. Accounts will signal clearly to learners what training they are entitled to, the levels of public funding available, and any fees they will need to pay. They will signpost learners to wider support, such as Professional and Career Development Loans, and the full range of information, advice and guidance services. They will explain the likely benefits of further training in terms of wages and career prospects and enable learners to rank one college course against another through links to the new





“traffic light” data described below. They will also contain the learner’s full learning history. These new elements of skills accounts will come on stream from 2012.

*We will develop a new, user-friendly public rating system for every college and every course to empower learners in the choices they make about their future*

- 39 So that learners and skills account holders know which courses will help get them the career progress they want, we will introduce clear, consistent “traffic light” data about every college and every course, including, where possible, its record of getting people into jobs. This will include information about the quality of different courses, customer satisfaction ratings, likely resulting wage gains and so on.

*We will equip people on out-of-work benefits with the skills they need to compete for and to stay and progress in jobs, supported by skills accounts, and continue to help this group as a priority within the overall skills system.*

- 40 We will set out our next steps on employment and skills in more detail in the forthcoming employment White Paper. We plan for this to include a new single purse funding approach to streamline current funding arrangements, subject to spending priorities. We will continue aligning Jobcentre Plus and the adult advancement and careers service with a view to providing a fully

integrated and seamless support offer to customers – whether they are in or out of work – to ensure they find work, stay in work and progress.

*We will ensure more colleges across the country offer people the chance to “Qualify with a Business”*

- 41 The skills system has come a long way in supporting skills for successful business growth, but too often those who might wish to combine the skills needed for a trade with practical help starting a business, still have to navigate the possibilities on their own or with too little support.
- 42 We will ensure that further education learners who want to progress in this way are able to go to college and come out both qualified and ready to run a business. We will test a range of approaches to achieving this goal, and our ambition is that, over time, a coherent “Qualify with a Business” offer is available across the whole country.

***Raising recognition among business of the value of investing in workforce skills to improve productivity***

*We will help companies accessing business support schemes to develop clear policies for making effective use of the skills already in their workforce*

- 43 There is growing evidence that some companies pay too little attention to the skills already in their workforce or miss opportunities to grow their companies by investing in skills.



For example, five million women are working below their potential.<sup>7</sup> We will examine carefully the further reviews by the UK Commission of high performance working, and work with the Commission to progress its recommendations. In the meantime, we will work with Regional Development Agencies on the development of Business Link diagnostics so that companies accessing Train to Gain support or other government business support are helped to utilise the skills their employees gain in achieving their business growth objectives.

- 44 Better skilled managers are an effective way of developing a more skilled workforce and more innovative business strategies. These help the economy and also drive up demand for skills, creating a virtuous circle. Research suggests that the skills of UK managers sometimes fall short of managers in other countries. Again, where companies wish to access business support schemes, we will help them to identify where high quality

leadership and management skills may help them achieve their growth ambitions.

*We will promote skills and apprenticeship opportunities through the procurement contracts we let across government*

- 45 The Government spends over £220 billion a year on its procurement of goods and services. We want those who undertake government contracts to play their part in raising the skills of the workforce by investment in skills training and apprenticeships. We will deliver 20,000 apprenticeship places over the next three calendar years by encouraging employers working with Government – whether to build a new school or hospital, to develop a new IT system, or to deliver facilities management services – to invest in the skills of their employees and provide apprenticeship opportunities. This is a challenging ambition and every government department and agency will be expected to play its part in making it a reality.

*We will work with business to ensure effective implementation of our proposed legislation on the right of employees to request time to train*

- 46 The best employers see making the most of the commitment and potential of their workforce, including through investing in their skills, as one of the most powerful things they can do to drive their

7. The Labour Force Survey shows that more than 500,000 women are qualified in science, engineering and technology, but fewer than 150,000 work in these sectors

businesses forward. We need to create a culture in which every employer takes this view; and one in which individuals see improving their skills as one of the most beneficial things they can do to help them realise their potential and progress in their careers. We are in the process of taking through Parliament a Bill to allow employees to request time to train. We will work to implement this smoothly and successfully with employers and unions, keeping administration costs to a minimum. In doing so, we will promote the important lessons learnt through the MacLeod Review,<sup>8</sup> which makes the compelling case for the benefits gained when employees are actively engaged in the operation and success of the business.

*We will be sympathetic to employer proposals for new occupational licensing arrangements, where the great majority of employers in a sector want this and without undermining the interests of consumers*

- 47 Occupational licensing establishes national minimum standards to operate at a given level in a sector. Schemes such as the Gas Safe Register scheme (previously CORGI) and the requirement for qualifications in social care have stimulated significant change in the UK. These measures could help lever up skills levels in occupations. We will be sympathetic to employer

proposals for new occupational licensing arrangements, where the great majority of employers in a sector want this and without undermining the interests of consumers.

### **Improving the quality of provision within a simpler skills system**

*We will ensure our best colleges and training institutions benefit from simpler funding and monitoring arrangements, in exchange for more publicly available data about performance*

- 48 Further education colleges have been subject to much greater regulation and oversight than universities for many years. This is a reflection in large part of the problems at a minority of colleges in the 1990s. The improvement in standards of teaching and learning across the further education and skills sector over the past decade has been a remarkable success story, which owes much to the dedication and professionalism of the lecturers and trainers, and the quality of leadership in the sector. We now need to enter a new era where colleges can earn greater autonomy through their performance. We will introduce greater freedom for all colleges and training institutions to manage their resources more flexibly, combined with enhanced freedoms for outstanding colleges and providers across their total budget. Quality will be maintained through annual

8. David MacLeod was commissioned by the Department for Business, Innovation and Skills to take an in-depth look at employee engagement and to report on its potential benefits for businesses and employees. He published his report in July 2009

assessment of their performance against priorities, linked to future funding.

49 The performance measures in our new Framework for Excellence (in effect, a report card at college level) which will come in from 2011, will mean fewer targets and lighter touch monitoring for our best colleges, with a clear signal to others about what they need to do to reach that level. In return for this greater freedom, colleges will be expected to participate actively in the public assessment and quality assurance system described above.

50 Through the development of new funding approaches, over the next three years we will progressively move to a simpler, more liberalised system, less driven by multiple qualification targets and with an increasing focus on labour market outcomes and career progression.

*We welcome the UK Commission's recommendation to reduce the number of separate publicly funded agencies by over 30 and will work with them and others to make this happen over the next three years*

51 The improvements in college and provider performance, and the proposals we have set out to enable customers to drive the system give us confidence that the sector is ready to take more responsibility for its own quality improvement and can thrive with less central stipulation. We shall bring about a sharp reduction in the number of

separate publicly funded skills agencies as follows:

- The Learning and Skills Improvement Service will become a sector owned body, incorporating the range of quality development functions
- We shall increasingly move funding for quality improvement and workforce development to colleges and providers, so that they can decide whether and from where to commission support
- Investors in People UK will cease to operate as a separate organisation and the Investors in People standard will be overseen by the UK Commission from next April
- The Qualifications and Curriculum Development Authority will not play a role in adult qualifications from 2010 (subject to Parliamentary approval)
- We are asking the UK Commission, working with the 25 Sector Skills Councils, to bring forward proposals for a substantial reduction in the number of separate Sector Skills Councils by 2012
- By April 2010 the nine regional Learning and Skills Councils will cease to operate, subject to Parliamentary approval

- There is no longer a requirement for nine Regional Skills Partnerships as separate bodies from the Regional Development Agencies. Regional Development Agencies will lead on reviewing existing arrangements to ensure that they have the right balance of partnership working to deliver the new regional skills strategies and those at the sub-regional level where they exist

52 In simplifying the national skills landscape, we also need to recognise the important role that can be played by local and sub-regional structures and ensure that there is clarity about each of their responsibilities.

53 We have the ability to grant skills strategy setting powers to certain sub-regional bodies. Where these powers are granted, close working with local and regional partners to ensure alignment with existing strategies will be essential.

54 We are currently working with the city-region pilots, Manchester and Leeds, to agree their proposals for strategy setting powers. Building on these pilots, in considering further requests for powers we will:

- Take advice from relevant partners in the spatial area concerned, including at regional level
- Require the body seeking the powers to ensure future alignment with the regional skills strategy, which itself will need to be signed off by local leaders

- Require the body seeking powers to demonstrate how it will ensure that there is a streamlined approach to employer engagement with the skills system in the region

*We will finance our new measures by switching resources away from the programmes that contribute least to our strategic priorities*

55 In 2010-11, we shall fund the initial costs of the new advanced apprenticeships places (£17 million) and Joint Investment Schemes (£20 million) by re-prioritising funds within Train to Gain. In later years, we shall look across our skills budgets and decide the best source of funding for the further costs of these proposals.

56 At a time when public spending will be under severe pressure, we are clear that the changes set out in this strategy must be funded from within existing resources. The system must support an increased focus on priority sectors identified by the UK Commission for Employment and Skills, while maintaining a strong commitment to funding entitlements, dedicated training to help the unemployed back to work and provision for priority learner groups. All commitments will be met through the reprioritisation of existing budgets. In support of this we will:

- Stop the full funding of repeat qualifications within Train to Gain. During the recession, we have helped many businesses to manage difficulties through

flexing the scheme to allow over a third of the employees it benefits to do repeat courses. But as business conditions improve, from next autumn, we will progressively shift resources to medium and long term skills priorities for those who do not yet have qualifications at Levels 2 and 3. The flexibilities for small and medium sized enterprises to access fully funded unit and short qualifications will also be withdrawn

- Focus on those training programmes that offer the biggest skills gain for individuals, rather than activity that assesses existing skills
- Increase the volume of training that depends on matched funding either from an employer or an individual. In order to take forward this approach successfully, ensuring that

quality of provision is high, we have commissioned a review of co-funding and fee collection in further education, which will report in early 2010

- Stop funding the training that contributes least to our strategic priorities, in terms of student success or economic impacts, while continuing to ensure that all communities have access to adult learning and skills

57 There are a number of existing policies which will remain priorities in the future, subject to spending pressures. These include the entitlements to literacy and numeracy training, first full Level 2 qualifications and a first full Level 3 for 19-25 year olds; training for learners with learning difficulties and disabilities; training support for the unemployed; and informal adult learning for vulnerable, low skilled learners.



# Chapter one – Promoting skills for economic prosperity

- *We will set a new overarching ambition for our higher education and skills systems that three-quarters of people should participate in higher education or complete an advanced apprenticeship or equivalent technician level course by the age of 30*
- *We will measure the success of the skills system by employment and other outcomes, not just qualifications targets*

1 The right skills can play a key role in driving economic growth. Whilst we have made significant progress in recent years, further efforts will be needed in the years ahead. It will be critical to ensure every adult has the opportunity to attain a platform of basic and employability skills, and to continue to expand higher education. But our future national economic success depends on us strengthening our advanced vocational training system for young adults. As we do so, we need to ensure our skills system focuses on increasing the real world difference that better skills make, not simply treating qualifications as an end in themselves.

## The importance of skills

2 Skills contribute through two routes. First, when relevant and utilised effectively, skills can drive improvements in productivity. Skilled workers can carry out more complex tasks, work more effectively, and produce higher value products. Second, skills can raise the employability of individuals,

contributing to overall employment levels.

- 3 The economic gains from raising skills are potentially substantial.<sup>9</sup> It has been estimated that a one percentage point increase in the proportion of employees trained is associated with an increase in productivity of 0.6 percentage points, which in turn is worth around £6 billion a year to the UK economy.<sup>10</sup> Increased skill levels are critical to improving health, reducing crime and increasing civic participation.
- 4 There is no automatic relationship between skills and productivity. Critically important is how businesses actually use the skills of their workforce; and how they use them in combination with the other drivers of productivity,<sup>11</sup> such as investment, innovation and enterprise. For example, investment in innovation and technology is more profitable when combined with skilled labour, which is more able to take advantage of such investment. Skilled workers are generally better at adapting to

9. The Leitch Report estimated the net benefits of raising skills to the targeted levels to be at least £80 billion over 30 years, based on a boost in the productivity growth rate of up to 15% and an increase in the employment growth rate by around 10%, Leitch Review: *Prosperity for all in the Global Economy – World Class Skills* (2006)

10. J. van Reenen, H. Reed, L. Dearden, *The impact of training on productivity and wages: evidence from British panel data*, Institute of Fiscal Studies (2005)

11. Department of Business, Innovation and Skills, *Productivity and Competitiveness Indicators* (2008)

changing working environments, enabling firms to respond better to changing global competition and technology. We need to get better at using existing skills as well as developing new ones.

