

# Simply learning:



## Improving the skills system in England

PART OF THE POLICY EXCHANGE SKILLS PROGRAMME

Ralph Hartley and Tom Richmond  
Edited by Anna Fazackerley



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# Executive Summary

This report looks at the skills system in England in order to understand the problems which beset it and to offer recommendations for reform. It offers a critique of the 2006 Leitch review, which is seen as the major driving force behind recent Government policy on skills. Leitch promised us a simplified and demand led system, but what we have now is in fact the exact opposite.

One reason for this is Leitch's adherence to the Government notion that qualifications are a neat proxy for the level of skills in a country, and that a strategy of driving up the UK's qualifications profile to bring it level with that of competitor countries will automatically solve our training needs. This focus on qualifications has led to a system which responds not to demand but to a Government desire for tangible results.

As a result the skills system as it stands is still governed top-down by supply. There has been no let up in the dominance of quangos, advisory bodies and quality improvements bodies in the skills landscape. The Government has recently recognized this, calling for the number of separate publicly funded bodies in the skills sector to be reduced by as many as 30 over the next three years.<sup>1</sup>

The largest of these bodies, the LSC, places huge bureaucratic burdens on providers and employers alike, stifling innovation on the ground and producing colossal waste. The LSC spends ten times as much as the Higher Education Funding Council for England (HEFCE) on administration (as a proportion of the money it hands out.)<sup>2</sup> Whilst the much maligned LSC is due to be dismantled in 2010, its functions will be split between three new bodies; the Skills Funding Agency (SFA); the Young Peoples Learning Agency (YPLA); and the National Apprenticeship Service (NAS). This is likely to introduce new complexities into the system and there is little to suggest that the main body, the SFA, will operate in any radically different way from the LSC.

Meanwhile, Government funded training schemes pay money to employers for training they would have provided anyway but refuse them funding for training which falls out of the Government's priorities and specifications. To cap it all off, this is all so maddeningly confusing that there are new bodies set up, and publications produced merely to explain the complexities of the system to the uninitiated. This is a picture of a system in need of a serious re-think.

Current policy is dominated by a set of targets for the attainment of qualifications by 2020:<sup>3</sup>

- 95% of adults to have achieved functional literacy and numeracy
- More than 90% of adults to be qualified to at least level 2
- 500,000 apprenticeships and 4 million level 3 achievements by 2020
- 40% Level 4 and above

<sup>1</sup> DBIS, *Skills for Growth: The National Skills Strategy*, TSO, London 2009, p.55

<sup>2</sup> Wolf, A, *An Adult Approach to Further Education*, Institute of Economic Affairs, London 2009, p.35

<sup>3</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills* (Final Report), TSO, London 2006, p.49

As a starting point, we argue that policy will only become truly demand-driven if we scrap these qualifications targets. Whilst it must be emphasised that the targets are admirable, in intent and ambition, they have unfortunately damaged the skill system in this country. Learners and employers will determine whether or not the system is working, based on whether it successfully meets their needs and demands.

## Train to Gain

The Leitch Review recommended that by 2010 all public funding for vocational skills should go through one of two routes: 'Learner Accounts' and 'Train to Gain', the Government's flagship employer training programme.

In 2010/11, £938 million will be spent through Train to Gain, which provides advice and brokerage services to employers as well as paying for a range of training (not including apprenticeships). It was born out of the Employer Training Pilots (ETPs) that began in 2002, four years before the Leitch Review was published. However, evaluations of these pilots found that taxpayers' money was being used to fund training that in many cases would have been provided in the absence of any Government intervention. In fact, it was suggested that the possibility of the

level of deadweight being an incredible 100% could not be ruled out. Despite these findings, Train to Gain is heavily based on the ETPs.

Although there is enthusiasm for the programme amongst employers, in this case this is not a clear sign that the programme offers the best use of public funding. If the Government offers employers huge subsidies for providing training that would have taken

place without the Government getting involved, employers are always likely to be grateful recipients. Critically, it is certainly not the case that employers always get involved with the programme because it offers bespoke training, in line with their particular needs or 'demand'.

Train to Gain was also envisaged as a mechanism for increasing employer investment in skills but one evaluation found that over half of employers did not make any contribution to the cost of training.<sup>4</sup> Furthermore, 86% of employers who accessed full subsidies through Train to Gain received the same subsidies for all their subsequent training, meaning they had not accessed any training through Train to Gain to which they made a financial contribution.<sup>5</sup> Such behaviour does not suggest a strong commitment to the notion of 'co-financing', at least in the context of the Train to Gain offer.

In its early stages, Train to Gain did not attract enough learners to meet the Government's yearly forecasts. As a result, there was an underspend of £51 million in 2006/07 and £100 million in 2007/08.<sup>6</sup> The LSC significantly altered eligibility criteria to attract more employers to use the programme.<sup>7</sup> Even though Leitch recommended that at Level 3 the costs of providing training should be split 50/50 between employers and the Government, the rush to patch up the figures meant that in 2009, over 60% of employers received full funding for Level 3 qualifications.<sup>8</sup> The result was an overspend, and the flexibilities have now been removed. This fiasco not only demonstrates that Train to Gain is a supply driven

“ If the Government offers employers huge subsidies for providing training that would have taken place without the Government getting involved, employers are always likely to be grateful recipients ”

4 Ibid, p.72

5 Ibid, p.78

6 National Audit Office, Train to Gain: Developing the skills of the workforce, TSO, London 2009, p.17

7 Learning and Skills Council, Train To Gain: A Plan For Growth (November 2007 – July 2011), LSC, Coventry 2007

8 Learning and Skills Council, Train to Gain Employer Evaluation: Sweep 4 Research, LSC, Coventry 2009, p.90

programme, not responsive to demand but that there are inherent risks in judging success merely on the volume of provision or the amount of funds disbursed.

This programme has not offered value for money for the taxpayer. We recommend that the Government scraps Train to Gain, with the budget being used as part of a far more flexible funding system, allowing colleges and providers to respond to genuine employer demand.

## Sector Skills Councils

The network of 25 Sector Skills Councils (SSCs), designed to represent the voice of discrete sectors of the economy regarding their particular skills needs, has been up and running since 2004. From the outset these councils have been given a bewildering array of objectives, including the sizeable tasks of driving up sectoral productivity, working with training providers and universities, raising employer demand for skills and increasing employer investment in skills.

Yet information obtained under the Freedom of Information Act reveals that, on average, each SSC receives just £3 million a year. It is extremely hard to envisage how the Government expected its long list of objectives to be met, and entire industry sectors to be effectively represented, by organisations with such tiny budgets.

The Leitch review added yet more goals to the SSCs' list, without any substantial increase to their budgets. It left SSCs with burdens that a Government department would struggle to deal with.

The Government should vastly reduce the expectations placed upon Sector Skills Councils, giving them a more targeted role. Their main responsibility should be to engage and advise employers, understand their market and contribute to relevant forms of information and intelligence about the Labour Market. Their other priority should be to lead the way on vocational qualifications. However, if they are to perform this function properly the Government should have the courage of its convictions and allow them real power in this area, removing the need for the UKCES to performance manage them as they do this and preventing the Qualifications and Curriculum Authority from being too prescriptive on what qualifications must contain.

The Government should increase funding for Sector Skills Councils to enable them to perform these functions properly. The funding for this should be taken from a rationalisation of existing quangos.

## Apprenticeships

Apprenticeships are undoubtedly valuable and often represent the most worthwhile of post compulsory education and training. However, the Government has decided to build on this success in the wrong way, forcing apprenticeships on sectors where they are not suitable and adding training programmes which arguably are not apprenticeships to the 'brand' in order to push up the overall volumes, and meet their own targets. As elsewhere in the system, the uptake of apprenticeships is dictated by supply and not true demand.

Government figures on recent increases in apprenticeships can be extremely misleading.<sup>9</sup> The number of apprenticeship starts reached 224,800 in 2008, up from 75,000 in 1997. However, much of this significant boost can be

<sup>9</sup> *Post-16 Education: Learner participation and outcomes in England 2007/08*, LSC website, see [http://readingroom.lsc.gov.uk/lsc/National/nat-ds\\_sfr1-dec08.pdf](http://readingroom.lsc.gov.uk/lsc/National/nat-ds_sfr1-dec08.pdf)



put down to existing Government training programmes being re-branded as Apprenticeships. More recently, the figures for 2008 show a boost because the Government extended funding to apprenticeships for over-25s for the first time. The numbers of younger learners has subsequently dropped.

Although the volume of training programmes called Apprenticeships has risen massively, there has been no structural change to the system to encourage employers to take ownership of their own schemes. The popularity of established and well respected employer-run schemes, such as those run by Rolls Royce, BT, Honda or Network Rail have not diminished. Indeed, these schemes are consistently oversubscribed. Nonetheless, Government policy has done little to incentivise the creation of such employer-run schemes because of its focus on external training providers. Indeed employer-run schemes, despite clear track records of excellence, are subject to repeated inspections and reams of paperwork, a burden which is very definitely a disincentive. Bureaucracy must be significantly reduced for these employers. There should also be attempts to incentivise employers who currently use external provision to develop in house capacity. A small pot of money could be diverted from the Train to Gain budget to create a discrete strategic fund which employers could bid for to help develop this capacity.

In order to reach the target of 500,000 apprentices a year by 2020, the Government will need many more employers on board. This would appear problematic when the most common reasons for not offering apprenticeships relate to the programme not being perceived as “relevant”. Pumping money into apprenticeships would seem a crude measure when only 3% of employers do not offer apprenticeships because of financial constraints and a mere 1% say that a lack of Government funding is part of the reason that they do not offer apprenticeships.<sup>10</sup>

The 2020 targets should be scrapped and providers and colleges should be allowed to use discretion with Government funds, whilst being judged on the quality of apprenticeship training provided rather than on sheer volume. At the same time, the value of good quality apprenticeships (in particular at intermediate and higher levels, as recognized in the recent skills strategy) should be widely publicised amongst employers and individuals.

We argue that Government should not abandon a general desire to boost the role of apprenticeships. However, their approach should not be about driving up supply and then finding (sometimes artificially created) demand to meet this surplus. Rather they should be ensuring that genuine demand is met where it exists. They should not expend great energy on foisting apprenticeships on sectors and employers who receive no real benefit from these sorts of schemes.

## Regional Development Agencies

The role of Regional Development Agencies in the skills system adds an extra layer of bureaucracy and confusion without adding genuine value. Despite this, the recent Skills Strategy boosts their power, giving them responsibility for developing high level planning documents. Providers and employers alike are concerned that this will perpetuate the complexity of the system. The Government is using the RDAs as a means of continuing a planning approach to skills

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10 Learning and Skills Council,  
National Employers Skills Survey  
2007: Main Report, Learning and  
Skills Council, Coventry 2008,  
pp. 113-4

that is both unhelpful and dangerous. RDAs should lose their responsibilities within the skills agenda. Better-funded Sector Skills Councils should be more equipped to cover regional disparities in their sectors. Meanwhile, a reformed funding system, driven by the choices of individuals, will introduce a new focus on local demand.

## Basic Skills

Skills in literacy and numeracy are not only vital for employability but are an essential part of a functioning democracy. The last national survey of literacy and numeracy in England was carried out by DfES in 2003. It found that 2 million (16%) adults were at Entry Level 3 or below for literacy, meaning they were unable to understand short straightforward texts, 1.6 million (5%) of adults were at Entry Level 2 or below for literacy, and a shocking 6.8 million adults were deemed to have numeracy levels at Entry Level 2 or below, meaning they were unable to “understand information given by numbers, symbols, diagrams and charts used for different purposes”.<sup>11</sup> The Government has a duty to fund adult basic skills for those failed by the compulsory education system.

Their attempt to do this through the Skills for Life programme (£600 million next year), which offers a range of free literacy and numeracy courses leading to qualifications, is impressive in terms of sheer volume. But it has not always delivered in terms of quality, in part because of low levels of skills within the teaching workforce itself. In 2006/7 only 35% of teachers delivering Skills for Life provision held appropriate qualifications.<sup>12</sup>

Moreover, although the Government regularly justifies the high level of expenditure on basic skills with references to economic benefits, there is doubt that the Skills for Life programme has benefited businesses or the economy in the ways, or on the scale the Government predicted. On this measure, it does not represent value for money. Indeed, even when the quality of teaching is high, adult basic skills courses do not deliver the productivity gains the Government expects although there are other significant benefits.

This does not mean the provision should not exist, but rather that we must do away with the expectation that high volumes of basic skills provision will generate a productivity reward. Instead we should focus on driving up quality, allowing courses to be longer and more intensive where appropriate in order to maximize the gains in confidence and the likelihood of further training. Reforms to the funding system allowing providers to respond to demand will allow money to be targeted where it is most valued according to where demand is highest. For example, providers will be able to meet the growing demand in courses of English Spoken as a foreign Language.

## Individual Demand

The Government’s new Skills Accounts, launched in September 2008, are causing considerable confusion. As a result of the Government’s largely disastrous experience with Individual Learning Accounts at the beginning of this decade, fear of risk has led Skills Accounts to be so highly regulated and ‘de-risked’ that they are not a real learner account at all. Anyone could be forgiven for assuming

<sup>11</sup> DFES, *The Skills for Life Survey: A national needs and impact survey of literacy, numeracy and ICT skills*, TSO, London 2003, pp.18/19

<sup>12</sup> DIUS, *Skills for Life: Changing Lives*, TSO, London 2009, p.8

that an account (be it physical or virtual) must entail new money – but this is not in fact the case. Put simply, Skills Accounts are a way of drawing attention to the existing funding system, rather than a funding system in their own right. Looking at Skills Accounts as they will be, and not as they are often characterised, Leitch’s claim that they will create a demand-led system that is responsive to the needs of the individual does not stand up to scrutiny.

The Government is dictating not only the courses and qualifications available but also the manner and mode of delivery. There are two reasons that this happens. Firstly, the Adult Learner Responsive (ALR) mode funding is almost exclusively available to FE colleges. Although FE colleges are excellent in many ways, their stable, traditional institutional structure restricts them from innovating in their methods of delivery. More importantly, restricting ALR provision

to FE colleges massively limits the ability of the individual to choose their provider. Many individuals wishing to undertake ALR funded learning will have little or no choice, as there may only be one FE college which it is feasible for them to learn at.

Nonetheless, we argue that learner accounts should still be seen as the future mechanism

for delivering Government funding for post compulsory education and training. Properly designed, they will allow individuals to exercise real choice and will facilitate a truly demand led system. We recommend the Government should make a clear commitment to introducing proper learning accounts, and consult widely on their most appropriate form.

In the meantime, the funding available for individuals should be opened to a wider range of providers. Providers should be given far more independence in planning provision and the distinction between funding designated to respond to the demand of employers, and that designated to respond to the demands of individuals should be scrapped. Providers should be trusted to plan based on their understanding of local needs and demands and use Government funds accordingly.

“ Despite a policy of full fee remission for those on benefits, the current funding system does not do enough to incentivise colleges to take on those hardest to reach learners ”

### Information for Users

In a reformed skills system, where planning is less important than the choices of individuals and employers, it is the information which is available to those making the decisions which really matters. The recent Government proposal for a traffic light style report card for providers is encouraging. We believe that in return for far greater freedom to decide how best to disburse Government funds, colleges and other providers should be expected to provide detailed information on their performance. This would include information on wage returns to particular courses, as well as information on student satisfaction and performance in meeting employer demand. One way in which colleges and providers could do this would be to take the lead in establishing a national student satisfaction survey similar to the one that operates in higher education, and building on the learner surveys already in operation in the quality assurance framework currently in operation – the Framework for Excellence.