- 5 It is not only the level of skills, but the distribution and the type of skills that matters. The UK has, by international standards, too many low-skilled and unskilled people and too few with intermediate skill levels compared to countries such as France, Germany and the US. In the high tech sectors, the UK has a far lower proportion of technicians than the European average (10.7% in the UK compared to 22.3% across all 27 countries in the European Union).<sup>12</sup> The UK Commission for Employment and Skills has predicted an increase in the demand for skilled technicians and associated professionals over the period 2007-17 – with an estimated extra 650,000 people needed in these categories.<sup>13</sup>
- 6 Improved skills are important not only for business and the nation, but also for individuals. Skills enable people to find better jobs and secure higher wages. Improving skills helps to address social deprivation, poverty and inequality. The chances of being in employment increase



with education: for example, the employment rate of those with Level 2 qualifications is over 50% higher than for those with no qualifications.<sup>14</sup>

- 7 Further education generally has positive wage returns, even if the returns to some intermediate vocational qualifications, including some NVQ Level 2 qualifications, can be low – and returns are higher if training is delivered in the workplace.<sup>15</sup> Train to Gain evaluation has shown that NVQ Level 2 qualifications can yield significant economic benefits to individuals and employers.<sup>16</sup>

12. Eurostat

13. UK Commission for Employment and Skills predicted a likely increase in the demand for skilled technicians and associate professionals of 654,000 over the period 2007 to 2017 (1.4% per annum), *Working Futures 2007–2017* (2008)

14. Analysis of *Labour Force Survey* (2008, Q4). Employment rate of those with no qualification 50% versus employment rate of those with Level 2 qualification of 78%

15. Jenkins, A., Greenwood, C. & Vignoles, A. "The returns to qualifications in England: updating the evidence base on Level 2 and Level 3 vocational qualifications", CEE Discussion Paper, De Coulon & Vignoles (2008), "An analysis of the benefit of NVQ2 qualifications acquired at age 26-34", CEE discussion paper 106. A good discussion of possible selection bias effects is also contained in McIntosh (2009) *The Economic Value of Intermediate Education and Qualifications*; UK Commission for Employment and Skills research publication, forthcoming

16. *Train to Gain Employer Evaluation and Train to Gain Learner Evaluation*, Learning and Skills Council (June 2009)



	Current level (2008)	2011 Target	2020 Ambition
Literacy	(a)	(a)	95%
Numeracy	(a)	(a)	95%
Qualified at least L2	71%	79%	90%
Qualified at least L3	51%	56%	68%
Qualified at least L4+	31%	34%	at least 40%

a) This table applies to England only. The last survey on literacy and numeracy was carried out in 2003 and showed 84% of adults possessed functional literacy and 79% possessed functional numeracy. A new survey will take place in 2010-11. As an indicator of progress towards the 2020 ambition, the 2011 literacy and numeracy skills targets are: between 2008 and 2011, 597,000 people of working age to have achieved a first Level 1 or above literacy qualification; and 390,000 to have achieved a first entry Level 3 or above numeracy qualification.

8 Returns to apprenticeships are significantly higher than for NVOs alone at the same level, and employers tell us they place high value on them.

11 We have made significant progress in improving adults’ literacy and numeracy since the launch of the Skills for Life strategy<sup>18</sup> in 2001 and are committed to the ambition that 95% of adults should have at least a functional level of literacy and numeracy by 2020. Achieving our long-term ambition for numeracy will be challenging. It will require a step change in the number of adults taking courses to improve their numeracy skills and a change in culture and attitudes regarding numeracy.

### Our current performance

9 The Leitch Report in 2006 made it clear we were behind other countries in the quality of our skills base and set out targets for 2020 to ensure the UK becomes a world class skills economy. The Report recommended that we reform the skills system to be more responsive to the demands of employers and learners so that we supply not just more qualifications but the ones employers and learners require.

12 Between 2001 and 2008, the proportion of the population that had achieved at least a Level 2 qualification has increased from 65% to 71%.<sup>19</sup> Targets for Level 2 are demanding but by no means unachievable. Level 4 targets are on course to be met on current trajectories.

10 The Leitch targets were translated by the Government into interim targets for England for 2011, agreed as part of the 2007 Comprehensive Spending Review.<sup>17</sup>

17. Comprehensive Spending Review (October 2007)

18. Skills for Life: the national strategy for improving adult literacy and numeracy skills, former Department for Education and Skills (2001)

19. 2002/03 – 2007/08 June 2009 Statistical First Release on Post-16 Education & Skills 2008/09 – 2009/10 Modelling underlying Priorities for Success 4 (November 2008)

- 13 Targets for Level 3 remain the most challenging. At current levels of investment we expect some 63% of the population to have at least a Level 3, against the 68% target set out by Lord Leitch. In this White Paper, we signal our clear intention to boost provision at Level 3 in order to accelerate progress.
- 14 Our demand led approach is helping to reduce skills gaps, and colleges and training institutions are rising to the challenge with dramatic improvements in quality, including a rise in college success rates from 53% in 1997-98 to 81% in 2007-08.<sup>20</sup>
- 15 The proportion of colleges that are rated by Ofsted as “good” or “outstanding” is also on the rise, from 51% in 2002-03 to 71% in 2007-08.<sup>21</sup> Employer satisfaction rates are at a record high and learner satisfaction is equally impressive.
- 16 Pre-recession figures showed employers were investing in skills at record levels, spending £38.6 billion in 2007.<sup>22</sup> Anecdotally, employers report that they are maintaining spending in the recession because they recognise it is critical to their position for the upturn. However, the BCC Quarterly Economic Survey suggested that more businesses were revising down their intended investment in training than revising it upwards.<sup>23</sup>



- 17 In the past year, our key focus has been, and continues to be, on job entry for the unemployed. In the face of the recession, the Department for Business, Innovation and Skills, the Department for Work and Pensions and our agencies have joined forces to deliver pre-employment training this year to thousands of unemployed adults under the banner of *Real Help Now*.

20. Ibid.

21. Ofsted, college inspection reports. These figures are from separate inspection cycles and are based on different selections of colleges. Figures are not therefore strictly comparable

22. *National Employer Skills Survey* (2007). Around half of the annual £38.6 billion investment is wage costs

23. *British Chamber of Commerce Quarterly Economic Survey* (2008, Q4)

## Real Help Now

As part of our support for individuals in response to the economic downturn, the Government has introduced new offers of training to help the unemployed to get the skills they need to find sustainable work. Worth over £300 million over two years, these offers include short, flexible training for those facing redundancy and for the long-term unemployed, to keep them close to the labour market so they can move into current or emerging jobs in growth sectors. There are also longer and more substantial training programmes for those who need a bigger uplift in skills in order to become job-ready. Training is tailored to individuals' existing skills and is responsive to the changing needs of the labour market. Local authorities have played and will continue to play a pivotal leadership role in guiding delivery to meet local needs. Financial incentives also encourage training institutions to help learners into sustainable employment.

## Ambition and targets

- 18 Yet, all the achievements of recent years stand in the shadow of the even greater efforts that will be needed in the years ahead. We are still not catching up fast enough with our main competitors and further effort is needed to keep raising skills at every level.
- 19 Our success in enabling millions of adults to gain basic skills needs reinforcement. Building on the success of the Skills for Life strategy, we will continue to prioritise equipping adults with the literacy, language and numeracy skills they need to find, stay and progress in work, support their families and to play an active role in their community.
- 20 We will also continue our work with partners across government to make sure that those furthest from the labour market benefit from the skills system. To support this we are exploring ways to secure more effective models of delivery using the combined strengths of the public, private and third sectors. We will continue to make progress with the Department for Work and Pensions on our shared goal of an integrated employment and skills system to help the unemployed. This is key to expanding job opportunities as we come out of recession. We say more on this in chapter 3 and in the forthcoming employment White Paper.
- 21 To deliver the necessary increase in training at Level 3, we will create a modern class of skilled technicians and associate professionals and highly skilled craft and trade occupations, linking the world of learning and the world of work. It is as valuable for a young person to gain a good technical qualification through an apprenticeship as it is to go directly into university.

## Reforms to 14-19 education: Improving the flow of skilled young people into the workforce

Reforms to 14-19 education and training have been designed to ensure that more young people enter the workforce or further learning with high skills levels. These are set out in *Delivering 14-19 Reform: Next Steps*. Increasing to 18 the age to which young people will stay in learning will allow all young people to develop the skills employers want. But to go hand in hand with this there needs to be options which inspire and stimulate them to achieve.

The Diploma is broadening the routes through which young people can achieve Level 3 skills and progress to higher education, crucially relating those skills to the workplace. Reformed apprenticeships, GCSEs and A Levels, along with the new Extended Project, will cover broader the thinking, problem-solving and independent study skills that employers are demanding. For those who aren't ready for those options, Foundation Learning will provide a programme of learning that secures the core skills needed to progress further.

The compulsory teaching of functional skills in the secondary curriculum combined with the forthcoming legal entitlement for all young people to study functional skills to Level 2 up to the age of 19 will mean young people can develop the important literacy, numeracy and IT skills that employers demand and that unlock further learning.

**22** So, in this White Paper we set a bold new ambition for the higher education and skills systems – that three quarters of young people should participate in higher education or complete an advanced apprenticeship or equivalent technician level course by the age of 30. This broadens out, but does not supersede, our 50% higher education participation target<sup>24</sup>, by including advanced vocational education and apprenticeships as routes of equal value and status

through which young people can achieve their potential and gain good jobs.

**23** In the next chapter we set out proposals to strengthen the links between vocational training and progression into higher education. This builds on the measures in our framework for higher education published in November 2009.

24. As restated in *Higher Ambitions: the future of universities in the knowledge economy*, Department for Business, Innovation and Skills (November 2009)

## Higher Ambitions – the future of universities in a knowledge economy

Supporting this skills strategy, *Higher Ambitions – the future of universities in a knowledge economy*, has sought to reinforce the contact between businesses and universities, to ensure that:

- Universities work with employers to develop programmes that deliver high level skills that respond to the needs of the economy, especially in priority markets and sectors
- Universities produce employability support plans that will help ensure their graduates have the important generic skills (e.g. team-working, reasoning, communicating) that are required in modern workplaces
- Businesses communicate their skills needs and fund programmes from which they benefit through better skilled staff
- Individuals and businesses recognise the premium offered by higher level skills and invest accordingly, with prospective students having sufficient information to reflect how different learning choices will affect their career prospects

## Measuring our success

24 Acquiring qualifications should not be seen as more valuable than acquiring new skills. We want a system where these two are linked, not in tension. So, while we remain committed to achieving the targets set out in the Leitch Report, we plan to widen our measures of success to include factors other than qualifications. We will adopt a national scorecard approach in measuring skills progress, using these four elements:

- a) Ensuring the supply of skills matches demand now and in the future, incorporating the use of skills by employers to drive their business
- b) Ensuring the skills we deliver have economic value for employers – whether they feel their skill needs are being met, and whether they can generate a productivity increase as a result of training
- c) Ensuring the skills we deliver help adults improve their employability and progress. We will focus on the delivery of economically valuable skills, by looking at individuals' employment and earnings outcomes from training
- d) Driving progress on raising skills towards a world class skill base measured through numbers of achievements of industry-approved vocational qualifications

25 This national scorecard will be introduced in time for the next spending review period. The UK Commission will provide independent reporting on the new measures as part of its annual series of *Ambition 2020* publications. We will use underpinning indicators in the national scorecard to monitor the impact of this strategy by regions, sectors, and socio-demographic groups such as gender, race and disability.



# Chapter two – Expanding apprenticeships to build a new technician class

- *We will almost double advanced apprenticeship places for young adults*
- *We will build stronger pathways into higher education for apprentices, including the development of the apprenticeship scholarship proposed by the Panel on Fair Access to the Professions*

1 The apprenticeship system has undergone a renaissance over the last decade. Expanding apprenticeships, particularly at skilled technician and associate professional level, is key to our ambitions of equipping people for the higher level jobs of the future – and will be a major contributor to our new ambition that three quarters of people should participate in higher education or complete an advanced apprenticeship or equivalent technician level course by the age of 30. We will almost double the number of advanced apprenticeships for 19-30 year olds, and increase the opportunities for high level apprentices to move on into higher education.

## **New advanced and higher apprenticeship places for young adults**

2 The Leitch review set a target of 250,000 apprenticeship starts per year by 2020. Our ambition is to significantly exceed this and on our current plans we anticipate around 360,000 starts by 2020, with an aspiration that one in five young people will be undertaking an

apprenticeship within the next decade. Apprenticeship starts increased from 65,000 in the academic year 1996-97 to a record 234,000 in 2008-09.<sup>25</sup> Completion rates are also at record levels – 112,600 people achieved apprenticeships in the academic year 2007-8, representing a completion rate of 64%.

3 Over 80,000 19-24 year olds started an apprenticeship in 2008-09. A further 54,700 people over the age of 25 began an apprenticeship in 2008-09, of which over 40% were advanced apprenticeships.



25. Provisional – Statistical First Release figures (October 2009)

The overall proportion of Level 3 apprenticeships across all age groups has remained at around 30% in recent years, but has increased to 32% in 2007-08, and 34% in 2008-09, reflecting employers' demand for advanced apprenticeships.<sup>26</sup>

- 4 The evidence on returns from apprenticeships is very strong. It shows that, across their lifetime, individuals benefit strongly from apprenticeships through better pay and employment prospects and that private returns to individuals compare well with other vocational routes – up to an 18% wage premium above those learners with a non-apprenticeship Level 1 or Level 2 qualification.<sup>27</sup> We are determined to ensure that the quality of the apprenticeship experience is maintained whilst we expand delivery. This year we are

seeking, through the *Apprenticeships, Skills, Children and Learning Bill*, currently before Parliament, to put apprenticeships on a statutory footing for the first time; as well as enhancing the role of Sector Skills Councils in ensuring that apprenticeships reflect the needs of employers and equip people with transferable skills.

- 5 While apprenticeships take longer than other vocational training, and are therefore more expensive, their value to employers and individuals is evident from the success of the programme. Boosting the numbers of advanced apprenticeships is critical to our plans for building the skills of young adults and for the overall economic health of the nation. The apprenticeship programme can also make a significant contribution to remedying

## Negotiating high quality apprenticeship programmes: UNISON and North Yorkshire County Council

- 1 North Yorkshire County Council's *Real Start* apprenticeship programme provides "high quality training, quick progression to full, negotiated pay rates and permanent jobs" according to UNISON which has negotiated the programme with the authority. The programme is open to people aged 16-24 and has offered over 120 apprenticeships for a couple of years running.
- 2 The apprentices begin on the minimum £95 a week but get the same package as anyone else in terms of annual leave and sickness benefits. Apprentices move on to the full rate for the job once they reach the required competence standard, usually within the first six months of their apprenticeship. Where full pay cannot be offered within the first year, pay is increased at three, six and nine months. Apprentices can also receive assistance with travel costs of more than £10 a week.

26. Data Service Statistical First Release: DS/SFR4 (October 2009). 2008/09 figures are provisional.

27. McIntosh, S, *A cost-benefit analysis of apprenticeship and other vocational qualifications*, former Department for Education and Skills (2007)





the shortage of skilled technicians, associate professionals and advanced skills occupations. This will have particular benefit for those markets and sectors of the economy that we have designated as priorities, either because they will be a source of growth, or jobs, or both.

- 6 From next September, we will reprioritise funds within available budgets to boost advanced and higher apprenticeship opportunities for 19-30 year olds. This will increase by almost double the numbers of advanced apprenticeships available for this group, through an additional 35,000 advanced and higher apprenticeship places beginning over the next two years. The funding investment to support this will rise from around £17 million in 2010-11 to some £115 million in 2014-15. Whitehall departments will also play their part by creating additional apprenticeship places, as recommended in the Milburn Report.

- 7 Our success in delivering thousands of new advanced and higher apprenticeships will depend on the preparedness of industry, beyond the recession, to offer substantially increased numbers of apprenticeship placements. We will review with industry and others whether there is demand for even greater expansion of the programme in future years.
- 8 We will work with the Department for Children, Schools and Families to support the development of University Technical Colleges. These will offer new opportunities for 14-19 year olds to undertake vocational and applied study. Alongside the introduction of 14-19 Diplomas, University Technical Colleges will greatly strengthen the flow of young people coming into the labour market with the skills and capabilities employers want and particularly for technician careers. We will ensure good progression from University Technical Colleges to other routes of study including advanced apprenticeships and foundation degrees.

### **A pilot University Technical College sponsored by Aston University**

A pilot UTC under development in Birmingham, sponsored by Aston University, is due to open in 2012. This institution will have a strong engineering focus and will engage the support of high profile engineering and manufacturing companies with a presence in the region to support the highly specialised curriculum.

## Recognising technician skills

- 9 At present, there is a lack of recognition of the importance of technicians to the economy. Technicians should be confident that the qualifications they obtain carry a status and value that is recognised in the market place and not just by their own employer. We will ask a consortium of partners including the Engineering and Technology Board, the Royal Academy of Engineering, employers and Sector Skills Councils to produce recommendations on how levels of participation in the existing registration schemes for technician level engineers could be increased.
- 10 In addition, we will invite Lord Sainsbury to develop proposals covering science technicians and to explore the possibility of a council for technicians which would enable those organising the schemes for engineers, ICT and science to meet and develop a common agenda.

## Progression into higher education and the professions

- 11 We will also provide more opportunities for young adults to move into higher education while maintaining and developing their occupational skills in the work place. Several recent reviews<sup>28</sup> have looked at progression from apprenticeships into higher education. We support their proposals to improve the quality and availability of



information, advice and guidance on progression opportunities, and will shortly publish a Specification of Apprenticeship Standards for England. This will include requirements that:

- a) From April 2011, all apprenticeships frameworks at Level 3 and Level 4 must have UCAS tariff points, so that learners' achievements can be compared to other qualifications on application to higher education
- b) From April 2011, all apprenticeship frameworks will be required to set out the routes into higher education that learners could take once they have successfully completed their apprenticeship, to allow learners to make informed choices

28. *Progression through Apprenticeships: The final report of the Skills Commission's Inquiry into Apprenticeships* (March 2009); *Unleashing Aspiration: The final report of the Panel on Fair Access to the Professions* (August 2009)

12 One in eight undergraduate students are now studying in further education colleges in England. As set out in our framework for higher education, we will expand new types of higher education programmes that widen opportunities for flexible study for young people and adults. This will include part-time and workplace-based courses, and the expansion of foundation degrees which are vocational degrees completed in two years designed jointly between employers and higher education. There will be an

important role for further education colleges, as well as for universities in such provision, including through greater partnerships between universities and further education colleges.

13 We will also seek to promote the role that professions themselves can play to establish clear progression routes. We will work with them to develop a repository of best practice which sets out practical ways in which vocational routes can be expanded into the professions.



14 We are also attracted by the arguments Alan Milburn has made<sup>29</sup> about the need to inspire apprentices who gain advanced apprenticeships to take their skills to the next level, and to support them through scholarships which help them access higher education. To achieve that, we will:

- a) Implement Alan Milburn's proposal for an apprenticeship scholarships fund next autumn, so that some 1,000 young adults receive £1,000 each to incentivise further progress with their learning and skills in higher education. This will be met through a £1 million fund starting from autumn 2010
- b) Make funding available for Sector Skills Councils working with employers and higher

29. *Unleashing Aspiration – The Final Report of the Panel on Fair Access to the Professions*, recommendation 34

education institutions, to develop more higher apprenticeship frameworks and to pilot new composite honours and masters frameworks

- c) Explore how bridging modules could be used to support progression in cases where a Level 3 framework may be short of the number of points needed for progression to higher education

**15** The additional higher apprenticeship frameworks and these bridging modules will cost a total of £5 million from April 2010.



# Chapter three – Responding to businesses and key sectors

- *We will focus more of the skills budget on the areas of the economy which can do most to drive growth and jobs*
- *We will strengthen links between the work of the Migration Advisory Committee and training priorities in the skills system*
- *We will give an important new strategy setting role to the Regional Development Agencies*
- *We will pilot a Joint Investment Scheme with Sector Skills Councils in areas key to economic recovery, with a cash match from employers*
- *We will continue to support employers to drive and shape supply in key areas of the economy through announcing a fifth competitive bidding round of the National Skills Academies Programme*

1 In *New Industry, New Jobs*<sup>30</sup> and *Jobs for the Future*,<sup>31</sup> we set out our strategy for economic growth. Here, we set out how our skills system will equip our workforce for jobs in the economy of the future, responding actively to bottom-up demand and anticipating and enabling future growth.

## Progress in introducing a demand-led system

2 Over the past few years, we have been steadily putting in place a skills system that is more responsive to individual and employer needs. Following the recommendations from Lord Leitch, the UK Commission for Employment and Skills was established in April 2008

and has since played an active role in ensuring that the UK improves its employment and skills systems to help the UK become world class in productivity and employment as well as ensuring a fair and inclusive society.

3 Train to Gain was introduced nationally from April 2006 to support employers through on the job training to improve the skills of their employees and contribute to improved business performance. Train to Gain represents a major reform in the way that training is delivered to employers to ensure that public funding is more responsive to employers' and learners' needs.

30. *New Industry, New Jobs*, Department for Business, Innovation and Skills (April 2009)

31. *Jobs for the Future*, HM Government (September 2009)

## Train to Gain

Through Train to Gain, people have started over 1.4 million qualifications, and there are approval ratings of over 90% from learners and employers. Around 780,000 qualifications have been achieved, including around 560,000 full Level 2 and over 72,000 full Level 3 qualifications. Train to Gain offers public funding for defined categories of training for employees, such as those without a Level 2 qualification or basic skills, and has a flexible offer including higher level skills and leadership and management.

As Train to Gain grows, it is benefiting more and more employers and has impressive satisfaction ratings:

- a) 91% of employers are satisfied with the training and the provider that delivered it
- b) 61% of employers reported an increase in productivity
- c) 66% reported improved long-term competitiveness
- d) 57% reported an increase in product or service quality\*

Through a national network of Business Link advisers, Train to Gain will continue to provide free impartial information and advice to help employers improve and grow their businesses. Advisers offer tried and tested skills diagnostics so that training needs can be accurately identified and point business to the right solutions including available public funding.

Between April 2006 and March 2009, over 143,000 employers were engaged with Train to Gain, of which 72% were hard to reach. 78% of those employers who have used the brokerage service were satisfied with it, especially the impartiality of advice and knowledge of local provision.

\*REF Employer figures: Train to Gain Employer Evaluation: Wave 4 Research Report – June 2009

- 4 For individuals, we have also piloted a skills accounts scheme to help increase their power as customers of the system. We say more about how we will develop this further in chapter 4.

## A more strategic understanding of employer demand

- 5 We remain committed to a demand-led skills system which responds to the needs of employers and individuals. This will continue to drive the way in which the vast majority of funding is allocated.



But public spending on skills must also deliver a critical mass of learners with the right skills to help individuals get on and enable UK businesses to compete. To do that we must:

- a) Take strategic decisions about how best to meet the skills needs in areas of the economy where we anticipate opportunities for high growth or high employment, or both
  - b) Ensure that the further and higher education systems can respond better to short, medium and long-term skills demands of a competitive economy
  - c) Promote shared investment in skills: reinforcing our message of shared responsibility between employers, learners and Government for investment in skills
- 6 This enhances the demand-led approach by acting to ensure there is well informed active demand expressing the future needs for skills on which growth and jobs depend.

## Intelligence and priority setting

- 7 So that we can identify these future needs, we will look to the UK Commission to produce an annual National Strategic Skills Audit. The first of these will be published in 2010. It will call on the expertise of Sector Skills Councils and Regional Development Agencies as well as employers, labour market academics and the Migration Advisory Committee to help identify, and advise Government about skills needs at the national, sectoral, regional, and sub-regional levels. At national level this will include skills of strategic importance, for example, skills to adapt to climate change. In doing this, it will take account of its duties to promote equality. Ministers will use this advice to set out a national framework of priorities.
- 8 Within that national framework, the Regional Development Agencies, working in partnership with local authority leaders, sub-regional bodies and other partners such as Sector Skills Councils, will be tasked to produce Regional Skills Strategies which are a core part of the Single Integrated Regional Strategies. The regional strategies will be developed and agreed with local leaders in each region. The skills strategies will articulate employer demand and set out specific skills investment priorities for their region. The skills priorities in the regional strategies will inform Ministers' Annual Skills Investment Strategy and how the Skills Funding Agency will fund colleges and training institutions to ensure an appropriate supply of

skills to meet the national, sectoral, regional and sub-regional priorities.

- 9 Colleges and training institutions will have discretion to respond within this overall framework of priorities, shaping the range of courses they offer to meet demand from local employers and learners. Their delivery against this will be monitored by the Skills Funding Agency and linked to future funding, with rewards for those who respond flexibly and rapidly.

### ConstructionSkills

ConstructionSkills is working with the construction industry to make sure it has the skills it needs to emerge from recession as an international force. Modern construction practices and the pressures to achieve social, environmental and commercial sustainability are already creating a demand for new skills. ConstructionSkills has set up a specialist Future Skills Unit to make sure the industry has the training and qualifications it needs. ConstructionSkills is preparing a detailed report setting out the current UK skills provision delivered by colleges, universities, private training institutions and charities; looking at external drivers such as demographic and technological change and identifying key areas of over and under provision. This report will provide a firm evidence base to help inform future changes to training provision for the industry.