## The Hardest to Reach

Despite a policy of full fee remission for those on benefits, the current funding system does not do enough to incentivise colleges to take on those hardest to reach learners. This group includes NEETs (Not in Education, Employment or Training) and recent research suggests there are over 1 million NEETs.<sup>13</sup>

Despite evidence to suggest that outreach (although time and resource intensive) is highly effective at reaching challenging groups of learners, funds for these services and for learning not directly linked to qualifications does not rise year on year with inflation. This forces the (often) third sector providers who receive this funding to charge fees to those learners least inclined to pay for their learning. On top of this, these providers face just as much bureaucratic pressure as colleges and private training providers and often have less capacity with which to deal with it. Meanwhile, organisations which are capable of offering genuine quality especially in areas such as employability are consistently overlooked by Job Centre Plus. This issue must be addressed.

The new Adult Advancement and Careers Service was heralded by the Government as a body capable of resolving many of these issues. Although it is yet to be rolled out nationally, there are a number of points to worry about. In theory, the AACS could perform an excellent function and in practice many of the pilots have done so; developing networks and improving communication throughout the system so that hard to reach learners do not become lost if, for instance, they drop out of a course. There is certainly a worry that the national scheme will not draw enough from the experiences of these, more innovative pilots and this should be avoided.

13 DCSF Statistical Release,  
see [http://www.dcsf.gov.uk/  
rsgateway/DB/STR/d000890/  
index.shtml](http://www.dcsf.gov.uk/rsgateway/DB/STR/d000890/index.shtml)

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# 1

## Introduction

### The Leitch Review

This report seeks to understand the skills landscape as it currently stands and how it might be set to change in the future as well as setting out our recommendations for reform. In order to do this, it uses the Government-commissioned Leitch review of skills, published in 2006, as its starting point. It recognises that Leitch was right to call for a demand led system, but demonstrates that mistakes made in this review (although not necessarily new mistakes) have driven a fundamentally flawed skills policy in recent years and created a system which remains driven by supply and not the demand of employers and individuals. To illustrate this point we need only compare a selection of passages from Government or Government sponsored reports on skills, three years apart:

*“The Review’s analysis shows that previous approaches to delivering skills have been too ‘supply driven’, based on the Government asking employers to articulate their needs and then planning supply to meet this. This approach has a poor track record. Employers are confused by the plethora of advisory, strategic and planning bodies they are asked to input to.”<sup>14</sup>*  
(Leitch Review – 2006)

*“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.”<sup>15</sup>*  
(National Skills Strategy – 2009)

*“Businesses we talk to have also been deeply frustrated with the complexity of skills policies, and the labyrinth of skills initiatives and institutions, in England.”<sup>16</sup>*  
(UKCES – 2009)

Leitch promised us a simplified and demand led system, but as the recent UK Commission for Employment and Skills (UKCES) paper and the Skills Strategy recognise, we still have not got it. The strategy, which draws heavily on the advice of the UKCES (the creation of which was recommended by Leitch) is in some ways a step in the right direction. Nonetheless, it is worth clearly articulating how mistakes made by Leitch have led to (or have failed to remedy) the problems which now beset our skills system in order that new policy can learn from the mistakes of the past.

In particular, the analysis of the skills system in the UK made by Leitch and his resulting recommendations suffered from a focus on qualifications as a proxy for

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<sup>14</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006 p.49

<sup>15</sup> DBIS, *Skills for Growth: The National Skills Strategy*, TSO, London 2009 p.2

<sup>16</sup> UKCES, *Towards Ambition 2020: Skills, jobs, growth*, UKCES, London 2009 p.3

the level of skills in a country, and a concomitant strategy of driving up the UK's qualifications profile to bring it level with that of competitor countries. This focus on qualifications pervaded Leitch's recommendations and led to a system which responds not to demand but to a Government desire for tangible results. The part of Leitch which was right, that our skills system should be demand led, was damaged by the part that was wrong – that a good skills system drives towards increasing its qualifications profile. The way this plays out on the ground is that the skills system as it stands is still governed top down by supply.

As a result of this top – down structure there has been no let up in the dominance of quangos, advisory bodies and quality improvements bodies in the skills landscape. The largest of these bodies, the LSC, places huge bureaucratic burdens on providers and employers alike, stifling innovation on the ground and producing colossal waste. To illustrate this, the LSC spends ten times as much as the Higher Education Funding Council for England (HEFCE) on administration (as a proportion of the money it hands out).<sup>17</sup> Meanwhile, Government funded training schemes pay money to employers for training they would have provided anyway but refuse them funding for training which falls out of the Government's priorities and specifications. To cap it all off, this is all so maddeningly confusing that there are new bodies set up, and publications produced merely to explain the complexities of the system to the uninitiated. This is a picture of a system in need of a serious re-think.

Not all of these problems can be traced directly back to Leitch. As he himself noted, many of them were in evidence already. Moreover, certainly not everything wrong with the skills system in this country can be blamed on the current Government. The UK has been worried about these issues for a century and in the last 50 years the sector has seen numerous changes and upheavals, reviews and recommendations. However, we can identify some problems which have become more evident in recent years and especially since Leitch, and we can further identify one serious mistake made by Leitch which informed so much of his work.

### Are qualifications and skills the same thing?

Before the bulk of the analysis took place in Chapter 1 of the Review, Leitch paused to consider the question of 'what do we mean by skills?' In doing so he acknowledged that there are a large number of different types of skills, in a number of different categories such as literacy and numeracy; 'soft skills' such as teamwork; and job-specific skills. Leitch was also right to say that "there is no perfect measure of skills [yet] the most common measures of skills are qualifications, although it is possible to have skills without having qualifications. On the job training in the workplace is a vital source of skills development and career progression, but often not formally recognised."<sup>18</sup> However, after making this valuable point, he proceeded to ignore the fact that the terms 'skills' and 'qualifications' are not interchangeable in the remainder of the document. This was a significant error and one that still distracts policymakers today. Qualifications are merely a proxy – and, arguably, a poor one – for the level of 'skill' that someone possesses. Informal learning that takes place 'on the job' is just as valuable as formalised qualifications in many instances, yet 'on the job' learning was ignored by Leitch and thus represents a glaring omission from the 154-page review.

<sup>17</sup> Wolf A, *An Adult Approach to Further Education*, Institute of Economic Affairs, London 2009, p.35

<sup>18</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006, p.28

It would not be fair to argue that this was an error solely, or originally made by Leitch. In fact, it is almost certain that Leitch was instructed by ministers to equate the two. Charles Clarke, as Secretary of State for Education and Skills had already set this policy in motion based on recommendations made by the National Skills Task Force in 2000. It is arguable, when looking at policy pre - Leitch (see for example, the first Grant letter to the LSC in 2002) that he was in many ways endorsing existing Government policy. Nonetheless, Leitch is important in that it is claimed his report heralded a shift in focus to a more demand led system.

Leitch went on to suggest that qualifications are used by employers to some extent when hiring new staff, which is a perfectly reasonable assertion, although the evidence paints a more complicated picture than Leitch presented. A survey of employers in 2009 by the CIPD emphasised the point, as their members rated interpersonal (79%) and communication skills (74%) as “very important” when recruiting new employees, yet having ‘appropriate qualifications’ was only seen as very important by 46% of employers.<sup>19</sup> A similar pattern can be seen in the CBI’s 2009 survey on education and skills, in which they found that 78% of employers listed ‘employability skills’ (e.g. teamworking, problem-solving) and a positive attitude (72%) as among the most important variables they consider when recruiting graduates, while degree subject (41%) and degree result (28%) were much less relevant.<sup>20</sup> That is not to say that qualifications are not relevant – they most certainly are, and qualifications must remain part of the debate over skills policy both now and in future. Even so, Leitch’s failure to adequately distinguish between skills and qualifications was a major disappointment.

The Innovation, Universities, Science and Skills (IUSS) Select Committee picked up on this point in their report on skills at the end of 2008. They stated that qualifications are “essentially a status measure: they do not reflect whether the skill acquired is being used or is useful”<sup>21</sup>, and indeed with the benefit of recent experience we might add that a qualification does not necessarily tell us that any new skill has been acquired whatsoever. While the Committee accepted that it was reasonable for the Government to suggest that “qualifications have a particular value for the types of individuals whom the Government is trying hardest to encourage”,<sup>22</sup> they went on to say that “we are concerned that the conflation of skills and qualifications in the targets may lead Government to assume that a qualifications strategy is an adequate substitute or proxy for an overall skills strategy”.<sup>23</sup>

### Should the UK concern itself with matching, or bettering, the number of qualifications held in other countries?

Importantly, for Leitch it followed (from the tacit equation of skills and qualifications), that the degree of success in tackling skills shortages would be measured simply on the basis of increasing the number of qualifications held in the population – often referred to as a ‘stockpiling’ approach. Here, Leitch uses the UK’s poor position in international league tables of qualifications profiles to back up his argument that it was vital the UK caught up with its competitors.

At the time, the UK was 17th out of the 30 OECD countries in the proportion of working age people with low or no qualifications [less than Level 2 - equivalent to 5 A\*-C GCSE grades] with 35% at this level, more than double the proportion in the best performing nations, such as the USA, Canada, Germany

<sup>19</sup> CIPD, *Learning and Development – Annual Survey Report 2009*, CIPD, London 2009, p.9

<sup>20</sup> CBI / Nord Anglia, *Emerging stronger: the value of education and skills in turbulent times - Education and skills survey 2009*, CBI, London 2009, p.29

<sup>21</sup> Innovation, Universities, Science and Skills Select Committee, *Re-skilling for recovery: After Leitch, implementing skills and training policies*, TSO, London 2008, p.18

<sup>22</sup> *Ibid*, p.18

<sup>23</sup> *Ibid*, p.19

and Sweden. For intermediate qualifications [Levels 2 and 3], the UK was ranked 20th with 36% qualified to this level, compared to more than 50% in Germany and New Zealand. Finally for ‘high’ qualifications i.e. degrees [Level 4 and above] we were ranked 11th with 29% qualified to this level, which was an improvement but still well behind the USA, Japan and Canada where the proportion stood at around 40%.<sup>24</sup> Despite accepting that there had been significant improvements in the UK over recent years, Leitch was evidently troubled by these comparisons and identified a number of targets to address these ‘gaps’ by 2010:

- Improve the basic skills (literacy, numeracy and ICT) of 2.25 million adults
- Reduce by at least 40% the number of adults in the workforce who lack Level 2 qualifications
- Increase participation in higher education towards 50% of those aged 18 to 30<sup>25</sup>

Here Leitch was actually reiterating existing policy. These targets were already adopted PSA targets but it is important to note that Leitch saw them as contributing to a specific development of skills policy. In essence, he was convinced that by adhering to these targets, the UK’s “qualification profile will improve significantly”<sup>26</sup> and we would therefore move up the international league tables. The underlying message was essentially a simple one: the UK is falling behind, but by improving our qualification profile our economy will become ‘world class’. Sadly, what Leitch did not either realise or appreciate is that any analysis based solely on comparing the number of qualifications held by adults in UK against other countries is rendered almost entirely useless by a wide variety of issues, both technical and otherwise.

One must always bear in mind the selectivity of international comparisons.<sup>27</sup> For example, much is often made of Germany’s considerable advantage in Level 3 skills relative to the UK thanks to their renowned apprenticeship route, yet the sizeable advantage that the UK holds over Germany in terms of Level 4 (i.e. degree) qualifications is seldom mentioned. Canada is another country that is often heralded as an example of what we should be striving for in terms of skills. While there is no question that Canada has higher levels of participation and achievement at all qualification levels, this may not necessarily be to Canada’s advantage: hourly productivity for example, is notoriously low in Canada and there is clear evidence of many Canadians being frequently over-qualified for their jobs.<sup>28</sup>

Even though the Leitch Review (along with numerous political speeches since 2006) gave the impression of a brand new emphasis in skills policy, comparisons of skills profiles are nothing new and date back well over a hundred years.<sup>29</sup> In fact, there is good reason to think that Britain has been trailing its competitors on skills for at least the last 120 years, yet we still outperform other countries with better qualified workforces. Qualifications profiles are also little use in deciding where the Government and employers (and, arguably, individuals) should invest and direct their efforts in future.<sup>30</sup> In reality, international comparisons of qualification profiles can be useful, but only if they come with a number of caveats and are treated with a considerable amount of caution.

“ There is good reason to think that Britain has been trailing its competitors on skills for at least the last 120 years, yet we still outperform other countries with better qualified workforces ”

24 HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006, p.40

25 *Ibid*, p.44

26 *Ibid*, p.44

27 Keep E, *From Competence and Competition to the Leitch Review: The utility of comparative analyses of skills and performance*, Institute for Employment Studies, Brighton 2008, p.10

28 *Ibid*, p.10

29 *Ibid*, p.2

30 *Ibid*, p.13



## Are universal qualifications targets the best approach to increasing skills across the UK?

Another side-effect of relying so heavily on qualification profiles was that Leitch paid little attention to the differences within the UK. This is a bizarre oversight, given that he rightly noted that “the skills profile varies across the different regions and countries in the UK” in the opening analysis,<sup>31</sup> adding: “Scotland has both a higher proportion of its working age population (31%) with at least a Level 4 qualification compared with the UK average, and a smaller proportion (28%) with less than a Level 2 qualification. Wales and Northern Ireland have 34 and 35% respectively of their adult populations without a Level 2 and 24 and 23% respectively qualified at Level 4 or above.”<sup>32</sup> On this basis, it is almost inconceivable that Leitch would then propose qualifications targets for the UK as a whole without any reference to the variation between each country within the UK – yet this is precisely what he did.

There were other nuances that Leitch recognised then promptly ignored when forming his recommendations:

- Regional variations: “the extent of this productivity gap varies between sectors, regions and countries of the UK. Productivity in the East of England is more than 20% higher than the UK average, while in the North East it is around 10% lower.”<sup>33</sup> In addition, “More than 33% of people in the North East, Yorkshire and Humberside and the East Midlands have less than a Level 2 qualification, compared with around 28% in the South East.”<sup>34</sup>
- Sectoral variations: “a recent study found that the utilities sector is five times more productive than the UK average, while hotels and catering are only 40% as productive as the average.”<sup>35</sup>
- Variations between population groups: “Over 40% of those of working age with disabilities have no or low qualifications. More than 40% of working age people of Asian or Asian British ethnicity hold only low or no qualifications, compared with 31% of the white population.”<sup>36</sup>
- Variation between large and small firms: “Small firms with less than 50 employees account for around one quarter of employment, with large firms accounting for more than one half.”<sup>37</sup>

The recognition of regional, sectoral and individual variations was absolutely correct, but Leitch’s failure to integrate them into his ungainly national targets was a setback for employers and employees across the UK. By disregarding these factors, Leitch undermined the value of his own Review. Indeed, the IUSS Select Committee commented in its report on skills that “it is hard to avoid the pessimistic conclusion that the [main Leitch] targets may be unrealistic and unachievable, in part because they do not take account of differences in skills needs in regions across the country.”<sup>38</sup>

The pre-occupation with qualifications as targets has other unintended consequences as well. The practice can lead to funding being directed almost exclusively at what has become known as ‘target bearing provision’. In other words, the Government will only fund training which contributes to its own targets, thereby helping create a system dominated by input (or supply) and not outcomes or demand. The same process is likely to occur within the targets themselves, as the

31 HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006, p.41

32 Ibid, p.41

33 Ibid, p.29

34 Ibid, p.104

35 Ibid, p.29

36 Ibid, p.104

37 Ibid, p.88

38 Innovation, Universities, Science and Skills Select Committee, *Re-skilling for recovery: After Leitch, implementing skills and training policies*, TSO, London 2008, p.22

Government ‘prioritises’ a certain level or even a certain qualification or mode of learning. Another key concern, is that the emphasis on ‘first full’ qualifications does not take into account the dynamic nature of the labour market and the need that many encounter to re-skill. This issue has become particularly pertinent in the current economic climate as many of the recently unemployed are skilled and/or qualified, yet are unable to find a job which suits their past experience.<sup>39</sup>

For Leitch, the Government or any other influential group to dedicate such an enormous amount of time and effort on qualifications targets is patently inadvisable in terms of meeting employer and individual needs. The 2008 Innovation, Universities and Skills Select Committee summed up these worries, alerting the Government to:

*“The danger that skills policy might be distorted in order to meet the targets at the expense of programmes and delivery mechanisms that reflect what employers and individuals really need. . . . The focus of the targets on gaining qualifications could lead to a near total concentration on the delivery of formal qualifications to people in work, rather than addressing NEEETs or others who are less easy to pull up the qualifications ladder. The drive to meet the targets could also result in a pressure to increase the numbers with qualifications by re-badging those who already have skills instead of adding value through training. The deadweight costs of this would be considerable.”<sup>40</sup>*

As will be discussed in later chapters, this prediction has, sadly, turned out to be unnervingly accurate.