### Using migration strategically to meet demand for skills

- 10 We remain fully committed to an open and flexible labour market whilst managing migration in the best interests of the UK. This must support employers to get the skilled workforce they need whilst protecting employment opportunities for resident workers. Employers will expect to fill some jobs through migration to support wider business competitiveness, where skills gaps and shortages exist in the UK labour market. The new points based immigration system is flexible, and allows us to adjust policy to meet the future requirements of the economy and labour market.
- 11 When employers bring in migrant labour to meet urgent skills gaps this should be seen as a temporary solution to a matter the skills system





should take firm action to address, working with employers in the relevant sectors. We need our skills system to equip the domestic population with the skills required for those jobs. That spans everyone from those without jobs, who could be helped to train for high employment areas like hospitality, retail and leisure; through to cutting edge industries experiencing shortages of skilled technicians, including aerospace.

The Migration Advisory Committee is highlighting the areas of shortage through its regular reports.<sup>32</sup> These are reducing in number but we need to hasten that still further. Critically, we need to join up their work with the remit we are giving the UK Commission to turn intelligence about shortages into national training priorities in the skills system.

12 The responsibility for acting on those priorities will fall squarely to the Skills Funding Agency. They have the power to commission the training that will be needed in the sectors and geographical areas where it will have most impact. But we shall also need to see employers taking greater responsibility for tackling the issue of dependence on migrant labour. We acknowledge the contribution Sector Skills Councils are already making by helping to get more unemployed people on to training schemes to get them into

jobs identified by employers in those sectors, where there has previously been a dependence on migrant labour.

13 We need to build on current actions in two important ways: first, by extending Sector Skills Council actions to include action on shortages at skilled technician level; second, by requiring Sector Skills Councils and the Skills Funding Agency to produce regular delivery reports on how their joint action is reducing dependence on migrant labour. Over time, we will ensure that there is less need to fill skills gaps through migration, because we are better at equipping our own people with the right skills. The Gibson review is considering how we could pursue this goal within the specific area of engineering construction.<sup>33</sup>



32. *Skill, Shortage, Sensible: the recommended shortage occupation lists*, Migration Advisory Committee (October 2009)

33. The Department for Business, Innovation and Skills has commissioned Mark Gibson to review skills and productivity in the engineering construction sector. It is expected to report later this year

## The 2012 Olympic and Paralympic Games

2012 presents exciting skills challenges and opportunities. We need to ensure that we have enough skilled individuals to take full advantage of these opportunities as we prepare for and deliver successful Games. We will use these opportunities to secure a lasting skills legacy; supporting businesses in key sectors and helping individuals to develop skills that will help them progress long after the Games have ended. To do this we are working with key partners to provide:

- a) Apprenticeships in construction, sport, and hospitality, leisure and tourism
- b) Employment opportunities in retail, security and construction
- c) Opportunities for the unemployed to use a structured programme of volunteering – the Personal Best Programme – as a way back into employment

## Ensuring the skills budget supports growth and jobs

14 We will focus more of the skills budget on the areas of the economy which can do most to drive growth and jobs. In *New Industry, New Jobs* and *Jobs for the Future*, we outlined some market areas and sectors which will be crucial to future jobs and growth. In April 2010, we will

create a Skills Funding Agency that will work with colleges and other training institutions to ensure that available public funds are targeted on the sectors and markets where they can make a demonstrable difference in supporting skills development that will help drive economic growth.

15 Although it is impossible to predict in advance precisely where such targeting might be needed, a capacity of £100 million for priority sectors in future years would fund some 160,000 training places at Levels 2 and 3. Priorities for increased funding include life sciences, digital media and technology, advanced manufacturing, engineering construction and low carbon. However, we will continue to refine our understanding of where the opportunities will be for the UK to grow in output and employment over time.

## Piloting a priority Joint Investment Scheme

16 Some sector skills organisations have argued that they could raise significant new investment from employers to boost skills in priority sectors for recovery with matching funds from Government. We therefore propose to pilot a Joint Investment Scheme from autumn 2010 with a small number of Sector Skills Councils and Industry Training Boards in areas key to economic recovery, at skilled technician and associate professional levels.

A combined fund which might grow over time to £100 million – including a £50 million or more cash match from employers – would support some 75,000 training places in priority sectors at advanced vocational levels. Sector Skills Councils will be able to help identify the training or higher education institutions which they believe to be most capable of delivering the training their industry is seeking. This scheme will build on the valuable lessons learned from developing the ten current sector compacts. As part of the regular review of those existing compacts, we will ensure that their focus complements our approach to growth and employment priorities.

### National Skills Academies

17 We will hold a fifth competitive bidding round of the National Skills Academy programme. National Skills Academies have been a particularly successful example of collective employer action and co-investment. They will continue to enable us to support employers to drive and shape training provision in key areas of the economy to meet the specific needs of employers. Those who are successful following expressions of interest in the spring will work with the Learning and Skills Council, and subsequently the Skills Funding Agency, to develop their business plans for approval during 2010-11. We will continue to attract employer investment in skills by making more than £16 million of public revenue funds available for

the National Skills Academy programme as a whole in 2010-11.

### Skills bodies acting together on renewable energy

Eight sector bodies\* have clustered to deliver a renewable energy skills strategy, with funding from the Department of Energy and Climate Change to support central co-ordination, and in-kind contributions from the sector bodies. The project will deliver a skills analysis for this emerging sector, covering specialist, transferable and cross sector skills, including supply side and gap analysis. The whole supply chain is in scope, including research and development, development and planning, design and manufacture, construction and installation, operation and maintenance. The steering group includes representatives from the sector bodies, as well as from government departments across the UK. The project will be delivered by June 2010.

\* AssetSkills, Cogent, ConstructionSkills, EU Skills, Lantra, SEMTA, SummitSkills and ECITB

## Case Study: National Skills Academies

There are now 13 National Skills Academies in operation and two that are in the planning phase in key areas of the economy including high value sectors such as creative industries, IT and enterprise and high employment sectors such as social care and retail. As employer-led, independent organisations, they have attracted significant employer investment in skills over the last three years.

National Skills Academy for Nuclear is led by employers from across the nuclear sector, with over 55 employer members after 20 months of operation. Key is the development of structured career progression and development routes. The Skills Academy has achieved this by:

- Development of a community apprenticeship programme. For small and medium businesses in the supply chain support, a wage subsidy is provided to employers taking on apprentices for the first time. 75 have now been appointed
- Foundation degrees developed with Universities of Portsmouth and Central Lancashire to provide the next step on the career ladder. There have been 120 enrolments to date
- Certificate of Nuclear Professionalism, which is now being developed to ensure graduate entrants have the right skills and competencies to work in the industry



# Chapter four – Equipping adults for future jobs

- *We will introduce skills accounts for every learner, to put the learner’s choice at the forefront of driving improvement and quality in the skills system and ensure more people train at the best colleges*
- *We will develop a new, user-friendly public rating system for every college and every course to empower learners in the choices they make about their future*
- *We will equip people who are on out-of-work benefits with the skills they need to compete for and stay and progress in jobs, supported by skills accounts; and continue to help this group as a priority within the overall skills system*
- *We will ensure more colleges across the country offer people the chance to “Qualify with a Business”*

- 1 We will never have a learning revolution unless we help learners themselves to become the revolutionaries. There has never been a greater need for this. In this recession, too many hard-working families have become hard-pressed families, beset by the problems that come with short-time working or outright unemployment.
- 2 Economic recovery will help improve the lot of many. But the jobs of the future will increasingly require new and improved skills compared to the jobs of the past. The chances of getting a new job, or progressing in one, are greatly improved according to a person’s skill set. The employment rate among those with Level 2 qualifications is over 50% higher than those without any, and wage returns are even greater for people with Level 3 and 4 qualifications.<sup>34</sup> So, we must design a system which

offers learners the information and support they need to access training, and further training, both to enter work and progress in their careers – which, for some, will include self-employment, where we will support more people to “Qualify with a Business”. We also need to ensure that the skills system equips people who are out of work with the skills they need to move back into work as quickly as possible and supports them to stay and progress in work.



34. See Footnote 13

## Skills accounts

3 We already have in train a pilot scheme of skills accounts, alongside trials of elements of a new integrated adult careers advice service. However, to make adults well informed, active consumers who drive improvements in the system, we need to go further. This strategy announces that we will radically expand learner choice through individual skills accounts, to give learners greater access to high quality and relevant provision at the place where they want to train. Their exercise of choice will drive quality improvements across the skills system. Through new skills accounts, we will:

- a) Put the benefits of consumer choice firmly in the hands of learners from autumn 2010
- b) Offer better access to a wider range of training places with greater chances of being able to enrol in the learner's chosen course – some 1,500 training institutions will be accessible through skills accounts, not just the 363 further education colleges<sup>35</sup> as envisaged previously
- c) Provide clear information about a learner's entitlements to learning and funding
- d) Inform learners about the quality of the different courses open to them, including the performance



of different courses and institutions in enabling learners to get a better job or achieve a wage gain, through simple "traffic light" data

- 4 To realise this goal, we will take the following steps:
  - a) We will introduce from 2010 new individual skills accounts supported by the new adult advancement and careers service
  - b) Accounts will be offered to all adults who access publicly funded training, including through Train to Gain or apprenticeships; and to all young people, linked to their Unique Learner Number, when they turn 19
  - c) These accounts will give individuals clear information on their entitlements to training, support on understanding the options open to them (including

35. Including 94 sixth form colleges

bespoke information on skills provision in their area) and a permanent record of the qualifications they have achieved

- d) We will make clear the financial support which learners can access outside of their entitlements including Professional and Career Development Loans
- e) From 2011, individuals will be able to use their entitlements through skills accounts at any college or private or third sector training institution approved by the Skills Funding Agency, trebling the number of places a learner can attend compared to previous plans
- f) We will amend the way in which the funding system works so the top rated colleges and training institutions will be funded to offer more places than would otherwise have been the case, ensuring more learners get to attend our best courses, and that learner demand will play a greater role in shaping the market
- g) Once the system has bedded in, by 2012-13 learners will be able to signal where their demands have not been met. This information will be available so providers can respond to unexpected or specialist areas of demand more quickly – potentially introducing a new course at short notice



- 5 So that learners and skills account holders know which courses will help get them the career progress they want, we will introduce clear, public, “traffic light” data about every college and, wherever possible, every course. This will set out information about a range of issues including the quality of different courses, the customer satisfaction ratings, its record of getting people into jobs, and what the likely resulting wage gains are.
- 6 This will be supplemented by a ‘balanced scorecard’ showing the institution’s wider achievements with individuals, employers and the

## The adult advancement and careers service

The new adult advancement and careers service will be launched in August 2010 providing high quality careers information, advice and guidance to help individuals make the best choices. The service will use the latest technology to deliver professional advice via the telephone, face to face, or online, while also allowing for skills self assessments.

The new unified service will build on recent progress. In the twelve months up to July 2009, the *nextstep* service has provided face to face advice to around 375,000 adults with 158,000 getting further advice and support; the Careers Advice Service handled some 635,000 telephone calls and emails, with 186,000 adults receiving personalised career coaching by phone, and there have been 12 million online searches.

The service will promote equality of opportunity and be fully universal. Any adult, including those beyond working age, will be entitled to a free session with an adviser to assess their skills and aspirations and give advice on options for learning and work. That advice will be independent and impartial, helping the individual identify a full range of options and possible career paths. The service will be delivered flexibly to ensure good access for all, no matter what their circumstances. For example, there will be some provision for advisers to deliver support in the individual's community, close to home, in the evenings or at weekends where necessary to meet their needs; and more intensive and ongoing support will be offered for those who need it most. It will work closely with Jobcentre Plus to provide seamless support to those on out-of-work benefits.

We will continue the Women and Work Sector Pathways initiative which, as well as supporting 5,000 women each year, provides information about how training, career development and recruitment policies can help women get into and progress in sectors and occupations where specific skills shortages exist and where women are under-represented.

community as a whole. Such labelling will be introduced by 2011, and will draw from Framework for Excellence data as it develops.

- 7 The new skills accounts will allow individuals to record the financial contributions they make to the cost of training, alongside the Government entitlements they have

used. However, we may be able to do more to help individuals to save for learning, supported by the services that a skills account will provide. We will explore the case for taking further steps in this direction, and will report our findings by the end of 2010.



8 We recognise that there are some people who, for many reasons including disability, homelessness and offending behaviour, find themselves at a particular disadvantage in accessing learning and work. For those people, accessible and inclusive skills provision is only part of their path to social mobility, and they stand the best chance of success if that is part of a wider package of support. We will, therefore, continue our work with partners across Government to make sure that those furthest from the labour market benefit from the skills system set out here.

### Department for Work and Pensions' forthcoming employment White Paper

9 We need to ensure the skills system equips people who are out of work with the skills they need to move back into work as quickly as possible and supports them to stay and progress in work. Meeting these twin objectives will boost employment and productivity.

10 We will set out our next steps on employment and skills in more detail in the forthcoming employment White Paper. We plan for this to include a new single purse funding approach to streamline current funding arrangements, subject to spending priorities. We will also continue aligning Jobcentre Plus and the adult advancement and careers service with a view to providing a fully integrated and

seamless support offer to customers – whether they are in our out of work – to ensure they find work, stay in work and progress.

11 The new skills accounts will also play a central role in providing more personalised support giving customers access to a wide range of training opportunities guided by the expertise of Personal Advisers.

### Qualify with a Business

12 The skills system has made significant progress in helping learners develop skills for enterprise, including through the Peter Jones Foundation's National Enterprise Academy and the work of Enterprise UK and the Specialist Schools and Academies Trust that are building a culture of enterprise across the education network. Evidence shows that for some people, such as those with learning disabilities, an offending history or experiencing homelessness, self-employment can be a particularly effective route out of social exclusion and into the labour market.<sup>36</sup>

13 Many further education colleges and training institutions offer business skills training and signpost learners to their local Business Link provider where this would help. But, too often, those who might wish to combine the skills needed for a trade, like plumbing, with business start-up help, have to navigate the system on their own to find the support that is available. This can

36. *Valuing employment now – real jobs for people with learning disabilities*, Department of Health (June 2009)

put off all but the most determined. So, while 18% of young adults have considered starting their own business,<sup>37</sup> and 13% of economically active adults are self employed (with some sectors such as artistic creation, driving schools, marine fishing and livestock farming being characterised by over 80% self-employment),<sup>38</sup> only 3-4% of those leaving further education are actually self-employed after one year.<sup>39</sup>

**14** We will ensure that further education learners who want to go down this route are able to go to college and come out both qualified and ready to run a business. Our ambition is that a coherent “Qualify with a Business” package is available that integrates key business skills alongside the vocational training that learners undertake. This would be backed up by information and support on self-employment and business start up; opportunities to meet small business owners and self-employed individuals; and help with the transition from learning to trading including signposting to financial support and incubation facilities where available.

**15** This strategy announces that:

- a) We will test a range of different approaches to achieving this goal in a number of further education colleges, in partnership with Regional Development Agencies, towards an ambition to offer opportunities to “Qualify with a Business” in colleges across the whole country, as a clear national programme
- b) We will also encourage all colleges to work with their Regional Development Agencies to develop stronger partnerships with local support agencies and to signpost learners interested in self-employment or starting a business towards the support available in the locality; and we will explore with Enterprise UK and the Learning and Skills Improvement Service ways to disseminate nationally examples of current effective practice

37. *Household Survey of Entrepreneurship*, Department for Business, Innovation and Skills (2007)

38. *Labour Force Survey* (2009, Q2)

39. *Destination Survey*, Learning and Skills Council (2008)

## Case Study: Sheffield College equips people to set up and run a business

The Sheffield College offers learners the chance to experience the different aspects of setting up and running a business through a range of Enterprise Challenges and Academies. Many of their courses have projects embedded within them that simulate real business scenarios and build further understanding of the issues faced by those running their own business. For those students who want to take this further they can talk through business ideas and suitability for self-employment with a dedicated advisor in their Enterprise Gateway. Under the guidance of their advisor, they can then attend intensive courses on key aspects of starting and running a business and get support in developing a Business Plan. The college will also refer students to support available elsewhere including incubator facilities in the city and sources of practical and financial backing. The college seeks to maintain links with students that have set up their own businesses and finds ways of involving them in its teaching. Students on some courses have started businesses while training, investing profits back into the college, and handing over the business as a going concern to subsequent cohorts.



# Chapter five – Raising business investment in workforce productivity

- *We will help companies accessing business support schemes to develop clear policies for making effective use of the skills already in their workforce*
- *We will promote skills and apprenticeship opportunities through the procurement contracts we let across government*
- *We will work with business to ensure effective implementation of our proposed legislation on the right of employees to request time to train*
- *We will be sympathetic to employer proposals for new occupational licensing arrangements, where the great majority of employers in a sector want this and without undermining the interests of consumers*

- 1 To strengthen our economic performance, we need more companies with growth ambitions and more companies working in high value sectors. In areas of the economy where low skilled, low paid work still predominates, we need targeted action to raise employer capability in maximising the potential of their employees and investing skills development to meet business goals. Government, business and employees all have a role to play in this endeavour. This chapter sets out the actions which can be taken: by business, working collectively on skills; by Government, acting as regulator and investor; and by employees, working in common cause with their employers.
- 2 The best employers see investing in the skills of their workforce as one of the most powerful things they can do to drive their businesses forward. We need to create a culture in which

every employer takes that view and one in which individuals see improving their skills as one of the most beneficial things they can do to help themselves realise their potential and progress in their careers.

- 3 Building on the UK Commission for Employment and Skills review of collective measures, we will consider how we can best work with employers in the low pay, low skilled sectors of the economy to raise the demand for skills, support better utilisation of those skills and increase the flow of benefits from higher productivity through to wages and progression for employees. We will report our findings in the spring, around the time of the Budget.

## Leaders and managers utilising the skills of their workforce

- 4 There is growing evidence that some companies do not fully use the skills already in their workforce and miss opportunities to grow their companies by ignoring how skills can improve productivity.<sup>40</sup> We will promote the lessons learnt through the MacLeod Review<sup>41</sup> on employee engagement, which makes a compelling case for the benefits to be realised from employers engaging with their staff to improve performance.
- 5 We are already working with the Management Standards Centre to map the soft skills required against the National Occupational Standards on Leadership and Management. The identified set of soft skills will be fed into the development of tailored information and guidance products on engagement, as well as the suite of Solutions for Business products. This will help managers and leaders within organisations – particularly first line managers – to have the necessary skills and knowledge to be able to get the best from the skills and potential of their entire workforce, including part-time employees.
- 6 We welcome the recent review by the UK Commission of high performance working<sup>42</sup> and are pursuing with the Commission how to progress its recommendations.



- 7 From next April the UK Commission will become responsible for the UK-wide Investors in People standard. We welcome the UK Commission's role in championing a new approach to Investors in People to maximise its value as a business improvement tool which supports effective skills utilisation, people management and employee engagement.

40. *Ambition 2020: world class skills and jobs for the UK*, UK Commission for Employment and Skills (2009)

41. *Engaging for Success: enhancing performance through employee engagement*, MacLeod Review (2009)

42. *High Performance Working*, UK Commission for Employment and Skills (September 2009)

## The MacLeod Review of Employee Engagement

The independent MacLeod Review published its report – *Engaging for Success: enhancing performance through employee engagement* – in July 2009. The report set out a compelling business case for employee engagement, highlighting the potential benefits for organisations and individual employees of “a workplace approach designed to ensure that employees are committed to their organisation’s goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being”. The report set out evidence showing that improving employee engagement can help improve organisational performance and, specifically, that performance in areas such as turnover, profit, staff attrition and absence, accidents and wastage is improved in organisational units with higher levels of employee engagement. Benefits for employees of engagement include higher satisfaction, a sense of well-being, commitment, and the opportunity to give their very best.

The report identified four key enablers for engagement which had potential to impact on bottom line organisational performance:

- a) Leadership providing a strategic narrative which expresses the purpose of the organisation, why it has the broad vision it has, and how an individual contributes to that purpose
- b) Engaging managers that facilitate, support, value and enable rather than control or restrict staff
- c) Employees having an effective voice in the organisation – where their views are actively sought and listened to
- d) Integrity – where behaviour throughout the organisation is consistent with stated values

8 We will help companies accessing business support schemes to develop policies for making effective use of skills already in their workforce. We will work with Regional Development Agencies on the professional development of Business Link advisers and the diagnostic tools available to them, so that companies accessing Train to Gain, or other government business support products, are helped to

identify how the skills of their workforce can best be utilised to achieve business growth objectives and where additional training will have most impact. This is particularly important to ensure that the potential of women in the workplace is fully realised.

9 Similarly, skilled managers help develop more innovative business strategies which help the economy

## Train to Gain: Leadership and Management programme

Within Train to Gain, we will continue to offer leadership and management development for small and medium businesses. Since the Train to Gain programme began, nearly 23,000 small business managers have been helped with a personal development plan and grant of up to £1,000 for training and development designed to meet their needs. The CBI's 2009 education and skills survey, *Emerging stronger: the value of education and skills in turbulent times*, reported the following results which demonstrate that the Leadership and Management programme is hitting the mark in delivering benefits to its target audience. Overall:

- Half (48%) of firms with under 50 employees say the programme has improved company performance, and almost three quarters (73%) staff morale
- A third (32%) of firms with 50-199 employees report improved company performance, and over half (52%) improved staff morale
- A third of firms with 200-499 employees report improved company performance, and two thirds (63%) are benefiting from improved staff morale

and also drive up demand for skills, creating a virtuous circle. Research suggests that the skill levels of UK managers fall short of managers in other countries.<sup>43</sup> Again, where companies are accessing government business support, we will help them identify where they might benefit from high quality leadership and management training and broker the relevant provision. As contracts allow, we will further integrate the Train to Gain Leadership and Management Advisory Service for small and medium businesses into Business Link, to support companies to develop their growth ambitions and leadership and management capability.

## Government using its role as investor, customer, and regulator to raise demand for skills

- 10 Government's more active approach to industrial policy is about recognising and embracing its role as regulator, investor and customer in the market, and harnessing that role to promote business opportunities and growth.
- 11 In that spirit, we are using our public procurement programme, worth around £220 billion a year, to promote investment in skills training and apprenticeships. We believe it is right that if suppliers want to work with Government – whether to build a new school or hospital, to develop

43. McKinsey & Company & CEP (LSE) *Management practice & productivity: why they matter* (2007)

a new IT system, or to deliver facilities management services – they should be expected to invest in the skills of their employees and provide apprenticeship opportunities.

- 12 We will support 20,000 apprenticeship places over the next three years through this route. Every government department and agency will play its part in the delivery of this stretching ambition.
- 13 We are making good progress, with a number of major public investment programmes now setting clear expectations for their suppliers on skills. Building on the significant number of apprentices already supported, the Building Schools for the Future programme is expected to create upwards of 250 new apprenticeships a year from 2011 through its contractors' framework. Similar numbers will be coming through Local Education Partnerships from the end of 2011. The Homes and Communities Agency is promoting skills and employment opportunities through all its major funding streams and we expect this to create an additional 3,000 apprenticeships and job opportunities over the next two years.
- 14 For local government, promoting skills and apprenticeships through procurement is a powerful and direct means of delivering local authorities' core objectives around employment and economic development. Through their city region strategies,

Liverpool and Birmingham local authorities have confirmed that they will routinely consider skills and training in their procurement. A number of other city regions are considering similar commitments.

- 15 Government's role as a regulator of markets also puts us in a position to influence employer engagement and investment in skills training. We will embrace that role and look to ensure that, where they exist, major regulatory frameworks facilitate and support investment in workforce skills.
- 16 We are looking to major regulators to take an interest in the skills of the workforce in the industries they cover in the context of fulfilling their





broader statutory obligations, recognising the role that skills play in driving the productivity and efficiency of the industry.

### Regulatory frameworks

Some regulatory frameworks already facilitate investment in skills. In the last price control review for the gas industry, covering 2008-09 to 2012-13, Ofgem allowed the gas companies to recover £72 million over five years to invest in skills. Although the current determination for the power companies has not yet been finalised, Ofgem has considered the case and has indicated in preliminary papers a willingness to allow additional investment to meet future skills needs. In 2005, Ofcom established the Broadcasting Training and Skills Regulator to promote training and skills in the broadcasting (TV and radio) industry, working with employers in the sector, including Skillset (the Sector Skills Council which covers the industry).

We will invite other regulators to follow this lead, learning from existing experiences and considering the most appropriate and effective way to build skills issues into their work.