## Skills and productivity

There was another mistake made by Leitch, which might arguably be said to be more important than the mistake concerning qualifications (although the two are strongly connected). Leitch submitted to far too simple a conception of the relationship between skills and productivity. His approach to this issue can usefully be represented by a quote from the review:

*“Achieving a world class base will deliver a possible overall net benefit of at least £80 billion over 30 years, equivalent to an average of £2.5 billion each year”<sup>41</sup>*

This type of calculation is an example of what Ewart Keep has described as a “growing tendency by policy makers to depict skills as a stand-alone panacea for a host of social and economic ills.”<sup>42</sup> This tendency can clearly be seen in recent comments by Lord Mandelson, the Secretary of State for Business, Innovation and Skills, at the CBI:<sup>43</sup>

*“It seems to me that in equipping the UK for a post-recession global economy, higher education and adult skills will be not just important but decisive.”*

*“Both HE and FE also have a critical role to play in increasing social mobility in Britain. There is no silver bullet on social mobility, but education and higher skills are as close as you get to one.”*

It is obvious that skills policy is important. However, if Government is basing its decision making on wild calculations like the one made by Leitch above, then there are likely to be serious, unwanted consequences. Arguably, one such consequence

<sup>39</sup> Ibid, p.17

<sup>40</sup> Ibid, p.22

<sup>41</sup> Ibid, p.60

<sup>42</sup> Keep, E, *Skills and Economic and Social Justice, SKOPE, Cardiff 2008*

<sup>43</sup> Lord Mandelson at the CBI, 20th October 2009, see <http://www.bis.gov.uk/feed>

is the very problem this introduction has focused on so far: the conflation of skills and qualifications. This can be seen in that Leitch did not draw his obsession with qualification profiles and competing with other countries merely from the fact that the UK was lagging behind in international league tables. Rather, it was the links that he made between particular countries above the UK in these tables and their higher productivity levels.

He explicitly links higher qualification profiles in other countries with statistics which suggest that productivity levels are higher per worker than in the UK and he uses these arguments to bolster calls for a significant drive to ‘upskill’

the population. He states that “the UK’s skills base...holds back productivity, growth and social justice” and that if drastic measures are not taken to close the gap with comparator countries the UK “will run to stand still.”<sup>44</sup> The argument is quite clear: for Leitch, as for Mandelson, skills are “an ever more important determinant of productivity, prosperity and business competitiveness.”<sup>45</sup>

Interestingly, there might be a further layer to the relationship between the two faulty assumptions Leitch made about skills, productivity and qualifications. As his assumptions about the role of skills in boosting productivity place an unreasonable burden on skills policy which it cannot hope to meet, there arises a need within Government to justify the significant levels of public investment made with tangible ‘results’. Qualifications provide such tangible results.

“As his assumptions about the role of skills in boosting productivity place an unreasonable burden on skills policy which it cannot hope to meet, there arises a need within Government to justify the significant levels of public investment made with tangible ‘results’”

### What Leitch recommended

The positive, proactive and broad nature of Leitch’s targets and recommendations was encouraging. However, as we have already ascertained, the focus on stockpiling of qualifications in particular was not the right approach. The recommendations exemplify this stockpiling approach and the lack of a coherent attempt to manipulate the setting of targets to take into account regional, sectoral and other variations.

Leitch recommended that, in order to become the “world leader in skills by 2020, benchmarked against the upper quartile of the OECD”, the objectives must be:<sup>46</sup>

- “95% of adults to achieve the basic skills of functional literacy and numeracy, an increase from levels of 85% literacy and 79% numeracy in 2005”
- “exceeding 90% of adults qualified to at least Level 2, an increase from 69% in 2005 [plus] a commitment to go further and achieve 95% as soon as possible”
- “shifting the balance of intermediate skills from Level 2 to Level 3. Improving the esteem, quantity and quality of intermediate skills. This means 1.9 million additional Level 3 attainments over the period and boosting the number of Apprentices to 500,000 a year”
- “exceeding 40% of adults qualified to Level 4 and above, up from 29% in 2005, with a commitment to continue progression”

<sup>44</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006, p.3

<sup>45</sup> *Ibid*, p.29

<sup>46</sup> *Ibid*, p.3

**Table 1: The National Qualifications Framework – ‘Levels Explained’<sup>47</sup>**

NQF Level	Examples of Qualifications	What they give you
Entry	Entry level certificates; English for Speakers of Other Languages (ESOL); Skills for Life; Functional Skills at entry level (English, maths and ICT)	basic knowledge and skills; ability to apply learning in everyday situations; not geared towards specific occupations
1	GCSEs grades D-G; BTEC Introductory Diplomas and Certificates; OCR Nationals; Key Skills level 1; NVQs at level 1; Skills for Life	basic knowledge and skills; ability to apply learning with guidance or supervision; may be linked to job competence
2	GCSEs grades A*-C; BTEC First Diplomas and Certificates; OCR Nationals; Key Skills level 2; NVQs at level 2; Skills for Life	good knowledge and understanding of a subject; ability to perform variety of tasks with some guidance or supervision; appropriate for many job roles
3	A levels; Advanced Extension Awards; GCE in applied subjects; International Baccalaureate; Key Skills level 3; NVQs at level 3; BTEC Diplomas, Certificates and Awards; BTEC Nationals; OCR Nationals	ability to gain or apply a range of knowledge, skills and understanding, at a detailed level; appropriate if you plan to go to university, work independently, or (in some cases) supervise and train others in their field of work
4	NVQs at level 4; BTEC Professional Diplomas, Certificates and Awards	specialist learning, involving detailed analysis of a high level of information and knowledge in an area of work or study; appropriate for people working in technical and professional jobs, and/or managing and developing others
5	HNCs and HNDs; NVQs; BTEC Professional Diplomas, Certificates and Awards	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; involves high level of work expertise and competence in managing and training others; appropriate for people working as higher grade technicians, professionals or managers
6	National Diploma in Professional Production Skills; BTEC Advanced Professional Diplomas, Certificates and Awards	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; appropriate for people working as knowledge-based professionals or in professional management positions
7	Diploma in Translation; BTEC Advanced Professional Diplomas, Certificates and Awards	highly developed and complex levels of knowledge, enabling you to develop original responses to complicated and unpredictable problems and situations; appropriate for senior professionals and managers
8	specialist awards	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

The scale of the change required to reach these targets across the entire UK workforce by 2020 was breathtaking. It would require 7.4 million adults to attain basic skills attainments, up to 5.7 million adults to achieve a first Level 2 qualification, 4 million adults to achieve a first Level 3 qualification and 5.5 million adults to achieve at least a first Level 4 qualification.<sup>48</sup> The Review’s main recommendations to achieve this ambition were:<sup>49</sup>

- Increase adult skills across all levels.
- Route all public funding for adult vocational skills in England, apart from community learning, through Train to Gain and Learner Accounts by 2010.
- Strengthen the employer voice. Rationalise existing bodies, strengthen the collective voice and better articulate employer views on skills by creating a new Commission for Employment and Skills, reporting to central Government and the devolved administrations. The Commission will manage employer influence on skills, within a national framework of individual rights and responsibilities.
- Increase employer engagement and investment in skills: reform, relicence and empower Sector Skills Councils (SSC).

<sup>47</sup> See, [http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG\\_10039017](http://www.direct.gov.uk/en/EducationAndLearning/QualificationsExplained/DG_10039017)

<sup>48</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006, p.58

<sup>49</sup> *Ibid*, p.4

- Launch a new 'Pledge' for employers to voluntarily commit to train all eligible employees up to Level 2 in the workplace. In 2010, review progress of employer delivery. If the improvement rate is insufficient, introduce a statutory entitlement to workplace training at Level 2.
- Increase employer investment in Level 3 and 4 qualifications in the workplace.
- Dramatically increase Apprenticeship volumes.
- Increase people's aspirations and awareness of the value of skills to them and their families.
- Develop a new universal adult careers service.
- Create a new integrated employment and skills service, based upon existing structures, to increase sustainable employment and progression.

It should also be noted that although not direct recommendations of the Leitch report, there are other potentially significant changes to the skills system to be made soon, some of which are purportedly as a result of Leitch's suggestions that the LSC should be 'streamlined'. These changes are the dismantling of the LSC and the creation of three new bodies to take responsibility for its functions: the Skills Funding Agency (SFA), the Young Persons Learning Agency (YPLA) and the National Apprenticeship Service (NAS).

The creation of the second of these, the YPLA, was a result of the 2007 Machinery of Government changes which saw skills and education move to separate departments. Whereas both were previously dealt with by the Department for Education and Skills, the changes saw the creation of the Department for Innovation, University and Skills, whose remit is now covered by the new Department for Business, Innovation and Skills, and the Department for Children, Schools and Families. On the basis of these changes at departmental level, the decision was made to transfer responsibility for funding the education and training of young people to local authorities. This decision was also made in the context of plans to raise the participation age to 18, and a concomitant desire to have a level of continuity up to this point with regards to the sources of funding. The Young Persons Learning Agency would be the body with responsibility for disbursing funds to local authorities. This transition is due to be made some time in May 2010.

On the same timescale the responsibility for funding adults will be transferred from the LSC to the SFA which the Government insists will be a funding body only, rather than a funding and planning body in the mould of the LSC. However, despite these claims there appear to be no other changes planned which would indicate this shift in role will materialise. The Government claims that the SFA will ensure funding follows demand, yet it claimed this of the LSC too and there are no proposals to reform the funding system as it now operates.

Finally, the National Apprenticeships Service will have responsibility for delivering the Government's strategy for apprenticeships, including co-ordinating the funding of all apprenticeship places. As such, the NAS will, again, essentially just perform the same functions as the LSC in the same way with a different name.

It is worth mentioning that it is highly likely that the same staff will populate these new bodies as currently work at the LSC. Without casting aspersions on the staff themselves rather than the institutions, it would seem unwise to expect seri-

ous change given this fact. Moreover, recent plans put forward by Lord Mandelson to increase the role of RDAs in the formulation of skills strategies serves to reiterate the fact that the planning culture is unlikely to disappear from the skills system, despite the SFA being described as only a funding body:

*“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, regional and sub –regional priorities.”<sup>50</sup>*

Indeed, it is also worth mentioning that in deliberation on the Apprenticeships, Schools, Children and Learning Bill through which these changes will be made statutory, the Government minister Sion Simon claimed (when charged with the accusation that the creation of three new agencies would be likely to increase bureaucracy, not diminish it) that in fact the SFA in particular will be far more efficient and less bureaucratic than its predecessor the LSC. His justification for this was that, although it would have precisely the same amount of staff<sup>51</sup> it will in fact have more functions to deal with, and can therefore be considered more streamlined. Not only does this appear to contradict the claims that the SFA will not be involved in the kind of finely grained planning and intervention as the LSC (thereby having less ‘functions’) but it also suggests an utter lack of understanding of how the system does and will work from a Government minister.

## The Skills Strategy

The most recent Government pronouncements on skills were contained in the ‘Skills Strategy’ published in November 2009. This is probably the only major Government paper on skills since Leitch which is not primarily concerned with the implementation of his recommendations, and does to a certain extent signal some change. However, none of these changes can be considered fundamental departures from Leitch, and the strategy reiterated the Government’s commitment to the twin pillars of provision recommended three years previously: Train to Gain and learner (skills) accounts.

One change is that there is even more focus on the connection between skills and productivity. Belying the apparent clue in the title, page 4 of the skills strategy tells us that “This is a strategy to support economic growth and individual prosperity, opportunity and choice.”<sup>52</sup> This increase in focus is doubtless partly related to the difficult financial times, and the need to clearly justify Government expenditure. It is also likely that the combination of business and skills in one department, under the stewardship of Lord Mandelson has also contributed to the attempts to align the two agendas.

However, it is another focus, related to this one that is perhaps the most worrying aspect of the recent movements in skills policy. The Skills Strategy constantly tells us that the Government will focus the skills budget on areas of the economy which can do most to drive growth and employment. In particular, the document emphasised the importance of the so called ‘New Industry, New Jobs’ opportunities.<sup>53</sup> These areas, which are described as central to the ‘high tech – high carbon’ economy have been identified by the Government, and singled out essentially for preferential treatment.

<sup>50</sup> DBIS, *Skills for Growth: The National Skills Strategy*, TSO, London 2009, p.65

<sup>51</sup> Although since then changes have meant that some staff will be within the RDAs

<sup>52</sup> DBIS, *Skills for Growth: The National Skills Strategy*, TSO, London 2009, p.4

<sup>53</sup> DBIS, *Building Britain’s future: New Industry, New Jobs*, TSO, London 2009

Many of the problems which beset the skills system, partly as a result of Leitch, can be identified as problems of ‘planning’. The Government plans skills supply in order to meet anticipated demand, rather than responding to demand itself. Planning therefore is not new, nor are attempts to predict future demand and identify sectors of high growth (this is a large part of what the UKCES does every day). However, the extent of the focus in the recent Skills Strategy on prioritising certain sectors because of a belief held by the Government that they will be the high growth areas of the future, is a development for the worse. The evidence to suggest that anyone, let alone the Government, can predict future economic development, changes in the labour market and demands for certain skills even in the not too distant future is weak indeed. As the strategy itself admits: “it is impossible to predict in advance precisely where such targeting might be needed”<sup>54</sup>, and yet this is exactly what the strategy does.

This report will explore the ways in which the central mistakes by Leitch, the decision to build a skills system geared towards improving the country’s qualifications profile, and the assumption that this would boost productivity have led to a wider malaise in the skills landscape. In doing this, it will look at a number of issues in particular, all of which were explicitly dealt with in Leitch’s recommendations. Some have been subject to more change since, in the Skills Strategy.

The report will seek to build a picture of how to create a system which is truly led by employer and individual demand. In doing so, it will assess some of the results of specific recommendations in Leitch in terms of whether or not they contribute to an effective, demand led system. In particular it will study the efficacy of routing all public funding through Train to Gain and learner accounts as mechanisms for engaging with employer and individual demand respectively. Connected to this, it will also assess the roles of Sector Skills Councils in helping skills policy meet employer demand and the developments of an Adult Advancement and Careers Service and an Integrated Employment and Skills Agenda to facilitate individual demand, and better coordinate skills, labour market and industrial policy. Included within this will be an account of the approach to both basic skills and apprenticeships. Finally, the report will endeavour to review skills policy with relation to the vital question of NEETs and the ‘hardest to reach’.

54 DBIS, *Skills for Growth: The National Skills Strategy*, TSO, London 2009, p.11

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# 2

## Train to Gain

The ambitious targets set by Leitch with regard to increasing the skill levels within the UK economy were inevitably going to require new investment in training. This new investment would be shared between Government, employers and individuals. The review argued that there were market failures at all levels, but that these had the most damaging impact at the bottom end. Thus the Government would provide the bulk of funding for basic and employability skills. Meanwhile, employers were expected to focus on higher intermediate skills (Level 3) with both employers and individuals expected to make a much higher contribution, in the order of at least 50 %. At degree level and beyond Leitch recommended that individuals and employers should pay the bulk of the additional costs as they would benefit most.<sup>55</sup>

The Review recommended that by 2010 all public funding for vocational skills should go through one of two routes: 'Learner Accounts' (discussed in Chapter 9) and 'Train to Gain', the Government's flagship employer training programme.<sup>56</sup> As previously discussed, under Leitch's vision the Government set out to supply properly 'demand-led' support, with the money following directly what employers (and individuals) wanted. This was an admirable notion. However, in practice they encountered very serious problems.