### Raising the aspiration of employees

- 17 We want to support all employees to develop their skills and rise as far as their talent will take them. The best employers engage their employees in a serious conversation about their skills development and we want others to follow that example.
- 18 To encourage employers and employees to engage in meaningful dialogue about skills, we are establishing a new statutory right for employees to request time to train, subject to Parliamentary approval. This gives employees a legal right to ask their employer to give them time to undertake relevant training.
- 19 Employees will be able to request time to undertake any training that they think will help them to be more productive and effective at work, and help their employer to improve productivity and business performance. That could be formal training that leads to a nationally recognised qualification like a National Vocational Qualification or a foundation degree. Or it could be that shorter training will help them develop particular skills relevant to their job, such as how to use a new piece of software or equipment. In all cases, the training employees request should help improve the performance of their employer's business.
- 20 Employers will be required to consider seriously the requests they receive. They will be able to turn down requests where they have a



sound business reason to do so. The new right will closely follow the legal model of the current right to request flexible working – making it easier for employers to work with the new right using the procedures they already have in place to manage flexible working requests.

- 21 The new right will apply to the 11 million employees working in businesses with 250 or more employees in Great Britain from April 2010, and to all employees from April 2011. The right will be open to all employees who have worked for their employer for 26 weeks or more, including part-time employees.

- 22 Trade Unions can help us reach the very hardest to reach workers, giving them the advice, support and confidence they need to improve their skills. In 1998 we introduced the Union Learning Fund, now worth some £21.5 million a year, to help unions build their contribution to workplace skills development. There are now over 23,000 trained Union Learning Representatives who, with the support of Union Learning Fund and Unionlearn, helped over 220,000 workers into learning last year alone – including over 33,000 with poor basic literacy and numeracy skills. Their help is also greatly valued in supporting apprenticeships and will be important to support employees in exercising their right to request time for training.

## The Skills Pledge

The Skills Pledge, launched in June 2007, promotes a public commitment to skills on the part of employers. Employers who make the Pledge have the support and advice of a Business Link adviser to help them analyse the skills needs of their business and draw up an action plan to meet those needs. Over 20,000 employers have made the Pledge, covering over 7 million employees and we are on track to meet our aim of 8 million employees to be covered by March 2010.

## Employer collective action on skills

- 23 Employers are investing in skills at record levels – £38.6 billion<sup>44</sup> in 2007. By international standards there are relatively high levels of participation in training with nine in ten UK enterprises offering some form of continuing vocational training. However, training provided is of relatively short duration, with relatively low levels of investment per trainee.<sup>45</sup> Much of the training that is offered is in specific areas such as health and safety. On average, employers are more willing to train those who already have qualifications – so the low skilled are more likely to miss out.
- 24 The recession has seen a decline in businesses' intention to invest in training, which fell sharply since the end of 2007. Towards the middle of 2009 the rate of decline started to ease in both the manufacturing and services sectors. According to the British Chamber of Commerce, the balance of firms in the services sector planning to raise investment in training turned positive in the third quarter of 2009 for the first time in a year. In the manufacturing sector, by contrast, investment intentions remained negative in the third quarter of 2009, but the scale of the expected cutbacks has moderated considerably compared to earlier in the year.<sup>46</sup>
- 25 The primary responsibility for developing the skills of every business to support its future success rightly lies with that business itself. But in many cases employers have found that it can make sense to work together collectively to tackle those skills needs. We agree with the UK Commission for Employment and Skills that there is scope to develop such collective approaches still further, and that Government could and should encourage this.

44. *National Employer Skills Survey (2007)*

45. Eurostat, CVTS3

46. *British Chamber of Commerce Quarterly Economic Survey*. The CBI Quarterly Industrial Trends Survey-April, July and October 2009 also shows that firms are planning to invest a similar amount on training in the next twelve months as in the previous twelve months. This is an improvement in the investment intentions balances compared to the July data

## Collective action on skills for low carbon

### *Sector Skills Accord for renewable energy*

As part of the renewable energy skills strategy, the British Wind Energy Association (BWEA) is leading collective employer action to tackle skills gaps at technician level and attract people to their rapidly expanding industry. Lead employers, sector bodies and awarding bodies have developed a voluntary Sector Skills Accord. Employer commitments include resources to develop industry specific National Occupational Standards and qualifications, new apprenticeship frameworks, career pathways and STEM guidance. The Sector Skills Accord was signed at BWEA Annual Conference on 21<sup>st</sup> October 2009 and the first apprenticeship programmes are expected to be launched in September 2010.

### *Stimulating demand and knowledge networks in the East Midlands*

The East Midlands Development Agency (*emda*) has provided £620,000 investment in further education colleges to install low carbon equipment (hybrid vehicles, wind turbines, solar heating systems) in a pilot to stimulate practical low carbon courses aimed at Levels 3 and 4. Take-up has been enthusiastic, with colleges reporting over 2,000 enrolments. A second *emda* pilot, Energy Connections, supports low carbon businesses grow through networking, knowledge exchange and access to skills providers. These college and employer networks are now being brought together for knowledge transfer, practical training and collaboration. A knowledge exchange platform gives employers access to college developed course material and allows colleges to stimulate latent employer demand by tracking and responding to employer needs. The networks currently have 110 industry members with 14 further education college partners forming a regional Further Education Energy Skills Task Group, chaired by the Association of Colleges.

### *Regional skills demonstrator in marine energy*

The South West Low Carbon Economic Area for Marine Energy was announced in July 2009. BIS is supporting this Technology Demonstrator with a Skills Demonstrator to accelerate the supply of marine energy skills solutions. An industry forum has been formed to articulate employer demand and a high level Regional Development Agency (RDA) led skills group has formed to stimulate employer demand and provide a co-ordinated response. Skills partners will undertake fast track research to inform the regional marine energy skills plan, currently under development. Early achievements include rolling out the Low Carbon Future Leaders programme – placing unemployed STEM graduates in industry to stimulate demand – and an RDA led project to address urgent higher level skills needs in the low carbon area. The project will showcase the supply of skills solutions “ahead of the curve” both as a catalyst for the wider skills system and as a means of stimulating latent employer demand.

26 The UK Commission’s review of employer collective measures was published on 6th November 2009.<sup>47</sup> We will work with the UK Commission on the potential options for collective action, to identify where government could support and incentivise employer initiatives to tackle the barriers which may prevent them from meeting their skills needs. Those actions will vary from sector to sector. The Joint Investment Scheme, described in chapter 3 will be one example of such an approach and collective action on renewable energy skills is another.

27 Occupational licensing establishes national minimum standards to operate at a given level in a sector. Schemes such as the Gas Safe Register scheme (previously CORGI) and the qualification requirement for the social care sector have stimulated significant change in the UK, and over a third of jobs in the US are covered by such arrangements. These measures could potentially help lever up skills levels in certain occupations and could help raise productivity and pay as a result. In light of this, we would be sympathetic to expansion of such schemes under two stringent conditions. The proposals would need to have come from the relevant industry itself, and be tested by evidence that the vast majority of employers (of all sizes) in a sector backed the scheme. We would have

to look carefully at how to balance the benefits of licensing against the risk of anti-competitive practices, impact on trade and employment effects. We will also consult with Devolved Administrations about any implications which are Great Britain or UK-wide.

28 The benefits of minimum skills standards can also be achieved by voluntary approaches, if sectors adopt a system of certification that is widely recognised and accepted as a mark of quality.<sup>48</sup> A number of “Skills Passport” and Skills Register schemes are operating in the UK, for example the Energy and Utility Skills Register<sup>49</sup> and the UK Skills Passport for the hospitality, leisure, tourism and travel industry.<sup>50</sup> These schemes provide a register of qualified individuals for employers and are widely recognised and accepted as a mark of quality by consumers. Government will encourage the promising development of the “Skills Passport” approach where employers have identified a need, and we will work with the UK Commission and Sector Skills Councils to identify the evidence of impact and critical success factors of these schemes. In chapter 2, we have set out plans to explore how existing registration schemes for technician level engineers could be strengthened.

47. C. Stanfield et al, *Review of Employer Collective Measures: Final Report*, UK Commission for Employment and Skills (November 2009)

48. Ibid.

49. <http://www.eusr.co.uk/>

50. <http://www.eusr.co.uk/>

# Chapter six – Improving training at the heart of a simpler system

- *We will ensure our best colleges and training institutions benefit from simpler funding and monitoring arrangements, in exchange for more publicly available data about performance*
- *We welcome the UK Commission for Employment and Skills' recommendation to reduce the number of separately funded agencies by over 30 and will work with them and others to bring this about*
- *We will finance our new measures by switching resources away from the programmes that contribute least to our strategic priorities*

- 1 Further education colleges have been subject to greater regulation and oversight than universities. This is a reflection, in large part, of the problems at a minority of colleges in the 1990s, and of the need for widespread reform of the further education system to align it with employers' and learners' needs. But the improvements in recent years mean that we can move away from a traditional model of regulation towards one that offers colleges and training institutions greater earned autonomy on budget and monitoring flexibility to the best providers. This model will be shaped more by learners, using publicly available information on performance – in line with the wider reforms to public service set out in *Excellence and Fairness*.<sup>51</sup>
- 2 To enable learners and employers to navigate this system more easily, we will radically simplify the skills landscape – with a goal and expectation to reduce the number of

separate publicly funded agencies by over 30 over the next three years.

## A system geared to quality

- 3 The quality of training has risen dramatically in recent years. Further education college success rates have risen from 53% in 1997-98 to 81% in 2007-08.<sup>52</sup> Apprenticeship framework achievement rates have risen from 37% in 2004-05 to 64% in 2007-08. Ofsted rated 71% of colleges as "good" or "outstanding" in 2007-08, employer satisfaction rates are at a record high and learner satisfaction is equally impressive. In a single year – 2008-09 – around half a million workers achieved an industry recognised qualification through the Train to Gain programme alone.
- 4 Colleges and training institutions – especially the staff – are to be applauded for their efforts in driving forward these improvements and achieving such success, making it possible for us to enter into a new

51. *Excellence and Fairness: achieving world class public services*, Cabinet Office (2008)

52. See footnote 19

era where colleges and training institutions can earn greater autonomy through their performance.

5 Therefore, from 2010, we will introduce new light touch monitoring arrangements. Quality will be maintained through annual assessment of college and training institution performance, linked to future funding. In practice, this will work as follows:

- a) Individual college and training institutions will retain responsibility for ensuring the quality of their provision
- b) The Framework for Excellence annual data will provide transparent, open and published information about all post-16 providers. This will provide an accurate, independent picture of their quality, responsiveness and effectiveness, including the views of learners and employers. The Framework for Excellence data will be the primary tool to inform and compile the “traffic light” scorecard described below
- c) The Framework for Excellence will also provide the basis for judgements by colleges themselves about where they can further improve, and identify those which require greater scrutiny
- d) Ofsted will use Framework for Excellence results to inform the timing and intensity of

inspections. For those who consistently return excellent results and are graded “excellent” by Ofsted, the gap between inspections can be up to six years. Going forward, we will consider the role that Ofsted should play in inspection of further education

- e) Local authorities, who will be separately commissioning 16-19 provision from colleges and other training institutions according to the National Commissioning Framework, will use the Framework for Excellence to support the commissioning of high quality learning places
- f) We will continue to apply Minimum Levels of Performance to ensure that poorly performing provision is identified and either improved rapidly or immediately withdrawn. Where a further education college or training institution is significantly underperforming, this will be identified and tackled quickly and robustly
- g) Colleges and training institutions will be able to commission the quality and improvement support services they want, from either the Learning and Skills Improvement Service or other institutions, including high performing providers

6 In addition to new lighter touch monitoring arrangements, we will

simplify the funding system so that all colleges and training institutions can respond easily and quickly to employer demand. The Skills Funding Agency will introduce a unified 'account management' relationship with each college and training institution it funds. Once each year's funding contract value is set, all except new or poorly performing colleges and training institutions will have discretion to manage their resources more flexibly within their separate employer responsive and learner responsive budgets to meet national priorities in the context of local needs. The pattern of delivery will be reviewed between the college and the Skills Funding Agency at the end of the year, to assess how well the college aligned its progress to meet priorities. Successful providers will be able to use this as a factor in securing future funding.