### The pilots that led to Train to Gain

Train to Gain was born out of the Employer Training Pilots (ETPs) that began in 2002, four years before the Leitch Review was published. The 'core offer' in the ETPs was:

- free (or highly subsidised) training for employees to reach a basic skills qualification or achieve their first, full Level 2 (GCSE equivalent) qualification
- paid time in which employees could undertake the training
- wage compensation to employers to help meet the cost of employee paid time off for training
- free information, advice and guidance for employees and employers

The details of the ETPs provided in the Review were certainly encouraging: "By the final year of the pilots, ETPs covered a total of 20 of the 47 local Learning and Skills Council (LSC) areas in England. By March 2006, a total of 30,000 employers and 250,000 employees had been involved in the pilots. ... Once all the learners who started have either left or completed training, success rates are likely to be around 70 %."<sup>57</sup> Train to Gain, on its release in 2006, was closely related to the ETPs in

55 HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, Norwich 2006, p.15

56 *Ibid.*, p.71

57 *Ibid.*, p.75



design terms, apart from two issues: firstly, the ETPs focused mostly on Level 2 qualifications within their client companies, whereas Train to Gain was intended to offer training solutions for the entire company regardless of the level;<sup>58</sup> and secondly, there was a greater emphasis placed on ‘skills brokers’, who were generally employed by the local branch of the LSC to find employers in need of training, help them identify their training needs and outline possible solutions and provide ongoing support for employers and employees.<sup>59</sup>

The ETPs began in just six out of the 47 LSC regions back in 2002, with the aim of “[engaging] with employers or employees who do not normally get involved with qualifications-based training.”<sup>60</sup>

The pilots offered training with registered providers towards either a National Vocational Qualification (NVQ) at Level 2 or basic skills qualifications to any employees not already qualified to Level 2 i.e. with fewer than five GCSEs at grades A\*-C. This offer attracted a variety of companies to the ETP. 40% of the companies involved had fewer than 20

employees, but 75% of the large employers in each of the pilot areas were involved as well. The ETP also bridged a wide variety of sectors.

However, cracks in the programme began to emerge very early on. The evaluation of the ETPs found a disproportionately high interest from the health and social care sector, with companies from this sector making up 26% of all employers involved in the pilots.<sup>61</sup> The evaluation acknowledged that this was partly driven by the need for employers to comply with the National Minimum Standards for Care Homes issued by the Department of Health by 2005.<sup>62</sup> In short the Government had introduced new legislation regarding the minimum standards of qualifications to be accepted by the health and social care sector, only to use public funds to pay for the necessary training.

Conversely, sectors such as finance were much less likely to take advantage of the new schemes.<sup>63</sup> This comes as little surprise given the focus on Level 2 qualifications, as finance sector jobs often require degree-level training (Level 4). Worryingly, no more than 25% of employers involved in the pilots were classified as ‘hard to reach’, meaning they had not previously been involved in government training programmes or used an external training provider.<sup>64</sup> This strongly suggests that the programme was badly targeted from the outset.

The evaluation also raised serious questions about whether the training funded by the pilots was necessary and useful. At least 20% of the ‘learners’ (and possibly as many as 33%<sup>65</sup>) who received training during the pilot trials “were already qualified at level 2 or above before they started the training and so theoretically ineligible to take part”<sup>66</sup> and only 4.4% of employers stated that “no training [had] taken place recently” or “training is a last resort” before the ETPs began.<sup>67</sup> The most common reasons given for not providing training in the past were “employees learn from experience/each other” (cited by 42% of employers) and “sufficient training provided before” (40%).

Strikingly, although the pilots offered free or subsidised training to all employers, the evaluation revealed that less than a third of companies genuinely required help with training budgets.<sup>68</sup> In other words, taxpayers’ money was being used to

“ Strikingly, although the pilots offered free or subsidised training to all employers, the evaluation revealed that less than a third of companies genuinely required help with training budgets ”

58 Ibid, p.75

59 Hillage J et al, *Employer Training Pilots: Final Evaluation Report*, Institute for Employment Studies, Brighton 2006, p.xiii

60 Ibid, p.1

61 Ibid, p.6

62 Ibid, p.13

63 Ibid, p.6

64 Ibid, p.7

65 Ibid, p.32

66 Ibid, p.8

67 Ibid, p.17

68 Ibid, p.20

fund training that in many cases would have been provided in the absence of any government intervention. The following comments in the evaluation confirming this point should surely have stopped the Government in its tracks.

“...most [employers] said they would have provided the training in any event”<sup>69</sup>

“There may be a substitution effect occurring both between firms (as providers switch from training other employees to those eligible for the pilots) and within firms (as employers can only allow a limited number of employees to take time off to train at any one time and other training falls as a consequence), limiting the net additional effect of the training.”<sup>70</sup>

“...about 10% to 15% of the training is additional training, and about 85% to 90% is deadweight. These estimates are subject to sampling error and the range in which the true effect may actually lie is broader. ...the confidence intervals around the estimates in general mean that the possibility that the true effect is zero percentage points, implying 100% deadweight, cannot be ruled out.”<sup>71</sup>

“A very low number of [employers] said they would have provided unaccredited training in the absence of ETP (only 3%). Around two-thirds believed they would have trained to the same qualification level, with just under one in five believing that they would have trained to a lower qualification.”<sup>72</sup>

These damning remarks were followed by the identification of at least two ‘sub-groups’ of deadweight employers: those who already train low-skilled employees but “took the opportunity of the pilots to either facilitate, accelerate and/or subsidise the process”, and those who “train their (low-skilled) employees because they have to (e.g. because of their understanding of the prevailing legislative requirements on their business) and who took advantage of the pilots to help them meet those obligations.”<sup>73</sup> Although the precise number of employers in each group is hard to ascertain, the inescapable conclusion of the ETP evaluation was that most, if not all, of the money spent was wasted on providing training that was going to happen in any case. Of the 250,000 employees involved across the four years of the ETPs, only 0.5% of them received ‘additional training’ as a result of the pilots.<sup>74</sup>

Unfortunately, the questionable value of the ETPs over their four-year life cycle was ignored by the Government and, only a matter of weeks after the pilots concluded in 2006, the latest incarnation of the training programme – Train to Gain – was launched across England with surprisingly few modifications.

## The emergence of Train to Gain

From April to August 2006, Train to Gain was rolled out across all 47 LSC regions. This new training programme was seen as the lynchpin of the Government’s skills agenda due to its key role in meeting central targets for improving the skills of the workforce. As described in the Leitch Review (also published in 2006), the targets set for 2020 were:

- 95% of adults to achieve the basic skills of functional literacy and numeracy
- Exceeding 90% of adults qualified to at least level 2, with a commitment to achieve 95% as soon as possible

69 Ibid, p.7

70 Ibid, p.8

71 Ibid, p.23

72 Ibid, p.24

73 Ibid, p.25

74 Ibid, p.25

- 68% of the adult population qualified to level 3
- Increasing apprenticeships to 500,000 a year
- Over 40% of the adult population qualified to level 4 and above

Not only was Train to Gain heralded as the main mechanism through which these long-term goals were to be met, the programme had its own astonishingly wide-ranging objectives as well.<sup>75</sup> Placing such high and broad-reaching demands on any training programme, let alone a brand new one, was highly inadvisable and reduced the likelihood of meaningful progress. The Government decided that Train to Gain would:

- Change the way training is delivered to provide demand-led training to businesses and learners/employees
- Raise the skills levels of the workforce and improve business performance
- Drive up demand for skills training and increase investment made by employers in skills training not supported by public subsidy
- Develop capacity of learning providers to meet employer needs, raising the standards and quality of training
- Provide a national skills brokerage network and build the capacity of employers to access training without skills brokers over the longer term
- Respond to the economic downturn and support employers to retrain and re-skill the workforce to compete in the future

As with the ETPs, Train to Gain revolved around free or subsidised training for employers and the use of skills brokers to identify training needs and provide appropriate solutions. The qualifications covered by Train to Gain included basic skills (literacy and numeracy), fully-funded Level 2 qualifications in any one of 11 occupational sectors for those who had not achieved this benchmark previously, co-funding for Level 3 qualifications (equivalent to A-levels) between the government and employer and finally financial contributions towards 'Leadership and Management' training.<sup>76</sup>

Since its inception, Train to Gain has been passed around numerous government departments and is closely linked to a number of quangos. Responsibility for Train to Gain currently rests with the Department for Business, Innovation and Skills along with the LSC who provide the funding. As these bodies both operate at a national level, Train to Gain also has a number of regional offices that help allocate funding and manage contracts with training providers and other related organisations. Although this appears to be a relatively basic format for delivering the programme, the number of organisations that have some role in Train to Gain is nothing short of bewildering. They include the Department for Business, Innovation and Skills, the LSC, the Learning and Skills Improvement Service, the UK Commission for Employment and Skills, all the Sector Skills Councils, OFSTED, Regional Development Agencies, Business Link and the training providers themselves.<sup>77</sup> This complicated landscape has been further hampered by the substantial turnover in management positions in the national Train to Gain office since the programme began - for example, within a year the holders of two key posts each changed three times.<sup>78</sup>

Rather than rely on government figures it is necessary to consult the evaluations conducted on the Train to Gain programme in order to gauge whether this model

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<sup>75</sup> National Audit Office, *Train to Gain: Developing the skills of the workforce*, TSO, London 2009, p.9

<sup>76</sup> *Ibid*, p.10

<sup>77</sup> *Ibid*, p.11

<sup>78</sup> *Ibid*, p.11

has had any more success than its near-identical predecessor. The omens were not good after the dismal findings of the ETP's final evaluation Train to Gain, on its release in 2006, was almost identical to the ETPs in design terms as it offered free or highly subsidised training, paid time for employees along with wage compensation for employers and an advice and information service. That said, the ETPs focused mostly on Level 2 qualifications within their client companies whereas Train to Gain was intended to offer training solutions for the entire company regardless of the level.<sup>79</sup>

From April 2006 to March 2009, Train to Gain cost £1.47 billion. The budget for 2009/10 is £925 million, most of which is incurred in the form of payments to training providers. However, in their report on Train to Gain, the National Audit Office (NAO) pointed out that “an unknown proportion of the LSC's administration costs (which totaled £638 million over the three years) relate to Train to Gain” and “while the Train to Gain budget has increased, there have been reductions in other Further Education budgets.”<sup>80</sup> With such an expensive programme, one would expect impressive returns.

According to the NAO, from April 2006 to April 2009 there were 143,400 ‘employer engagements’ (representing 6% of all employers in England) with a skills broker and 198,100 employers (9% of all employers) had employees who had undergone training. In addition, skills brokers referred around 30,000 employers to other support such as Investors in People, Sector Skills Councils and Jobcentre Plus. In line with previous evaluations, around 20% of learners were from the health and social care sector, while two-thirds of learners worked for employers with fewer than 50 staff.<sup>81</sup> Using the alternative measure employed by the LSC - “achievement of a qualification or other learning objective” - learners had achieved a total of 554,100 qualifications over the three years with an overall completion rate of 71% (higher than both apprenticeships and adults in Further Education).<sup>82</sup> There was, however, considerable variation between different regions and different providers, with completion rates ranging from 8% to 99% among the largest 100 providers.<sup>83</sup>

## Employers' views on Train to Gain

The impact of Train to Gain on the businesses that OFSTED surveyed in 2008 was inconsistent, making it difficult to identify clear patterns. While all employers attributed improvements in employee performance to Train to Gain and over 75% offered examples of ways in which their businesses were now more competitive or effective, fewer than 10% of employers had formal mechanisms for evaluating the impact of training on business performance. OFSTED went on to criticise employers for not showing more commitment to the programme, as fewer than 25% of employers offered more than the 20-hour minimum training requirement associated with the higher levels of funding for courses<sup>84</sup> and “too many employers still wanted training at no cost to themselves or claimed that they had no need for a highly skilled workforce.”<sup>85</sup> A high proportion of the learners were from care and construction sectors, where legislation demands certain qualifications are met, and a few employers saw provision funded by Train to Gain simply as a way of ‘badging’ their employees’ existing skills.<sup>86</sup>

Despite Leitch's focus on demand-led skills funding, the OFSTED report found that most of the employees were recruited as a result of promotional work carried

79 HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, Norwich 2006, p.75

80 National Audit Office, *Train to Gain: Developing the skills of the workforce*, TSO, London 2009, p.16

81 Ibid, pp.14-15

82 Ibid, p.18

83 Ibid, p.18

84 OFSTED, *The impact of Train to Gain on skills in employment*, OFSTED, London 2008, p.17

85 Ibid, p.18

86 Ibid, p.18

out by providers. This suggests that provision was supply driven, rather than demand-led.<sup>87</sup> The eligibility criteria within Train to Gain also limited the ability of employers and providers to offer the most appropriate training and accreditation. For example, any employee who had already gained a Level 2 qualification (regardless of how many years ago it was gained) or non-vocational qualifications such as GCSEs or GCE O levels was not eligible for any Train to Gain funding.<sup>88</sup> 25% of employers reported that the requirement for full Level 2 or 3 qualifications diminished the demand-led focus of Train to Gain, as they would have preferred smaller or customised qualifications. Furthermore, 'priority qualifications' did not always meet employers' needs accurately. For instance, the IT qualification was deemed to be a high priority in one region, but the employers surveyed in this region found that it focused too narrowly on information technology skills and did not meet their needs effectively. Instead they wanted business administration training, with some IT included.<sup>89</sup>

Even in 2009 when the LSC published their employer survey – three years after Train to Gain began – the possibility of free or subsidised training was still the main reason for almost 50% of employers to get in touch with Train to Gain, while just 1% said that 'access to qualifications' was the main factor attracting them to the service. In spite of this restricted view of the programme, around 80% of employers who had used it for the first time said that they were likely to recommend Train to Gain to colleagues outside their organisation.<sup>90</sup>

However, enthusiasm for the programme from employers is not a clear sign that the programme offers the best use of public funding. If the government offers employers huge subsidies for providing training that would have taken place without the government getting involved, employers are always likely to be grateful recipients. Critically, it is certainly not the case that employers always got involved with the programme because of their 'demand'.

### The level of 'additionality' achieved

Given that we have seen that anywhere up to 100% of the training provided through the ETPs was 'deadweight', or training that employers would have been willing to provide without a government subsidy, Train to Gain had a lot to prove if it was to prevent this scale of financial waste. According to the LSC's survey of employers, 61% had committed to training after meeting with the skills brokers while a third of those employers that had taken up training a few months after their initial contact with the broker arranged additional Train to Gain courses within the following 12 months. It is, however, impossible to say how much of this training would not have been carried out in the absence of the brokers. An indication of possible problems with Train to Gain's ability to stimulate additional employer investment can be seen in the fact that over half of employers did not make any contribution to the cost of this training<sup>91</sup> and 86% of employers who accessed full subsidies through Train to Gain received the same subsidies for all their subsequent training, meaning they had not accessed any training through Train to Gain to which they had to make a contribution.<sup>92</sup> Such behaviour does not suggest a strong commitment to the offer presented by Train to Gain. In addition, 40% of employers who did not access any training through Train to Gain said that their staff not being eligible for subsidised training had turned them off the programme, and 46% of employers stated

87 Ibid, p.19

88 Ibid, p.19

89 Ibid, p.19

90 Learning and Skills Council, *Train to Gain Employer Evaluation: Sweep 4 Research*, LSC, Coventry 2009, p.51

91 Ibid, p.72

92 Ibid, p.78

that the “training suggested was not relevant or appropriate” - raising further doubts about the demand-led credentials of the programme.<sup>93</sup>

Despite a lukewarm response from some employers, the LSC survey did shed some positive light on ‘additionality’.<sup>94</sup> 64% of employers in contact with skills brokers had trained their staff in the 12 months prior to meeting with the brokers. Interestingly, 25% of employers had given this training at Level 2 or above, suggesting that the programme was still aimed at the wrong employers to some extent. Nonetheless, of those employers who had trained their staff prior to meeting the broker, 70% used Train to Gain to access training for staff that had not previously been trained, 69% trained more staff than they would otherwise have done thanks to Train to Gain and 41% had extended the offer of training to employees in occupational groups that would not otherwise have had the opportunity. Overall, the LSC found that Train to Gain had encouraged almost half employers to undertake training for the first time or to add to existing training, but half of employers were still reporting that it was likely their training activity would have been accomplished without the involvement of Train to Gain.<sup>95</sup>

Employees were, though, benefiting from the training courses. 80% of employers reported high self-confidence among staff, 74% said that their employees’ skills and performance had improved and 66% cited an improvement in long-term competitiveness. Many of these effects were still evident 12 months later.<sup>96</sup> The impact on productivity was less promising, with almost 70% of employers not seeing any positive impact on sales, turnover figures or profit margins, and only around a fifth of employers reported “any increase in these measures that is attributable to the effect of employee involvement in Train to Gain training.”<sup>97</sup>

The issue of ‘additionality’ was again evident in the LSC employee survey in 2009, as 13% of employees stated “I didn’t require any training and would just need to be assessed for the qualification” and a further 12% of employees claimed “I only needed to be trained and/or assessed in some parts of the qualification”.<sup>98</sup> While the accreditation of prior learning is not a problem in terms of employee or employer satisfaction ratings, it raises serious questions about the ‘success’ of Train to Gain in terms of published figures on the numbers of qualifications completed. Furthermore, just 16% of employees had started any additional training after finishing their Train to Gain course,<sup>99</sup> emphasising the fleeting commitment to training in many instances, although 71% of learners thought it was likely or very likely that they would do another qualification in the next three years.<sup>100</sup>

“While the accreditation of prior learning is not a problem in terms of employee or employer satisfaction ratings, it raises serious questions about the ‘success’ of Train to Gain in terms of published figures on the numbers of qualifications completed”

## Value for money

If evaluations of the ETPs and Train to Gain were suggesting that employers would provide a large amount of training even without government support, it is surprising that it was not until 2009 - seven years after the ETPs began in 2002 - that the cost-effectiveness of this style of training provision was put to the test by the NAO. The overall results were not good.

93 Ibid, p.92

94 Ibid, p.97

95 Ibid, p.103

96 Ibid, p.116

97 Ibid, p.128

98 Ibid, p.61

99 Ibid, p.106

100 Ibid, p.109

The story of funding for Train to Gain serves as a stark warning to policymakers who wish to interfere with such initiatives. In its early stages, Train to Gain did not attract enough learners to meet the Government's yearly forecasts. As a result, there was an underspend of £51 million in 2006/07 and £100 million in 2007/08 that was subsequently reallocated to meet funding shortfalls elsewhere, particularly in Higher Education.<sup>101</sup> To combat the underperformance of Train to Gain, instead of trying to understand why employers were not sufficiently interested, the LSC significantly altered eligibility criteria to attract more employers to use the programme.<sup>102</sup> These flexibilities included a 100% subsidy for a second Level 2 qualification for those that needed retraining, extending Train to Gain to the self-employed and voluntary sector, increasing investment in the Leadership and Management training by £4 million in order to accommodate an extra 60,000 managers, offering part subsidies for second Level 2 or 3 programmes in some circumstances, offering Skills For Life (basic skills) training as stand-alone qualifications as well as embedding it within NVQ courses and including apprenticeships within the Train to Gain service.<sup>103</sup>

In addition, in response to the economic recession, a funding injection of £350 million meant that small business could access 'bite-size' courses in critical areas (e.g. IT support, customer services), have the Leadership and Management Training fully funded and get fully funded level 2 qualifications and subsidised level 3 qualifications regardless of whether the employee is already qualified to these levels.<sup>104</sup> Building on this, in 2008 the LSC announced that even more 'flexibilities' were being introduced, such as government departments and their agencies being given access to training for the first time and training providers (including colleges) who did not have a contract or were not part of an existing consortium being offered contracts if they demonstrated a degree of employer demand.<sup>105</sup>

One example of the perverse consequences of this rush to patch up the figures was that even though Leitch recommended that at Level 3 the costs of providing training should be split 50/50 between employers and the government, a 2009 LSC evaluation found that over 60% of employers received full funding for Level 3 qualifications.<sup>106</sup> This demonstrates the danger of judging the success of the programme purely in terms of the number of learners and employers that became involved.

Another mechanism for introducing more flexibility came in the form of 'sector compacts'.<sup>107</sup> These compacts are essentially partnerships between Sector Skills Councils and Train to Gain that offer employers several benefits (e.g. more tailored, sector-specific advice through skills brokers, joint marketing programmes, greater subsidies for employees training at Levels 2 and 3). Promising as this may sound, at a cost of £630 million over three years the sector compacts are certainly not cheap and, because they are merely an expansion of Train to Gain, it is impossible to evaluate the level of 'additionality' that they have produced.

The very fact that all this astonishing generosity, courtesy of additional public funds, coincided with the failure of Train to Gain to hit its targets should not be ignored. Unfortunately for the LSC and the Government, these new flexibilities proved so popular that it caused a huge spike in demand for training courses – resulting in a £50 million overspend and leaving the whole programme at risk of "demand substantially exceeding the number of learners who can be funded within the 2009-10 budget of £925 million."<sup>108</sup> To illustrate this increased popularity, the number of new courses being started by learners in the first quarter of

101 National Audit Office, *Train to Gain: Developing the skills of the workforce*, TSO, London 2009, p.17

102 Learning and Skills Council, *Train To Gain: A Plan For Growth (November 2007 – July 2011)*, LSC, Coventry 2007

103 Ibid, pp.7-8

104 *Skills Funding Agency: Questions and Answers for Employers*, DIUS website, May 2009, see [www.dius.gov.uk/~media/publications/S/sfa\\_qa\\_for\\_employers](http://www.dius.gov.uk/~media/publications/S/sfa_qa_for_employers), p.7

105 *Train to Gain Additional Flexibilities 2008/09: A Guide for colleges and training providers*, Learning and Skills Council, 11th August 2008, see [readingroom.lsc.gov.uk/lsc/National/nat-additionalflexibilitiesguidance-jul08.pdf](http://readingroom.lsc.gov.uk/lsc/National/nat-additionalflexibilitiesguidance-jul08.pdf)

106 Learning and Skills Council, *Train to Gain Employer Evaluation: Sweep 4 Research*, LSC, Coventry 2009, p.90

107 Innovation, Universities, Science and Skills Select Committee, *Re-skilling for recovery: After Leitch, implementing skills and training policies*, TSO, London 2008, p.17

108 National Audit Office, *Train to Gain: Developing the skills of the workforce*, TSO, London 2009, p.17

2009 was almost double the number of new learners in the final quarter of 2008 and 84,700 employers had employees undergo training between August 2008 and March 2009 when the previous two and a half years had only seen 113,400 employers arrange training.<sup>109</sup>

In response to this financial chaos, the LSC and the Department for Business, Innovation and Skills set up ‘a budget management group’ to monitor learner numbers and expenditure plans as well as impose management controls to limit spending. The LSC added that it would fund learners recruited by the end of March 2009 but gave no indication of what would happen to those recruited after this time, which was problematic as learners could in theory begin courses at any time of year.<sup>110</sup> These financial problems had in fact been exacerbated by the mismanagement of the entire Train to Gain programme by the Department for Business, Innovation and Skills. At the start of the 2008-09 academic year, they asked the LSC to “encourage providers to increase provision, and where providers were able to demonstrate performance ahead of profile, their contract values were increased with no caps on growth”, only for the LSC to change their mind after the huge spike in demand and instruct providers to stick to their maximum contract values.<sup>111</sup> Such incompetence is unlikely to engender confidence in the programme from a training provider’s perspective. The new skills strategy announced the closing down of all these new flexibilities.

In summary the NAO delivered the following damning conclusion on Train to Gain:<sup>112</sup>

*“...over its full lifetime the programme has not provided good value for money. Unrealistically ambitious initial targets and ineffective implementation have reduced the efficiency of the programme. While the rapid changes to the design of Train to Gain to generate employer demand have presented a considerable challenge for the LSC, inconsistent management and communication have led to confusion among employers, training providers and skills brokers, and have increased programme risks. Some providers have achieved high learner success rates, but for a minority success rates have been poor. Half of the employers whose employees received training would have arranged similar training without public subsidy”*

Not surprisingly, the Department for Business, Innovation and Skills and the LSC, rebutted these claims, responding that “Train to Gain has proved largely successful in achieving its ambitious goals” and critics should “consider that satisfaction levels are very high and that there have been significant benefits to businesses and learners.”<sup>113</sup> However, the evidence would seem to suggest that the Government and its funding agency were hanging on to the vision of what Train to Gain might achieve, rather than facing up to the reality.

## The performance of skills brokers

Train to Gain placed a greater emphasis on ‘skills brokers’ than the ETPs did. These brokers were generally employed by the local branch of the LSC to find employers in need of training, help them identify their training needs and outline possible solutions and provide ongoing support for employers and employees.<sup>114</sup> There are approximately 450 full-time equivalent skills brokers in England, all of whom were accredited to a national skills brokerage standard within 12 months of commencing

109 Ibid, p.16 and p.14

110 Ibid, p.17

111 Ibid, p.17

112 Ibid, p.7

113 Ibid, p.7

114 Hillage J et al, *Employer Training Pilots: Final Evaluation Report*, Institute for Employment Studies, Brighton 2006, p.xiii



ing their employment. Until March 2009, brokerage organisations were mostly private sector firms or working for ‘Business Link’ (a government-funded advisory service) and were contracted at a regional level. The accountability rested largely on broker performance, focusing on delivery against agreed monthly activity and targets. Since April 2009, though, Train to Gain brokers and regional Business Link brokers have been brought together in a new service under the Business Link brand to provide free business advice and support.

“ Brokers tend to pick the easy fruit. They care about ticking boxes and proving they are hitting targets, regardless of actual business need ”

Yet when Ofsted investigated the programme in 2008 it found that only 5% of employees involved in Train to Gain came from employers referred by brokers. It discovered that the brokerage system was distorted by the use of targets for brokers that were based on referrals to providers rather than training starts, giving them the wrong

incentives. The referrals from brokers were also frequently inaccurate, with employees often being ineligible or being put forward for a programme that did not meet their needs. This situation was worsened by brokers not carrying out sufficient assessments on first contact with companies, which was sometimes caused by a lack of specialist sectoral knowledge on the part of the broker. Good working relationships between brokers and training providers were often hard to find.<sup>115</sup>

The LSC found the brokerage service still struggling to prove its value to employers in 2009, even though they only surveyed those employers who had previously used the skills brokers. 24% of employers contacted by a skills broker had already been in contact with a training provider about Train to Gain before they were contacted by the broker and 56% of employers had no contact with their skills brokers in the year after they first met.<sup>116</sup> In fairness, the LSC’s research produced a wide variety of opinions on the brokerage service. 78% of employers still reported that they were satisfied overall with the skills brokers and employers still saw them as useful in accessing potential sources of funding and identifying possible training solutions.<sup>117</sup> Even so, the LSC went on to note that “skills brokers have performed consistently less well ...in their ability to signpost an employer to a range of providers, their ability to translate the employer’s needs into an action plan, and the speed with which any agreed or required follow-up action is undertaken”, leading 13% of employers to give the skills brokers less than 4 out of 10 when asked to rate them.<sup>118</sup>

Our interviews with experts involved in the sector confirmed these problems. One leading employer representative complained that brokers were concerned not with understanding and responding to business needs, but with driving traffic to the Government’s programme. An employee representative agreed, saying: “Brokers just go in and sell Level 2 qualifications like a product. They don’t carry out business analysis.” Another said: “Brokers tend to pick the easy fruit. They care about ticking boxes and proving they are hitting targets, regardless of actual business need.” Another common frustration was the obligation for brokers to provide three skills ‘solutions’ to employers. This is intended to ensure impartiality, but in fact many employers felt that an expert opinion on the best option would be more useful.

<sup>115</sup> OFSTED, *The impact of Train to Gain on skills in employment*, OFSTED, London 2008, p.21

<sup>116</sup> Learning and Skills Council, *Train to Gain Employer Evaluation: Sweep 4 Research*, LSC, Coventry 2009, p.37, 49

<sup>117</sup> *Ibid*, p.51

<sup>118</sup> *Ibid*, p.58, 51

While noting the disappointing verdicts on skills brokers given by employers in previous evaluations and surveys, the NAO highlighted the staggering cost of the brokerage service: £112 million over three years, at a cost of £810 per employer engagement. With larger employers, the brokerage cost was quadruple this due to the greater emphasis on account management. The NAO found some evidence of brokers attracting some ‘hard to reach’ employers into Train to Gain as well as making employers more aware of training opportunities, but beyond this it found scant cause for celebrating their work. Relationships between brokers and training providers were often found to be difficult, further undermining the brokers’ credibility.<sup>119</sup>

### Recommendations:

Given that there is clear evidence that a considerable proportion of the training that has been funded by Train to Gain would have been carried out by employers anyway, and that it has focused more on meeting central targets than on responding to real employer demand, we agree with the NAO’s conclusion that this programme has not offered value for money for the taxpayer. We recommend that the Government should abandon Train to Gain. The budget for next year is £983 million. It is important to emphasise that much of this funding should remain in the education and training system. Some of this funding should be refocused on apprenticeships if there is a rise in demand. Some will inevitably continue to be spent on work based training, albeit not through the mechanism of Train to Gain. In a reformed funding system, the money available to colleges and providers will not be earmarked for particular types of learning – if demand continues to exist for some of the learning currently provided through Train to Gain, providers will attempt to meet this as part of a balanced mix of provision. The £85 million that is currently spent on Skills for Life through Train to Gain should be ring-fenced for work based basic skills provision. Any remaining budget should be returned to the Treasury.

One partial consequence of losing Train to Gain would be the abandonment of differentiation between employer-responsive and adult-responsive funding for skills, which we will discuss in greater detail when approaching issues relating to individual demand later in this report. This bipartite funding system is too restrictive and does not allow providers to respond to demand.

We further recommend that the Government should abandon Leitch’s 2020 qualifications targets. As we will continue to illustrate throughout this report, these targets are both symptomatic of our supply-driven skills culture – and a major reason for it. The labour market should set the importance of particular qualifications, not the Government. Removing these targets is unlikely to unleash a huge rise in unaccredited training, because employers are wedded to the system as it stands and because evidence suggests individuals’ value qualifications and will continue to choose training which leads to them.