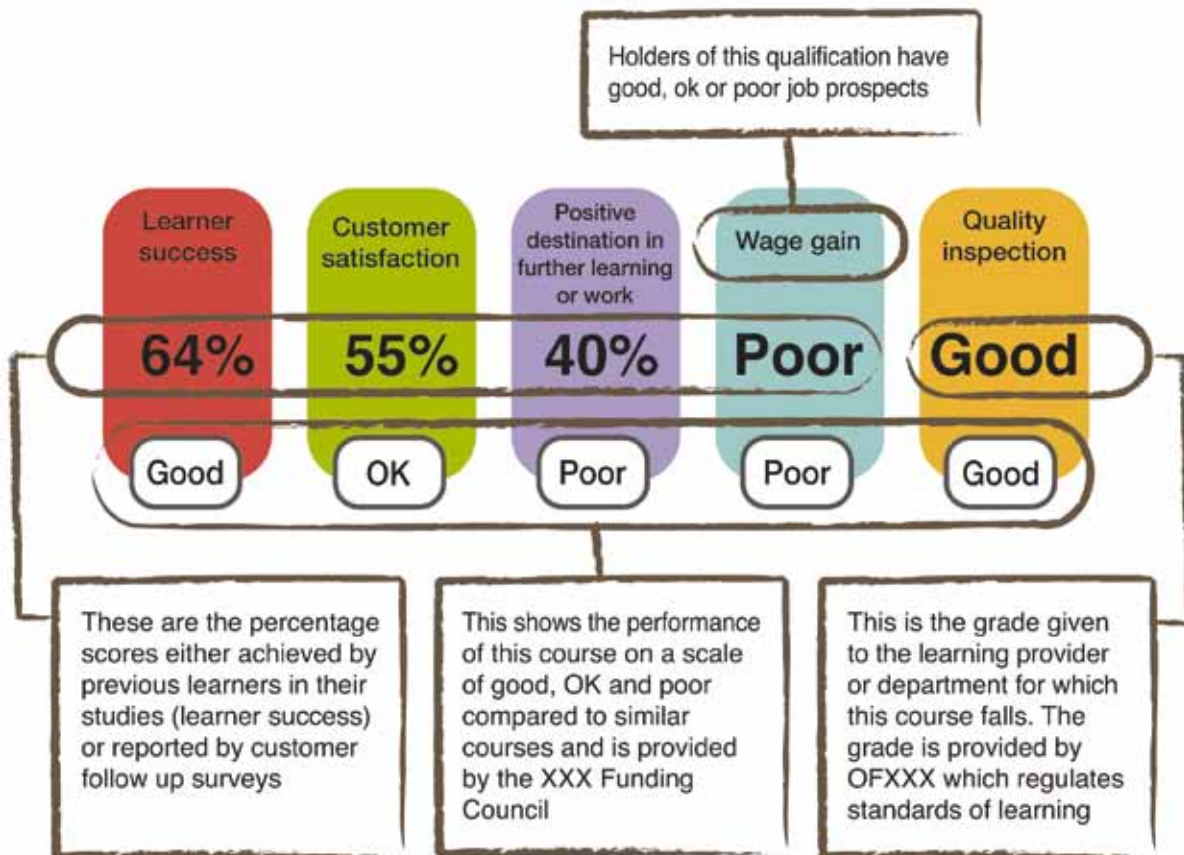
- 7 To support colleges and training institutions in delivering high quality provision and recognised qualifications that lead to improved labour market outcomes, we are also committed to expanding over time the use of outcome based funding. This will apply to a broader spread of provision where employment based outcomes are a key purpose of the learning.
- 8 To further recognise the performance of the very best institutions, colleges and training institutions rated "outstanding" on the basis of Framework for Excellence indicators will be given

further enhanced freedoms across their total budget. This earned autonomy will allow institutions greater freedom to plan the mix and balance of their provision across the full range of levels, types of learners and subject areas so that they can shape their offer to respond to local need. These institutions will also have greater freedoms in other areas, including their ability to borrow money, and we will make it easier for them to become awarding bodies in their own right.

### **Clearer information for learners and employers**

- 9 In return for these additional freedoms, colleges and training institutions will need to be held clearly accountable for their training. Drawing on the Framework for Excellence data, all training will be covered by public "traffic light" information, providing quality assured data about performance at course and institutional level. The availability of clear and comparable data is key to empowering learners to make choices about providers and courses of study. A model proposed by the UK Commission for Employment and Skills to illustrate how the new information might be presented is shown below. However, we are not committed at this stage to a particular model; we expect it to evolve in the context of an overall approach to the performance assessment of post-16 providers that is appropriately aligned with the single report card





being developed to measure schools' performance.

- 10 We will look to provide data through the "traffic light" system down to course level wherever possible. We will want closer involvement from the sector in determining the standards that are set and in collecting and publishing data.

### Streamlining the skills landscape

- 11 Thousands of employers tell us that their workers have benefitted from the publicly funded skills system. But many also tell us they find the system bewildering because of the number of different qualifications

available, the length of time to develop new qualifications where needed and the number of different bodies playing a role. Colleges and training institutions also tell us that the range of intermediary bodies is complex and wasteful. We are committed to simplifying the skills landscape to address these concerns.

- 12 A further consequence of the improvements made to quality over the last few years is that the time is now right to consolidate the quality and improvement bodies. Therefore, over the next three years we will:

- a) Expect the regulatory body for teaching and learning professionals, the Institute for Learning, to become self-financing
- b) Bring together the services provided by the Learning and Skills Improvement Service and the non-Sector Skills Council elements of Lifelong Learning UK within a single organisation by 2011 and cease public funding for Standards and Verification UK
- c) Move increasing amounts of funding for quality improvement and workforce development to colleges and training institutions
- d) See Investors in People UK ceasing to operate as a separate organisation. The Investors in People standard will be overseen by the UK Commission for Employment and Skills from April 2010
- e) The Qualifications and Curriculum Development Authority will not play a role in adult qualifications from 2010 (subject to Parliamentary approval)

13 We are simplifying the range of vocational qualifications. The Qualifications and Credit Framework (QCF) requires that, in place of the traditionally confusing array of qualification titles, all qualifications are placed on a level between entry level and Level 8, depending on the difficulty. The content of all qualifications is outlined and they



contain a credit value which translates to an Award, Certificate or Diploma, depending on their size. So, by simply looking at the title of a qualification, employers and learners will be able to see the general content, how difficult it is and how long it takes the average learner to complete. There are now over 2,500 qualifications on the QCF, and it will be fully populated by the end of 2010.

14 In order to address employers' concerns that it can take too long to develop a new qualification or a new apprenticeship framework, we will work with the UK Commission, Sector Skills Councils, awarding organisations and Ofqual to reduce development times to an average of six months and maximum of twelve months. We will look to the UK Commission to ensure that Sector Skills Councils, through their business plans, make public the development times for qualifications as they are released. We will also continue to support individual employers and institutions to develop their own qualifications for recognition within the Qualifications and Credit Framework.

## Case Study – Flybe

Flybe has become an officially accredited awarding organisation, achieving the high standards set for all awarding bodies, and is now able to award successful learners with accredited qualifications.

Flybe offers 300 courses to its employees. These are run and evaluated by its current training teams and cater for the specific needs of its business. On completion of a course, participants are awarded qualifications from Level 2 (equivalent to GCSEs grade A\*-C) right up to Level 4 (equivalent to a foundation degree).

Becoming a recognised training provider has improved Flybe's reputation within the airline industry as a committed employer that values and recognises staff development and the role it plays in improving business efficiency in a highly competitive industry.

- 15 As signalled in *Confidence in Standards: Next Steps*,<sup>53</sup> we have reviewed our approach to how best to secure advice relating to qualifications for adults. Our conclusion is that there is no need for the Qualifications and Curriculum Development Agency to have a standing function to keep adult qualifications under review and, subject to Parliamentary approval of the *Apprenticeships, Skills, Children and Learning Bill*, we will put that

into effect from 2010. As and when a qualification issue arises on which Government requires expert advice, we will commission that advice from the most appropriate source. By early 2011, no qualification will receive public funding that has not been approved by employers through their Sector Skills Council.

- 16 The Sector Skills Councils are critical to supporting employers' engagement with the skills system, as well as providing authoritative labour market information in their area both now and for the future. They are also benefitting from a rigorous relicensing process and strengthened performance management framework. Relicensing of all 25 Sector Skills Councils has now been considered by the UK Commission. This process has been robust and challenging, but many of the Sector Skills Councils have proved their quality and their worth.
- 17 However, the work we did earlier this year to develop *New Industry, New Jobs* and *Jobs for the Future* underlined that sector labels and configurations that were right in the past are fast becoming overtaken by developments in the global economy. And the urgent actions required in areas like low carbon and resource efficiency (as described in the *UK Low Carbon Industrial Strategy*, published in the summer) defy sector boundaries entirely, requiring a cross-cutting approach.

53. *Confidence in Standards: regulating and developing qualifications and assessment – next steps*, Department for Children, Schools and Families and Department for Business, Innovation and Skills (2008)

18 Consequently, we are asking the UK Commission to work with the relicensed councils to come forward with proposals for consolidating the 25 Sector Skills Councils into a substantially reduced number of bodies that achieve a better fit with the likely sector boundaries of the future, and more flexibility to respond quickly to emerging and future skills needs in a fast-changing world. An important part of this work will be to ensure employers feel involved in the development and ownership of these new bodies. We will also work closely with devolved administrations to ensure that the streamlined network will meet the policy and skills needs of each of the nations of the UK.

### **Clearer roles at the regional and sub-regional level**

19 In simplifying the national skills landscape, we also need to recognise the important role that can be played by local and sub-regional structures and ensure that there is clarity. By April 2010, subject to Parliamentary approval, the nine Regional Learning and Skills Councils will be dissolved and the work of developing regional strategies will be taken on by the Regional Development Agencies. They will work together with Local Authority Leaders' Boards to develop these strategies, in close consultation with local partners to ensure that they fully reflect the needs of all areas in the region. These strategies will form part of the Single Regional Strategy, ensuring

that skills priorities are aligned with wider economic development. The skills priorities in the regional strategies will inform Ministers' Annual Skills Investment Strategy and the Skills Funding Agency will fund colleges and training institutions to ensure an appropriate supply of skills to meet the national, sectoral, regional and sub-regional priorities.

20 The Regional Development Agencies will also take on responsibility for skills advocacy, partnership building and spearheading multi-agency action in support of employers to identify and resolve mismatches in the supply of skills to meet new employer demand. Regional Development Agencies will review existing arrangements to ensure that they have the right balance of partnership working to deliver the new regional skills strategies and those at the sub-regional level where they exist. There will no longer be a requirement for the Regional Skills



Partnerships as separate bodies from the Regional Development Agencies.

**21** Within regions, joint working and decision making across local authority boundaries can be very effective, and we have the ability to grant skills strategy setting powers to certain sub-regional bodies. Where these powers are granted, close working with local and regional partners to ensure alignment with existing strategies will be essential.

**22** We are currently working closely with the city-region pilots, Manchester and Leeds, to agree their proposals for strategy-setting powers. Building on this pilot process, in considering further requests for powers we will:

- a) Take advice from relevant partners in the spatial area concerned, including at regional level
- b) Require the body seeking powers to ensure future alignment with the regional skills strategy, which itself will need to be signed off by local leaders
- c) Require the body seeking powers to demonstrate how it will ensure that there is a streamlined approach to employer engagement with the skills system in the region

**23** A crucial question for each English region in implementing the proposals to simplify the skills landscape is how to be sure that their Single Integrated Strategy properly reflects the needs of all areas within the region. Where there are Employment and Skills Boards<sup>54</sup> and multi-area agreement partnerships<sup>55</sup> Regional Development Agencies will need to work closely with them in the development of the skills elements of the regional strategy.

**24** For areas without a sub-regional partnership, Regional Development Agencies will work directly with the relevant local authorities to make sure their needs are accommodated in the regional strategy. Single Integrated Strategies will be formally signed off by Local Authority Leaders' Boards, who can make sure that the needs of their local economies are reflected.

### The Skills Funding Agency

**25** Responsibility for allocating funds to, and managing the relationship with, colleges and training institutions for adult provision will rest with the Skills Funding Agency. That work will increasingly be managed from within the national office operating a national contracting and account management function for all colleges and training institutions. This will include delivering national programmes such as Train to Gain,

54. These can be sub-regional or city regional

55. These bring together the local authorities, employers and other key partners across a whole economic area

and an active approach to shaping supply in line with evidence of national and regional priorities.

- 26 The Skills Funding Agency will also be responsible, as previously planned, for further education activities that are not related to regional economic and business needs, such as informal adult learning, offender learning, learners with disabilities, liaison with 14-19 and higher education, and college capital programmes.