119 National Audit Office, *Train to Gain: Developing the skills of the workforce*, TSO, London 2009, pp.27-28

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# 3

## Sector Skills Councils

The need to encourage employers to train their staff, espoused by the Leitch Review, is nothing new. This has been an area of constantly changing intervention and upheaval. In 1964, a period of compulsory training activity for employers began with the introduction of Industrial Training Boards (ITBs) and a training levy system. In 1973, the Manpower Services Commission (MSC) was established to plan workforce skill needs in addition to having statutory powers to improve skills and training among employers. By the 1980s, most of the ITBs were abolished and more voluntary initiatives and organisations introduced to replace them. These included the creation of 73 National Training Organisations (NTOs) in 1992, as employer-led bodies to assess sectoral and local training needs. Although NTOs could not compel employers to train, they were responsible for assessing needs at sector levels and these assessments were used in planning publicly funded provision.<sup>120</sup>

Leitch noted that the notion of asking employers to collectively articulate their future skills needs and then trying to plan to meet these needs has been “an ineffective and inefficient mechanism” and “too much provision has been supply driven, based on trying to predict and provide”, which in turn made employers “reluctant to contribute toward training costs”. He argued that the Government had focused on overseeing a training system that tried to predict and provide future skill needs from the centre, rather than empowering people and employers to make the right training decisions for themselves, leading to too little investment by employers in their employees.<sup>121</sup>

In 2001, the NTOs – like much that had come before them – were closed down and replaced by the ‘Skills For Business’ (SfB) network comprising of new ‘Sector Skills Councils’ (SSCs) and the ‘Sector Skills Development Agency’ (SSDA). The SSDA was to be given responsibility for establishing the SfB network, promoting the development of each SSC and monitoring their performance.<sup>122</sup> The SfB network and its SSCs, once operational, were given an array of objectives. They would be responsible for:<sup>123</sup>

- “Identifying and articulating the current and future skills needs of employers in their sector, at all levels from basic to advanced”
- “Developing, and keeping updated, national occupational standards which define the skills, knowledge and competences that employers require, and that training programmes and qualifications should deliver”
- “Engaging with colleges, training providers, universities and planning bodies to ensure they understand and act on sectors’ skills needs”

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120 HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, Norwich 2006, p.48

121 *Ibid*, p.11

122 DfES, *21st Century Skills: Realising Our Potential*, TSO, London 2003, p.49

123 *Ibid*, p.52

- “Identifying the drivers of increased productivity in their sector, and the skills that will be needed to capitalise on these”
- “Reviewing the suitability of existing training programmes and qualifications to meet sector needs, and commissioning the development of new programmes where needed. This should underpin the proposals ...to ensure the availability of high quality, up-to-date training programmes, suitable for the needs of adults in supporting a broad base of employability skills leading to a full level 2 qualification”
- “Contributing to joint work across the Skills for Business Network on generic and cross-sector skills. The SSDA is establishing cross-sector Boards to pursue that work”

The SSCs were expected to at least consider implementing Sector Skills Agreements to help meet these objectives. This was supposed to take the form of collaboration or collective action on sector-wide issues such as reviewing the current state of skills in a sector or reviewing the range and quality of training provision for a sector.<sup>124</sup>

The full network of 25 SSCs, each of which represented an industry sector, was in place by the summer of 2004. The first major obstacle to their future success did not take long to appear - funding. The grand total of funding for all 25 SSCs in 2003/2004 as they launched for the first time was a mere £20 million<sup>125</sup> – giving them an average of just £870,000 each. It is extremely hard to envisage how the Government expected all the objectives listed above to be met, and entire industry sectors to be effectively represented by organisations with such tiny budgets.

124 Ibid, pp.54-55

125 Information obtained under the Freedom of Information Act.

**Table 2: The Sector Skills Councils**

<b>Name</b>	<b>Industry/Sector represented</b>
Asset Skills	Property, Facilities Management, Housing and Cleaning
Go Skills	Passenger Transport
People First	Hospitality, leisure, travel and tourism
Skillset	TV, Film, Radio, Interactive Media, Animation, Computer Games, Facilities, Photo Imaging and Publishing
Cogent	Chemical and Pharmaceutical, Oil, Gas, Nuclear, Petroleum and Polymers
Government Skills	Central Government
Pro Skills	Building Products, Coatings, Extractive and Mineral Processing, Furniture, Furnishings and Interiors, Glass and Glazing, Glazed Ceramics, Paper and Pulp and Printing
Skills for Health	UK Health
Construction Skills	Construction
IMI – The Institute of the Motor Industry	Retail Motor Industries
SEMTA	Science, engineering and manufacturing technologies
Skills for Justice	Policing and Law Enforcement, Youth Justice, Custodial Care, Community Justice, Courts Service, Prosecution Services and Forensic Science
Creative and Cultural Skills	Advertising, Crafts, Music, Performing, Heritage, Design and Arts
Improve	Food and Drinks Manufacturing and Processing
Skill-fast UK	Fashion and textiles

Skills for Logistics	Freight logistics and wholesaling industry
E-skills UK	Business and Information Technology, including Software, Internet & Web, IT Services, Telecommunications and Business Change
Lantra	Environment and land based
Skills Active	Sport and Recreation, Health and Fitness, Outdoors, Playwork and Caravanning Industry
Skillsmart Retail	Retail
Energy and Utility Skills	Gas, Power, Waste Management and Water Industries
Lifelong Learning UK	Community Learning, Education, FE, HE, Libraries, Work-based Learning and Training Providers
Skills for Care and Development	Social Care, Children, Early Years and Young People's Workforces in the UK
Summit Skills	Building services engineering
Financial Services Skills Council	Financial Services, Accountancy and Finance

The meagre funding levels inevitably stunted the initial development of the SSCs. In August 2006, shortly before the Leitch Review was published, the SSDA released the findings of their survey of employers' views on the Sfb network and the scale of underperformance of the SSCs in their early stages was inescapable. Only 8% of employers would turn to their SSC for information or advice, only 13% were even aware of SSCs in general and over 60% of employers only knew the name of their SSC without knowing what it does. The level of recognition and understanding of the SSDA was even worse. Furthermore, by 2006 - two years after the SSCs were put in place - just 15% of employers had had any contact with them and three dominant SSCs accounted for 81% of those employers who had contacted their SSCs.<sup>126</sup>

### SSCs and the Leitch Review

By the time Leitch investigated the role of SSCs, it was clear that their performance was not meeting the high expectations set back in 2001. His concerns stemmed from a number of factors that prevented SSCs from effectively engaging with employers. For instance, they were supposed to be focusing on engaging employers but at the same time were tasked with moving towards self-financing by 2008. This latter imperative had diverted them from their employer representation role and may have prevented them in some cases from being an impartial voice of business. Leitch added that the lack of a clear remit was causing problems, as SSCs were being charged with an ever-lengthening list of responsibilities.<sup>127</sup>

Leitch saw an important role for SSCs. Yet confusingly, after criticising the fact that SSCs were being hampered by the sheer volume of responsibilities that they had been given and saying they should be empowered, Leitch's recommendations vastly extended their role as outlined in 2001. The list of extra responsibilities for SSCs included:

- Delivering more "economically valuable" qualifications by taking the lead role in approving vocational qualifications as well as developing occupational standards, so that only SSC-approved vocational qualifications at NVQ Levels 1 to 5 and Foundation Degrees are eligible for public funding<sup>128</sup>
- Bringing about a "significant reduction" in the number of available qualifications<sup>129</sup>

<sup>126</sup> SSDA, *Skills for Business network 2005: Survey of Employers*, IPSOS Mori, London 2006

<sup>127</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, Norwich 2006, pp.78-79

<sup>128</sup> *Ibid*, p.79

<sup>129</sup> *Ibid*, p.19

- Working with the Government, the UK Commission for Employment and Skills (discussed in more detail in Chapter 4) and the Learning and Skills Council (LSC) to “dramatically increase the number of Apprenticeships in the UK to 500,000 by 2020”<sup>130</sup>
- Drawing up Sector Skills Agreements, along with skills brokers, “that include firm targets for employers to increase their investment in intermediate skills, including Apprenticeships”<sup>131</sup>
- Helping employers provide advice on the national skills system<sup>132</sup>

These new goals came in addition to the roles ascribed in 2001 that already included the sizeable tasks of driving up sectoral productivity, working with training providers and universities, raising employer demand for skills and increasing employer investment in skills. They left SSCs (and their £870,000 budgets) with burdens that a government department would struggle to deal with.

Leitch saw qualifications as being key to the SSCs’ role. However, again, his conclusions compromised them. For example, he warned that the large number of bodies involved in qualification design made it difficult for employers to effectively influence the process and that as a result too many qualifications did not meet their real needs and lacked value in the labour market.<sup>133</sup> This is undoubtedly true. But Leitch’s recommenda-

““ They left SSCs (and their £870,000 budgets) with burdens that a government department would struggle to deal with ””

tions did little to alleviate the problem. He wanted SSC-approved qualifications to be the only ones that received public funding but, rather than give SSCs true control over qualifications in their sector, he wanted the UK Commission for Employment and Skills to “be responsible for performance managing the SSCs to make sure they perform this role effectively and that they collaborate appropriately together and with other bodies such as [Qualifications and Curriculum Authority] over generic skills and competences”, adding that “the [Qualifications and Curriculum Authority] in England will continue to maintain the national regulatory framework with consistency and comparability of standards across sectors and levels.”<sup>134</sup>

To further muddy the qualification water, the Review recommended that the Leadership and Management Advisory Panel (set up by the LSC as part of their ‘Leadership and Management’ programme that spans all industry sectors) should “advise the Commission for Employment and Skills on developing National Occupational Standards for management” and the Panel must subsequently “work closely with SSCs so that key management qualifications are identified as part of Sector Qualification Strategies [within the Sector Skills Agreements].”<sup>135</sup> In short, Leitch identified the problem with the current role of SSCs in the development of qualifications, only to botch the solution by preventing SSCs from responding directly to employers in their sector when approving qualifications.

Such examples illustrate how illusory the independence of SSCs has been. Another example of how the Government has continued to direct SSCs to suit their own policy agenda can be seen in the more recent expectation that SSCs should work closely with Regional Development Agencies, although the Innovation, Universities, Science and Skills Select Committee drew attention to the obvious tensions between representing a national employment sector and an individual region of the UK in their 2008 report on skills.

130 Ibid, p.21

131 Ibid, p.66

132 Ibid, p.73

133 Ibid, p.81

134 Ibid, p.83

135 Ibid, p.90

Although it is now almost a decade since SSCs were set in motion, they continue to face serious obstacles to their effective operation. As the Education and Skills Select Committee stated back in 2007, Sector Skills Councils must be appropriately resourced to do their jobs, but funding allocations remain a point of contention.<sup>136</sup> While the average funding received by each SSC reached £3 million in 2008/09, their eternally expanding remit and supposedly pivotal role in qualification reform, sector-wide skills development, national employer engagement, monitoring training providers, supporting the economic recovery and raising productivity simply does not correlate with the amount of funding they are each given.<sup>137</sup>

### The SSC relicensing process

The UK Commission for Employment and Skills (UKCES) was created in April 2008 by merging the SSDA with the National Employer Panel. One of its most significant functions thus far has been to ‘relicense’ the existing SSCs. SSCs are independent of government and therefore cannot be seen as quangos, which is why they are ‘relicensed’ (having first been awarded their license in 2004) rather than simply being reformed by central government.

The benchmarks that all SSCs had to contend with were laid out in July 2008 by the UKCES:<sup>138</sup>

- Are they a well run SSC? (“The SSC is employer led, has the confidence and support of employers in its sector, and is a strategically and operationally effective organisation”)
- What are their core products and services? (“The SSC provides a clear, credible and coherent voice for employers on the skills and qualification needs of the sector backed by high quality LMI, standards and qualification development”)
- What are their sector-specific solutions? (“The SSC can demonstrate a compelling employer offer which addresses sector skill priorities, including cross sector skills, with defined routes to market”)
- What have been the results and impacts of their work? (“The SSC has set ambitious and realistic targets in relation to skills priorities of the sector which are used to measure the direct results and shared impacts of SSC products, services and solutions”)

In the same document, the UKCES set out the questions that would be asked during the relicensing process as well as listing the evidence that could be used to address each question. Each SSC was to be awarded on overall ‘standard’ for each of the four criteria listed above, which would class them as either ‘outstanding’, ‘good’, ‘satisfactory’ or ‘does not meet standard’. Having scored the SSC on each criterion, an overall grade would be calculated that reflects their performance across all four categories. To be relicensed, the SSC had to receive a minimum of ‘satisfactory’ for each of the four themes.<sup>139</sup>

To ensure that the UKCES was not seen to interfere with the relicensing, all assessments were carried out by the National Audit Office (NAO). The NAO collected evidence on each SSC, including employer testimonies and stakeholder feedback, when producing their assessment report. The report was subsequently

136 Education and Skills Select Committee, *Post-16 Skills*, TSO, London 2007, p.18

137 Information obtained under the Freedom of Information Act.

138 UKCES, *Empowering SSCs – Employer driven skills reform across the UK: A Relicensing Framework for Sector Skills Councils*, UKCES, London 2008, pp.26-30

139 Ibid, p.25

passed to the UKCES for consideration while they carried out site visits and held a Relicensing Panel at which the Chair and CEO of each SSC met with the UKCES. Once the NAO report and UKCES activities had concluded, the UKCES made a recommendation to Ministers as to whether each SSC license should be renewed, with the final relicensing decision resting with the Minister against which no appeal was allowed.<sup>140</sup> The consequence of losing a license was severe enough: the SSC could be forced to make significant changes to its management and structure, it could be merged with another SSC or its license could simply be handed to another organisation within the sector.<sup>141</sup>

All the SSCs have now been through the relicensing process, and all but two passed. One SSC – Skillfast, representing the fashion and textiles industry - has had its license removed while another – the Financial Services Skills Council (FSSC) – has been put under review pending a further decision in late 2009.

Monitoring the performance of sectoral bodies is a complicated issue. Performance monitoring has a clear justification when public funds are at stake, but deciding what should be measured and how it should be measured is not straightforward by any means. Canada has suffered from an overly bureaucratic and complicated monitoring system in the past that has diverted staff and resources away from their core activities, but in South Australia skills bodies are only required to produce a business plan and financial audits, largely because performance monitoring was seen as potentially counterproductive and might even cost more than the total funding for the sectoral body itself.<sup>142</sup> What seems clear is that a system in which the government is more realistic about the number of areas in which SSCs can reasonably lead, and in which the councils are properly resourced to do the things expected of them, would make any system of assessment fairer and more worthwhile.

## The ongoing challenges facing SSCs

Even after the relicensing process has been successfully navigated, there are plenty of new challenges facing all the SSCs. Furthermore, the breakup of the LSC, currently scheduled for 2010, is likely to mean that each SSC will be expected to constantly liaise with an even more bewildering number of government departments, government programmes and initiatives, quangos, employer representatives and employee representatives than they do now. Furthermore, the SSCs are still faced with their own difficulties, some of which have existed as long as they have.

**Problems with engaging stakeholders:** Identifying and articulating both current and future skills needs for their entire sector as well as being expected to engage with colleges, private training providers and universities, is no small task. Some industries such as finance are loaded with a huge number of global firms whereas other industries such as media are dominated by smaller businesses, and this degree of variation was expected to be seamlessly accommodated by every SSC from the very beginning. Small businesses are often hard to communicate with due to their entirely understandable focus on their own work, but it makes the job of an SSC that much more complicated. Even though the relicensing process has shown many SSCs to be making good progress on engaging with employers, many SSC boards are inevitably made up of representatives of large employers who have a much more visible presence within the sector and larger training budgets.

140 Sector Skills Councils Relicensing - Further Decisions Announced, UKCES website, see [www.ukces.org.uk/press-release/sector-skills-councils-relicensing-further-decisions-announced](http://www.ukces.org.uk/press-release/sector-skills-councils-relicensing-further-decisions-announced)

141 FAQ – Sector Skills Council Relicensing, UKCES website, see [www.ukces.org.uk/sector-skills-councils/ssc-relicensing-process/faq/](http://www.ukces.org.uk/sector-skills-councils/ssc-relicensing-process/faq/)

142 Sung J et al, *Skills Abroad: A Comparative Assessment of International Policy Approaches to Skills Leading to the Development of Policy Recommendations for the UK*, Centre for Labour Market Studies, University of Leicester 2006, p.32



**Not enough power and influence:** A number of parallels can be drawn between the plight of NTOs in the 1990s and SSCs. The NTOs were ‘employer-led’ bodies that assessed sectoral and local training needs that informed central funding decisions about training provision, but they had no power over employers. When analysing the effectiveness of this arrangement, Leitch made the observation that merely asking employers to collectively articulate their future skills needs and then trying to plan to meet these needs was “an ineffective and inefficient mechanism”.<sup>143</sup> Sadly, SSCs in their current form bear a striking resemblance to the NTOs and, as such, have struggled to shape skills and training policy at a national or local level. Furthermore, bearing in mind the difficulty in engaging with every employer within a sector, no SSC will be a voice for every company that they are purported to speak for. The trivial levels of funding that SSCs operate with have also curtailed any prospect of them becoming major players in the skills landscape.