## Resources

- 27 The shifts of emphasis in this White Paper will require some refocusing of the resources for skills; and greater co-funding by employers and individuals, reflecting that this is a shared endeavour leading to benefits for them as well as the nation.
- 28 The basic shape of the adult skills funding system will, however, be maintained – a demand led system supporting apprenticeships and other work based learning responding to employer need; and progress towards a skills accounts system reflecting the entitlements of individual learners.
- 29 Colleges and training institutions have responded rapidly and flexibly to the requirements of a demand led approach, reshaping their provision to meet new priorities. We now need to build on this to ensure:
- a) A boost in advanced apprenticeship numbers
  - b) An increased focus on priority sectors identified by the UK Commission
- 30 We also need to ensure that colleges and training institutions do better at collecting the co-funding we expect employers and individuals to contribute. We will increase the volume of training that depends on matched funding either from an employer or an individual learner and ensuring that co-funding and fees are integral to the offer. In order to help take forward this approach successfully, ensuring that quality of provision is high, we have commissioned a review of co-funding and fee collection in further education, which will report in early 2010.
- 31 In 2010-11, we shall fund the initial costs of the new advanced apprenticeship places (£17 million) and Joint Investment Schemes (£20 million) by re-prioritising funds within Train to Gain. In later years,



we shall look across our skills budgets and decide the best source of funding for the further costs of these proposals. At a time when public spending is under severe pressure, the changes we set out in this White Paper must be funded by redeployment within constrained resources. The system must support an increased focus on priority sectors identified by the UK Commission while maintaining a strong commitment to funding entitlements, dedicated training to help the unemployed back into work and provision for priority learner groups.

**32** From 2010-11 we will effect shifts within existing funds towards newer priorities by taking action as follows:

a) As business conditions improve, from next autumn we will stop full funding for repeat qualifications and progressively shift resources to medium and long term skills priorities for those who do not yet have qualifications at Levels 2 and 3. The exception to this will be people eligible for unemployment programmes, for whom targeted help is available to get back to work through JobCentre Plus; and for agency workers, who face specific difficulties. Funding flexibilities for small and medium businesses to access fully funded modules and short qualifications will also be withdrawn

b) We will prioritise training that gives the greatest gain in terms of new skills, maximising the value of our investment on training that will sustain and grow the economy, rather than merely accrediting existing skills

c) We will cease to fund the training that contributes least to our strategic priorities, in terms of student success or economic impact. We will continue to ensure that this does not mean depriving a community of access to adult learning and skills

d) We will ensure that European Social Fund (ESF) funding is used more efficiently and more clearly focused towards our strategic priorities, ensuring this adds value within the normal ESF requirements

**33** There are a number of existing policies which will remain priorities in future, subject to spending pressures. These include the entitlements to literacy and numeracy, first full Level 2 qualifications and first full Level 3 qualifications for 19-25 year olds; training for learners with learning difficulties and disabilities; training support for the unemployed; and informal adult learning for vulnerable, low skilled learners.

# Annex 1:

## Qualifications – what the different levels mean

NOF Level pre-Jan 2006	NOF Level post-Jan 2006	Example of qualifications <sup>56</sup>	What they give you
Entry	Entry	<ul style="list-style-type: none"> <li>- Entry level certificate</li> <li>- Skills for Life</li> <li>- Functional Skills at entry level (English, maths and ICT)</li> </ul>	<ul style="list-style-type: none"> <li>- Basic knowledge and skills</li> <li>- Ability to apply learning in everyday situations</li> <li>- Not geared towards specific occupations</li> </ul>
1	1	<ul style="list-style-type: none"> <li>- GCSEs grades D-G</li> <li>- BTEC Introductory Diplomas and Certificates</li> <li>- OCR Nationals</li> <li>- Key Skills Level 1</li> <li>- NVQs at Level 1</li> <li>- Skills for Life</li> </ul>	<ul style="list-style-type: none"> <li>- Basic knowledge and skills</li> <li>- Ability to apply learning with guidance or supervision</li> <li>- May be linked to job competence</li> </ul>
2	2	<ul style="list-style-type: none"> <li>- GCSEs grades A*-C</li> <li>- BTEC First Diplomas and Certificates</li> <li>- OCR Nationals</li> <li>- Key Skills Level 2</li> <li>- NVQs at Level 2</li> <li>- Skills for Life</li> <li>- Apprenticeships</li> </ul>	<ul style="list-style-type: none"> <li>- Good knowledge and understanding of a subject</li> <li>- Ability to perform variety of tasks with some guidance or supervision</li> <li>- Appropriate for many job roles</li> <li>- Apprentices work towards work-based learning qualifications such as an NVQ Level 2, Key Skills and, in some cases, a relevant knowledge-based qualification such as a BTEC.</li> </ul>

56. The current range of vocational qualifications is being simplified under the Qualifications Credit Framework, as outlined in chapter 6



NQF Level pre-Jan 2006	NQF Level post-Jan 2006	Example of qualifications	What they give you
3	3	<ul style="list-style-type: none"> <li>- A levels</li> <li>- Advanced Extension Awards</li> <li>- GCE in applied subjects</li> <li>- International Baccalaureate</li> <li>- Key Skills Level 3</li> <li>- NVQs at Level 3</li> <li>- BTEC Diplomas, Certificates and Awards</li> <li>- BTEC Nationals</li> <li>- OCR Nationals</li> <li>- Advanced apprenticeships</li> </ul>	<ul style="list-style-type: none"> <li>- Ability to gain or apply a range of knowledge, skills and understanding, at a detailed level</li> <li>- Appropriate if you plan to go to university, work independently, or (in some cases) supervise and train others in their field of work</li> <li>- Advanced apprentices work towards work-based learning qualifications such as NVQ Level 3, Key Skills and, in most cases, a relevant knowledge based certificate such as a BTEC.</li> </ul>
4	4	<ul style="list-style-type: none"> <li>- NVQs at Level 4</li> <li>- BTEC Professional Diplomas, Certificates and Awards</li> <li>- Higher apprenticeships</li> </ul>	<ul style="list-style-type: none"> <li>- Specialist learning, involving detailed analysis of a high level of information and knowledge in an area of work or study</li> <li>- Appropriate for people working in technical and professional jobs, and/or managing and developing others</li> <li>- Higher apprenticeships work towards work-based learning qualifications such as NVQ Level 4 and, in some cases, a knowledge-based qualification such as a Foundation degree.</li> </ul>
4	5	<ul style="list-style-type: none"> <li>- HNCs and HNDs</li> <li>- NVQs</li> <li>- BTEC Professional Diplomas, Certificates and Awards</li> <li>- Foundation degree</li> </ul>	<ul style="list-style-type: none"> <li>- Ability to increase the depth of knowledge and understanding of an area of work or study, so you can respond to complex problems and situations</li> <li>- Involves high level of work expertise and competence in managing and training others</li> <li>- Appropriate for people working as higher grade technicians, professionals or managers</li> <li>- Foundation degrees combine academic study with workplace learning to equip people with the relevant knowledge, understanding and skills to improve performance and productivity</li> </ul>

NQF Level pre-Jan 2006	NQF Level post-Jan 2006	Example of qualifications	What they give you
4	6	<ul style="list-style-type: none"> <li>- National Diploma in Professional Production Skills</li> <li>- BTEC Advanced Professional Diplomas, Certificates and Awards</li> <li>- Honours degree</li> </ul>	<ul style="list-style-type: none"> <li>- A specialist, high-level knowledge of an area of work or study, to enable you to use your own ideas and research in response to complex problems and situations</li> <li>- Appropriate for people working as knowledge based professionals or in professional management positions</li> </ul>
5	7	<ul style="list-style-type: none"> <li>- Diploma in Translation</li> <li>- BTEC Advanced Professional Diplomas, Certificates and Awards</li> <li>- Masters degrees, postgraduate certificates and diplomas</li> </ul>	<ul style="list-style-type: none"> <li>- Highly developed and complex levels of knowledge, enabling you to develop original responses to complicated and unpredictable problems and situations</li> <li>- Appropriate for senior professionals and managers</li> <li>- Masters level degrees, certificates and diplomas can be research based, a taught course, or a mixture of both, and will take at least 12 months of full time study to complete.</li> </ul>
5	8	<ul style="list-style-type: none"> <li>- Specialist awards</li> <li>- Doctorates</li> </ul>	<ul style="list-style-type: none"> <li>- Opportunity to develop new and creative approaches that extend or redefine existing knowledge or professional practice - appropriate for leading experts or practitioners in a particular field</li> <li>- A doctorate qualification gives the opportunity to undertake an original piece of research. It will usually take at least three years of full-time study to complete. Many doctorate courses lead to a qualification such as a Doctor of Philosophy – a PhD or DPhil.</li> </ul>

# Annex 2:

## Taking forward the skills recommendations from the Panel on Fair Access to the Professions

Recommendation	Reference	Relevant material in Skills for Growth
<p><b>Recommendation 33:</b> The Government should ensure that it delivers on its commitment to incorporate apprenticeship frameworks into the Universities and Colleges Admissions Service (UCAS) points system by 2010.</p>	Chapter 2, paragraph 11	From April 2011, all apprenticeships frameworks at Level 3 and Level 4 must have UCAS tariff points so that learners' achievements can be compared to other qualifications upon higher education application.
<p><b>Recommendation 34:</b> The Government should fully fund an initial 3,000 Apprenticeship Scholarships to higher education, rising over time to 10,000 every year, to give the most talented apprentices the chance of a university education. Funding should come from existing Train to Gain budgets.</p>	Chapter 2, paragraph 14	We will implement Alan Milburn's apprenticeships scholarships fund proposal next autumn, so that some 1,000 young adults receive £1,000 each to incentivise further progress with their learning and skills development, including in higher education. This will be met through a £1 million fund starting from autumn 2010.
<p><b>Recommendation 68:</b> Each profession should work with the National Apprenticeship Service and the relevant Sector Skills Council to establish clear progression routes from vocational training into the professions, and ensure that learners are aware of these routes.</p> <p><b>Recommendation 69:</b> The Government and professions should provide a repository of best practice setting out practical ways in which vocational routes can be expanded into the professions.</p>	Chapter 2, paragraph 11 and 13	<p>Several recent reviews have looked at progression from apprenticeships into higher education. We support the proposals that have been put forward to improve the quality and availability of information, advice and guidance on progression opportunities, and will introduce a Specification of Apprenticeship Standards for England.</p> <p>We will also seek to promote the role that professions themselves can play to establish clear progression routes. Further, we will work with them to develop a repository of best practice which sets out practical ways in which vocational routes can be expanded into the professions.</p>

Recommendation	Reference	Relevant material in Skills for Growth
<p><b>Recommendation 70:</b> The Government should extend apprenticeships in professional areas of employment in government departments where applicable, these should be explicitly linked to existing management development programmes such as the Civil Service Fast Stream</p>	<p>Chapter 2, paragraph 6</p>	<p>From next September, we will reprioritise funds within available budgets to boost advanced and higher apprenticeship opportunities for 19-39 year olds. This will increase by almost double the numbers of advanced apprenticeships available for this group, through an additional 35,000 advanced and higher apprenticeship places beginning over the next two years. Whitehall departments will also play their part by creating additional apprenticeship places, as recommended by the Milburn Report.</p>
<p><b>Recommendation 77:</b> The Government should reconfigure the existing Skills Accounts programme to establish a truly demand-driven system of Lifelong Skill Accounts. They could comprise a voucher up to the value of £5,000 that could be topped up through contributions from individuals and employers with a wide range of entitlement including to apprenticeships, professional qualifications and to part-time further and higher education programmes, for example.</p>	<p>Chapter 4, paragraph 3, 4 and 7</p>	<p>Through new skills accounts, we will:</p> <ul style="list-style-type: none"> <li>Put the benefits of consumer choice firmly in the hands of learners from autumn 2010;</li> <li>Offer better access to a wider range of training places with greater chances of being able to enrol in the learner’s chosen course – some 1,500 training institutions will be accessible through skills accounts, not just the 363 further education colleges as envisaged previously;</li> <li>Provide clear information both about a learner’s entitlements to learning and funding;</li> <li>Inform learners about the quality of the different courses open to them, including the performance of different courses and institutions in enabling learners to get a better job or achieve a wage gain, through simple “traffic light” data;</li> <li>Accounts will be offered to all adults who access publicly funded training, including through Train to Gain or apprenticeships, and activated for all young people, linked to their Unique Learner Number, when they turn 19.</li> </ul> <p>However, we may be able to do more to help individuals to save for learning, supported by the services that a skill account will provide. We will explore the case for taking further steps in this direction, and will report our findings by the end of 2010.</p>

Recommendation	Reference	Relevant material in Skills for Growth
<p><b>Recommendation 79:</b> As part of a shift to more demand-led training, the Government should review how it can free up the oversight and control of further education.</p>	<p>Executive Summary, paragraph 48 and 49</p>	<p>We will introduce greater freedom for all colleges and training institutions to manage their resources more flexibly, combined with enhanced freedoms for outstanding colleges and institutions across their total budget. Quality will be maintained through annual assessment of their performance against priorities, linked to future funding.</p> <p>Our new Framework for Excellence performance measures, which will come in from 2011, will mean fewer targets and lighter touch monitoring for our best colleges, with a clear signal to others about what they need to do to reach that level. In return for this greater freedom, colleges and institutions will be expected to participate actively in the public assessment and quality assurance system described above.</p>



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