**Not truly independent:** The Government continues to provide the vast majority of funding for SSCs and has taken advantage of this to push their own agenda. When the Government has needed something doing, be it expanding Apprenticeships or retargeting Train to Gain, SSCs have been handed the extra responsibility without any real say on the matter. Needless to say, no additional funding has accompanied the expansion of their remit. While the tension between government as funders and the SSCs as deliverers is perfectly natural, the SSCs are simply not commanding or confident enough to put forward their own plan of action when faced with an insistent Government Minister, especially as they have so little influence over central funding decisions on training provision. In effect, the Government wants SSCs to be independent but not too independent.

**Working in different regions across the UK:** One issue that has apparently escaped the attention of Westminster policymakers is that SSCs cover the entire UK, yet England, Wales, Scotland and Northern Ireland have different qualification systems and national skills strategies. Even Train to Gain is only operational in England. Employers that operate in each of these four nations are therefore faced with enduring problems such as trying to compare the value of qualifications gained in different countries, having to work with totally different systems for funding training courses and attempting to boost productivity across their UK-wide business when labour markets and economic conditions can vary widely. Similarly, SSCs have been tasked with engaging employers, raising employer investment in skills, working with different stakeholders, streamlining the available qualifications and predicting future skills gaps in all four nations at the same time. The UKCES is clearly a UK-wide body, just like the SSCs, but there is little sign as yet that they have found a solution to this frustrating mismatch.

**Government picking winners:** There is no easy formula for determining how many sectoral organisations a country needs. Characteristically Singapore has picked winners, prioritising sectors that compete in international markets and also seeking to strengthen emerging sectors such as nanotechnology.<sup>144</sup> Many countries have sector bodies representing every sector, yet numbers still vary widely. For instance, New Zealand has 40 sectoral bodies, while Australia recently reduced the number of sector bodies from 23 to 10. The UK opted to allow employers to define the sectors that SSCs represent. Given that employer buy-in is one of the most crucial elements of a successful sectoral approach, this

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143 HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, Norwich 2006, p.11

144 *Lessons from abroad: Developing sector based approaches to skills*, SSDA Catalyst – Issue 2, July 2006, see [www.ukces.org.uk/upload/pdf/catalyst%20issue%202020abroad.pdf](http://www.ukces.org.uk/upload/pdf/catalyst%20issue%202020abroad.pdf), p.10

makes much more sense than setting a number of councils arbitrarily from the centre.<sup>145</sup> Nonetheless, this is exactly what the Government is currently considering doing. Of course, over time, sectors may increase or decrease in significance, and this should force sectoral bodies to change their focus or realign themselves. However, this process should happen naturally, and be driven by the changing needs of the economy and not by changing whims in Whitehall. There are good international examples of the need for a system that is flexible. The Canadian Sector Council Program was established as an effective platform through which to tackle industrial disputes and decline in the early 1990s but has since shifted its emphasis onto skills shortages and skills development in the different industries, while the forestry industry in New Zealand did not begin in earnest until it was represented by an Industrial Training Organisation (equivalent to the UK's SSCs).<sup>146</sup> Of course SSCs should not be set in stone in perpetuity. But nor should government dictate the optimum number of industries requiring representation – a planning approach that has nothing to do with demand.

### Recommendations:

The Government should vastly reduce the expectations placed upon Sector Skills Councils, giving them a more targeted role. Their main responsibility should be to engage and advise employers, understand their market and contribute to Labour Market Information. Their other priority should be to lead the way on vocational qualifications. However, if they are to perform this function properly the Government should have the courage of its convictions and allow them real power in this area, in particular preventing the Qualifications and Curriculum Authority from being too prescriptive on what qualifications must contain. We have previously recommended that the QCA should be replaced with a properly independent National Standards Agency.

The Government should increase funding for Sector Skills Councils to enable them to perform these functions properly. The funding for this should be taken from a rationalisation of existing quangos. We welcome the UKCES' recent recommendation to the Government that it should merge and halve the funding of four quangos who are involved in so-called 'quality improvement': the Learning and Skills Improvement Service, BECTA, Standards Verification UK and Lifelong Learning UK. Another possible source of funding could be any resources freed up from a fall in demand for certain forms of work based learning provision, following the scrapping of Train to Gain as a mechanism for pushing government priorities.

We would add that the Government's planned move to replace the wasteful LSC with four new quangos has been met with bewilderment across the sector, and will doubtless increase waste without delivering sufficient returns. This move should be stopped in its tracks. Funding for skills should be disbursed through a single body.

<sup>145</sup> Ibid, p.10

<sup>146</sup> Sung J et al, *Skills Abroad: A Comparative Assessment of International Policy Approaches to Skills Leading to the Development of Policy Recommendations for the UK*, Centre for Labour Market Studies, University of Leicester 2006), p.28, 29

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# 4

## Apprenticeships

At present, the politics of skills policy can sometimes seem like a competition for who can produce the most apprenticeships. At their respective party conferences, the Conservatives promised 300,000 additional apprenticeships and training places over two years, including an increase from 10,000 to 30,000 in the number of Young Apprenticeships (for 14-16 year olds). Meanwhile, a week earlier, Labour had pledged an additional 20,000 apprenticeships for young people as part of a larger drive towards 250,000 new apprenticeships over three years. Of course, this kind of discourse is a hallmark of a skills system as a whole which is driven by volume based targets. However, the case of apprenticeships is somewhat different, perhaps because of their perceived cachet. Whereas statistics on the amount of funding for a first level 2 qualification are unlikely to grab anyone's attention, apprenticeships appear to be generally thought of as worthwhile and important. Headline figures such as those above, are politically valuable. This is despite the fact that few people understand what a contemporary apprenticeship (in any of its many guises) actually looks like. The apprenticeship 'brand' may benefit from its historical longevity, but throughout their long history apprenticeships have been constantly evolving.

### A Brief History

Originally, a period of apprenticeship in which a child would be bound to an employer for a specific amount of time would be agreed between the parents or guardians of the child and a Guild's Master craftsman. For this service, the parents would pay a premium to the craftsman. Apprenticeships expanded in the two centuries following the system becoming prescribed and regulated in the Elizabethan Statute of Artificers (1563). Various pieces of legislation were introduced over the years, including in 1802 the prescription of a 12 hour working day, a requirement that factory apprentices were taught reading, writing and arithmetic and the removal of the previous requirement for a minimum of seven years training. By the late nineteenth century, apprenticeships had spread from artisan trades such as building and printing to the newer industries of engineering and shipbuilding and later to plumbing and electrical work.<sup>147</sup>

However, it was the twentieth century which saw the biggest changes in apprenticeships. Although there were approximately 240,000 apprentices by the mid-1960s, there were growing concerns about the effectiveness of apprenticeship training.<sup>148</sup> Policy-makers and employers were beginning to question the traditional model of apprenticeship on the grounds that it appeared to exclude

147 DIUS, *World Class Apprenticeships: Unlocking talent, Building Skills for All*, HMSO, London 2008

148 *Rapid review of research on apprenticeships*, LSC website, see [readingroom.lsc.gov.uk/lsc/National/Apprenticeships\\_Literature\\_Review\\_final.pdf](http://readingroom.lsc.gov.uk/lsc/National/Apprenticeships_Literature_Review_final.pdf), p.11

women, that ‘time served’ was seen as more important than standards, and they were not keeping up with the changing demands arising from industrial and technological advancement. In response to this, Industrial Training Boards (ITBs) were set up in 1964 to establish a ‘tripartite’ approach to designing and managing apprenticeships that involved the government, employers and employees. Other initiatives included the CPVE (Certificate of Pre-Vocational Education) and Youth Training schemes. These schemes, however, became associated with cheap labour, social engineering and the massaging of employment statistics - leading to a perceived reduction of status for vocational educational training. Other factors contributing to the decline in traditional apprenticeships included the decline of the manufacturing industry in Britain in the mid-to-late 1970s, the decline in membership and influence of trades unions, weakening of contractual agreements and falling demand for goods produced by the apprentice trades.<sup>149</sup>

The resulting decline in apprenticeship numbers was severe - from 171,000 in 1968 to 34,500 in 1990 - although apprenticeships remained comparatively robust in a few sectors such as manufacturing, construction, engineering and catering. The 1980s saw further changes, namely the introduction of a new qualifications framework that led to the formation of the National Vocational Qualification (NVQ) system with its Levels 1–5.<sup>150</sup> Learners were now required to demonstrate their competence against performance criteria and knowledge statements designed by the relevant industry sectors for specific jobs or tasks, and the assessment was intended to focus mainly on observing practice in the workplace. The new NVQ system meant that apprenticeships were open to entry from different routes (e.g. people changing careers, unemployed adults).

What were initially referred to as ‘Modern Apprenticeships’ came into operation in 1994 for 16–24 year olds, and have since expanded from the initially fourteen industrial sectors to over 80 different sectors. The Modern Apprenticeship had NVQ Level 3 as its aim, and ‘apprentices’ were typically employees who were afforded some time away from work for off-the-job learning. The costs of training the apprentice towards the NVQ and the costs of assessment were met out of public funds, while the employer paid their wages and all other costs. By 1997, there were 75,000 in Modern Apprenticeships. But the Level 3 qualification target proved unattainable for many, hence the rebranding of an existing training programme (the National Traineeship) as an apprenticeship with an NVQ Level 2 target in 2001. At this time the newly created LSC took on the responsibility for distributing funding.<sup>151</sup>

In spite of these changes, the problems with apprenticeships were far from over. In 2001 the Modern Apprenticeship Advisory Committee published the so-called ‘Cassels Report’, which highlighted a number of issues. Significantly, the necessary NVQ qualifications were seen principally as competence-based rather than knowledge-based, while standards across industry sectors were variable (particularly with regard to the length of time apprentices need to complete the requirements). The committee was also concerned about the weak level of knowledge and understanding expected by some frameworks, as some did not even include a knowledge component to achieve an NVQ Level 3. To address this, the then Department for Education and Employment (DfEE) asked the Qualifications and Curriculum Authority (QCA) to develop a range of vocationally-related qualifications, to be called ‘Technical Certificates’ that would deliver

149 Ryan P & Unwin L, Apprenticeship in the British training market, National Institute Economic Review, 178, 2001 pp.70-85

150 *Rapid review of research on apprenticeships*, LSC website, see [readingroom.lsc.gov.uk/lsc/National/Apprenticeships\\_Literature\\_Review\\_final.pdf](http://readingroom.lsc.gov.uk/lsc/National/Apprenticeships_Literature_Review_final.pdf), p.11

151 House of Lords Select Committee on Education Affairs, *Apprenticeship: a key route to skill (Volume 1)*, TSO, London 2007, p.12

the underpinning knowledge and understanding relevant to the NVQ through a programme of off-the-job learning. The Cassels Report also recognised that some young people would need training before an apprenticeship and therefore ‘Entry to Employment’ programmes were developed to ensure that no young person started an apprenticeship without the necessary entry skills.<sup>152</sup>

In 2004 apprenticeships were rebranded yet again so that ‘Modern Apprenticeships’ subsequently became known simply as ‘Apprenticeships’ at Level 2 and ‘Advanced Apprenticeships’ at levels above that. In addition, ‘Young Apprenticeships’ would now be offered to 14–16 year olds and the upper age limit for apprenticeships was abandoned. Another key development was the apprenticeships ‘blueprint’, introduced in 2005 to provide updated guidance for the recently launched Sector Skills Councils on how to define the apprenticeship frameworks that they had been tasked with designing in their respective sectors.

### The Leitch Review and apprenticeships

The review in 2006 was quick to praise the Government’s achievements on apprenticeships, citing the rise in the number of young people taking apprenticeships from 75,000 in 1997 to 255,000 in 2005.<sup>153</sup> The news, however, was not all good. The completion rate for apprenticeships was just 53%. The fact that the LSC and the QCA still retained a large say in the content of each apprenticeship was bemoaned, as was the level of bureaucracy involved.

Crucially, Leitch noted that “expanding the available levels and qualifying ages means that there are more apprenticeships, but may dilute the overall brand”.<sup>154</sup> However, he appears to ignore his own concerns on this matter when he recommends that the Government should work with the UKCES and SSCs in order to boost the number of people in the UK participating in Apprenticeships to 500,000 by 2020. Despite the danger of watering down further, it seems he could not resist setting a target. Although apprenticeships would remain voluntary for employers, SSCs and skills brokers would work to increase the supply of training places and the Government was to create a new entitlement for every young person to be able to study an apprenticeship.<sup>155</sup>

Since Leitch, there have been many more changes to apprenticeships, perhaps the most important coming courtesy of the ambitious *Apprenticeships: Unlocking Talent, Building Skills for All* in 2008. In it, the Government committed among other things, to:<sup>156</sup>

- “Ensure that by 2013 every suitably qualified young person who wants to take up an Apprenticeship place will be able to do so”
- “Introduce a separately branded, customer-facing National Apprenticeship Service (NAS) with the senior leadership and resources to have end-to-end accountability for the Apprenticeship programme” (a key part of the reorganisation of the LSC)
- Introduce ‘Direct Incentives’ for some businesses “to encourage growth in Apprenticeship places”
- “Public sector targets and duties will be introduced [as] we are committed to addressing the inconsistencies in the public sector’s usage of Apprenticeships”

<sup>152</sup> *Rapid review of research on apprenticeships*, LSC website, see [readingroom.lsc.gov.uk/lsc/National/Apprenticeships\\_Literature\\_Review\\_final.pdf](http://readingroom.lsc.gov.uk/lsc/National/Apprenticeships_Literature_Review_final.pdf), pp.13-14

<sup>153</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006, p.97

<sup>154</sup> *Ibid*, p.98

<sup>155</sup> *Ibid*, p.100

<sup>156</sup> DIUS, *Apprenticeships: Unlocking Talent, Building Skills for All*, TSO, London 2008, pp.5-11

- Increasing funding for Apprenticeships “by almost a quarter between 2007/08 and 2010/11 – to over £1 billion”

The Government’s intentions were clear enough then. As with the rest of the skills system, they intended to get their preferred outcome by dictating the input - supply. They would drive up the number of apprenticeships through increases in funding, thereby increasing supply. Whether or not this increase in supply would find its corollary, an as yet unmet store of demand, remained to be seen.

### What do apprenticeships look like now?

The ‘apprenticeship’ brand in its current form now encompasses a range of programmes:<sup>157</sup>

- **Apprenticeship:** a Level 2 programme that makes up a majority of overall apprenticeship numbers
- **Advanced Apprenticeship:** a Level 3 programme that makes up around a third of overall apprenticeship numbers
- **Young Apprenticeship:** a small programme for 14-16 year olds
- **Programme-led Apprenticeship:** a type of provision that enables learners to train for an apprenticeship without employee status
- **Higher Apprenticeship:** a level 4 programme that is currently limited to just two sectors: IT and Engineering

All of these programmes offer a combination of work-based and off-the-job learning and are funded by government, albeit to differing degrees. It is worth remembering that an apprenticeship is not a qualification in itself but a ‘framework’ containing a number of different qualifications, all of which must be passed in order to complete the framework. Each programme is designed by the relevant SSC and must include the following elements to match the apprenticeship framework ‘blueprint’:<sup>158</sup>

- **National Vocational Qualification (NVQ):** this is the competency-based element that demonstrates the ability to carry out a certain occupation and is usually certified by a work-based assessment.
- **Technical Certificate:** this is the knowledge-based element that demonstrates theoretical understanding of a given occupation and industry, thus underpinning the NVQ competencies. The qualification is normally completed away from the workplace, usually at an FE College, and offers a more structured approach to teaching that includes external assessment
- **Functional Skills:** this refers to key skills training, typically in numeracy and literacy as well as other work-related skills such as communication, IT and teamwork. A ‘Key Skills’ certificate proves individual competence in these areas and the training is also sector-specific.
- **A module on employment rights and responsibilities,** which is often taught as part of the Technical Certificate.

157 Skills Commission, *Progression through apprenticeships: The final report of the Skills Commission’s Inquiry into apprenticeships*, The Skills Commission, London 2009, p.9

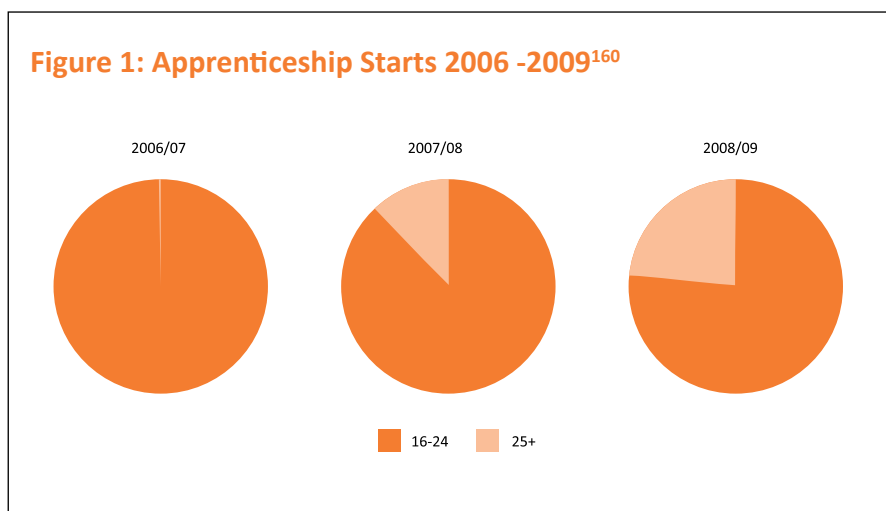
158 Ibid, p.9

## Have apprenticeships been a success in recent years?

The official claims about the popularity of apprenticeships and the way that they have rejuvenated apprenticeship programmes since 1997 have evidently spurred on the Government. All too often, though, there is insufficient time given to addressing the problems that have been encountered, at least partially because of a desire not to limit the political impact of being able to announce increases in apprenticeships. There are a number of reasons to be extremely sceptical about the Government's claims of success and to look past the headline figures.

**Falling popularity:** Government figures on recent increases in apprenticeships are extremely misleading.<sup>159</sup> The number of apprenticeship starts reached 224,800 in 2008, up from 75,000 in 1997. Even so, there are two issues to keep in mind. Firstly, before 2008 the number of starts had in fact been on a downward trend since 2002/03. Indeed, the number of 16 to 18-year-olds on apprenticeships fell a further 16.1% from 2007 to 2008 while the number of 19 to 24-year-olds fell by 3.7% in the same period. Secondly, the only reason that the 2008 figures appeared better than previous years was because the Government extended funding to apprenticeships for over-25s for the first time, leading to a jump from 300 learners aged 25 and over in 2006/7 to 27,200 in 2007/8 and 54,700 in 2008/9. Thus, the popularity of apprenticeships among young learners is dropping at an alarming rate and the national figures are only being propped up by the new offer for slightly older learners.

Figure 1: Apprenticeship Starts 2006 -2009<sup>160</sup>



159 *Post-16 Education and Skills: Learner participation, outcomes and Level of Highest Qualification Held*, see [http://www.thedataservice.org.uk/NR/rdonlyres/996D35C3-B755-4642-B485-E0403560D578/0/nat\\_SFR\\_Post16\\_Education\\_and\\_Skills\\_Oct09.pdf](http://www.thedataservice.org.uk/NR/rdonlyres/996D35C3-B755-4642-B485-E0403560D578/0/nat_SFR_Post16_Education_and_Skills_Oct09.pdf)

160 *Ibid*

161 McIntosh, S, *The Returns to Apprenticeship Training*, CEP, London 2004, see <http://cep.lse.ac.uk/pubs/download/dp0622.pdf>

162 *Post-16 Education: Learner participation and outcomes in England 2007/08*, LSC website, see [http://readingroom.lsc.gov.uk/lsc/National/nat-ds\\_sfr1-dec08.pdf](http://readingroom.lsc.gov.uk/lsc/National/nat-ds_sfr1-dec08.pdf)

What is vital to note here is that the popularity of established and well-respected employer-run schemes, such as those run by Rolls Royce, BT, Honda or Network Rail, have not diminished. Indeed, these schemes are consistently oversubscribed. This may be because wage gains for apprenticeships, although higher than for stand-alone NVQs are greater the higher the level you take.<sup>161</sup> Nonetheless, Government policy has done nothing to incentivise the creation of such employer-run schemes because of its focus on external training providers. Indeed employer-run schemes, despite clear track records of excellence, are subject to repeated inspections and reams of paperwork, a burden which is very definitely a disincentive.

**Low expectations of learners:** The number of Level 3 apprenticeships in 2008 was less than half the number at Level 2<sup>162</sup> and, in their recent investigation, the

House of Lords Select Committee found that the number of apprentices enrolled on Level 3 programmes fell every year from 1998/99 to 2005/06.<sup>163</sup> Even though the Government's decision to offer apprenticeships at a lower level since 2001 has clearly attracted more learners, the benefit to the economy of having so many apprentices qualified at a lower level is questionable, bearing in mind that other countries treat apprenticeships as almost an exclusively Level 3 occupation. To compound these low expectations, the Institute of Directors have voiced their concern at the downgrading of the Technical Certificate. This was introduced a few years ago to improve off-the-job learning for core apprenticeship content, but has now become an 'optional' component. This means that in a number of sectors there is now no separate assessment of the knowledge-based element outside of the NVQ. Professor Paul Ryan of the IoD told the House of Lords Select Committee that he considered the abandoning of the Technical Certificate in some sectors, and the downgrading of technical content more generally as "symptomatic of a lack of commitment by Government to maintaining acceptable minimum standards of training in apprenticeship."<sup>164</sup>

“ Even though the Government's decision to offer apprenticeships at a lower level since 2001 has clearly attracted more learners, the benefit to the economy of having so many apprentices qualified at a lower level is questionable ”

**Insufficient employer demand and the use of targets:** Returning to a common theme of this report, the evidence suggests that employers are simply not as interested in the kind of volume of apprenticeships the Government and opposition parties are. The hugely optimistic projections made in the Leitch Review for 500,000 apprentices a year by 2020 were to be loosely supported by renewed efforts to attract more employers into the programme (mostly through skills brokers). The question of whether employers want this additional pressure or have any interest in taking on an apprentice is crucial, yet received surprisingly little attention in the Leitch Review or in any subsequent Government publication. The generosity of the offer from the Government's current funding policy should not be underestimated: full funding for all training costs (bar the apprentice's wages) for under-19s and 50/50 funding for apprentices aged over 19.<sup>165</sup> The Government spends on average £3,250 a year per apprentice<sup>166</sup> and should the numbers of apprentices reach anything like 500,000 a year, the cost to the taxpayer - already £1 billion a year - will be considerable.

Moreover, in order to reach 500,000 apprentices a year, the Government will need many more employers on board. Recent research by the LSC suggests that progress in this area is likely to be slow as only 6% of employers take on apprentices each year.<sup>167</sup> The LSC found, on further investigation, that the most common reasons for not offering apprenticeships relate to the programme not being perceived as "relevant": 16% of employers said all their staff were fully trained, 15% said that apprenticeships are "not relevant to the employer's business" and 11% that "the job does not require staff to be that highly skilled". Furthermore, the survey uncovered that only 3% of employers did not offer apprenticeships because of financial constraints and a mere 1% said that a lack of government funding was part of the reason that they did not offer apprenticeships.<sup>168</sup> The House of Lords Select Committee on Education Affairs said in their recent investigation into apprenticeships that while numbers of people officially on an

163 House of Lords Select Committee on Education Affairs, *Apprenticeship: a key route to skill (Volume 1)*, TSO, London 2007, p.13

164 Ibid, p.13

165 Skills Commission, *Progression through apprenticeships: The final report of the Skills Commission's Inquiry into apprenticeships*, The Skills Commission, London 2009, p.36

166 House of Lords Select Committee on Education Affairs, *Apprenticeship: a key route to skill (Volume 1)*, TSO, London 2007, p.42

167 Learning and Skills Council, *National Employers Skills Survey 2007: Main Report*, Learning and Skills Council, Coventry 2008, p.110

168 Ibid, pp.113-114



apprenticeship have increased substantially since 1996, “most of this increase has been as a result of converting government-supported programmes of work-based learning into apprenticeships” and that “the failure to expand significantly work-place based training [since 2000] suggests a problem with employer demand.”<sup>169</sup>

**Poor success rates:** As the House of Lords Select Committee remarked “completion rates of apprenticeship frameworks were, until very recently, unacceptably low”<sup>170</sup> with 77% of apprentices failing to complete their framework in 2000/01.<sup>171</sup> The most notable improvement in this area came after the LSC began to retain one quarter of apprentice funding intended for the training provider, only to be paid on the completion of the apprenticeship framework. This minor change dramatically increased completion rates within a year of its introduction. Success rates have continued to marginally increase in recent years to reach 63.7% in 2008<sup>172</sup> - almost identical to the success rate for Train to Gain.

Even with these recent improvements, though, over a third of apprentices still fail to complete their training and the UK still lags behind countries such as Germany who boast a completion rate of 75%. Moreover, the variations between sectors within the UK economy are startling. When the House of Lords Select Committee analysed the apprenticeship data for 2005/06 (when the completion rate was 15% lower than it is now,) there were several industry sectors that had a shockingly poor record. Health and Social Care, Hospitality and Catering, Plumbing and Retail all had Level 2 completion rates below 50%, while Vehicle Maintenance and Repair had less than 10% of their apprentices finishing their training. 8 of the 15 large industry sectors included in the analysis also had Level 3 completion rates below 50%.<sup>173</sup> Surprisingly, the Government has not made any concerted attempt to understand why this is happening, leading the LSC to admit that “this is evidently a gap in our knowledge on apprenticeships and warrants further investigation.”<sup>174</sup> There are a number of possible explanations. One could lie in the nature of the intake to different apprenticeships. Another could be the lack of appropriate information available about the content. In particular it is possible that people were not prepared for the degree of maths or science that would be needed for a framework such as Vehicle Maintenance and Repair. This is certainly a gap in our knowledge to be filled when one considers that a failure rate of 36% equates to £360 million of wasted funding every year.

**The quality of apprenticeship frameworks:** With so many apprenticeships available in so many sectors of the economy, blanket statements about the quality of frameworks are of little value. That said, the House of Lords Select Committee expressed their worry that “too much emphasis has been placed on quantity of apprenticeships, and not enough on quality and on subsequent destinations, including progression to Foundation Degree”, with the service sector highlighted as a particular example of a lack of “quality training” with “unchallenging content.”<sup>175</sup> The Committee saw that the solution lay in ensuring that each apprenticeship satisfied minimum requirements such as at least one day a week of off-the-job training and a stronger emphasis on ‘functional skills’ (e.g. literacy and numeracy). At first glance this certainly seems sensible, although there are serious concerns amongst employers that specifications such as this will be too prescriptive and not take into account the varying needs not only between industries but within industries and even differences between the needs of employers

169 House of Lords Select Committee on Education Affairs, *Apprenticeship: a key route to skill (Volume 1)*, TSO, London 2007, p.13

170 Ibid, p.33

171 Skills Commission, *Progression through apprenticeships: The final report of the Skills Commission's Inquiry into apprenticeships*, The Skills Commission, London 2009, p.32

172 *Post-16 Education: Learner participation and outcomes in England 2007/08*, LSC website, see [http://readingroom.lsc.gov.uk/lsc/National/nat-ds\\_sfr1-dec08.pdf](http://readingroom.lsc.gov.uk/lsc/National/nat-ds_sfr1-dec08.pdf)

173 House of Lords Select Committee on Education Affairs, *Apprenticeship: a key route to skill (Volume 1)*, TSO, London 2007, p.33

174 Reference? It should be noted that, there was research into drop out rates before the LSC came into being. For example, the Training Standards Council looked into this in some detail and their research suggested similar to those explanations suggested here.

175 Ibid, p.34

who ostensibly have very similar requirements, as well as differences in the capacities and strengths of the individuals undertaking the apprenticeship.<sup>176</sup>

In their attempts to increase apprenticeship numbers, the Government has continued to make the incorrect assumption that apprenticeships are suitable for every industry and will be used by employers once introduced. As suggested above, employer demand may have been badly overestimated, while the expectation that all industry sectors need and value apprenticeships is also flawed. Although apprenticeships feature strongly in traditional sectors like engineering, manufacturing and catering they are making little real impact in other sectors.<sup>177</sup> Moreover, the rapidly changing types of work that have emerged in areas such as in the Information and Communication Technologies industry have meant that “young people and employers may find faster, more effective progression through a non-apprenticeship route.”<sup>178</sup>

**Difficulties in defining ‘apprenticeships’:** There are now 180 different apprenticeship frameworks across over 80 industry sectors. That said, the large majority of apprenticeship places are in the following 12 sectors: construction; hairdressing; business administration; customer care; hospitality; childcare and early years; engineering; vehicle maintenance; retail; health and social care; electro-technical; and plumbing.<sup>179</sup> Although some of these vocations are certainly linked to traditional apprenticeships in historic terms, the ever-increasing spread of apprenticeships into non-traditional areas is beginning to stretch the definition of apprenticeships – arguably to breaking point.

To illustrate the problem, the LSC found four separate definitions for apprenticeships in their review of the research literature.<sup>180</sup> On the Government’s apprenticeship website, they state that:<sup>181</sup>

“An Apprenticeship is a form of vocational training enabling people to earn while they learn the skills necessary to succeed in their chosen career. Apprenticeships combine on and off the job training – on the job an apprentice will work with a mentor learning skills on site and working towards a work based qualification such as a National Vocational Qualification. Off the job, apprentices spend time with a training provider, working towards a technical qualification such as a BTEC. Both qualifications are usually at Level 2 or 3.”

This is accurate as far as the Government’s own programme is concerned, but using such a definition makes distinguishing apprentices from other trainee schemes increasingly difficult. In other countries, and even the UK in previous years, ‘apprenticeship’ referred to training in manual craftwork and trade professions. Apprenticeships are available in this country for precisely these sorts of vocations, but other ‘apprenticeships’ bring into question the use of the phrase. For example, the list of current apprenticeship frameworks includes titles such as ‘Travel and Tourism Services’, ‘Retail’, ‘Payroll’, ‘Nail Services’, ‘Housing’, ‘Mail Services’, ‘Driving Goods Vehicles’, ‘Contact Centres’, ‘Business and Administration’ and ‘Accounting’.<sup>182</sup> All of these jobs will require a period of training and contain many useful skills, but the need to have an experienced mentor to help teach a practical trade or skill is arguably not relevant in all sectors. The risk is, quite simply, that if the traditional ‘apprenticeship’ brand is continually diluted and forced to include non-traditional vocations, the term ‘apprenticeship’ may itself become meaningless.

176 CBI, *Response to the specification of apprenticeship standards for England*, see <http://www.cbi.org.uk/ndbs/positiondoc.nsf/1f08ec61711f29768025672a0055f7a8/41f895f5b8a55d93802575d70050f131?OpenDocument>

177 *Rapid review of research on apprenticeships*, LSC website, see [readingroom.lsc.gov.uk/lsc/National/Apprenticeships\\_Literature\\_Review\\_final.pdf](http://readingroom.lsc.gov.uk/lsc/National/Apprenticeships_Literature_Review_final.pdf), p.6

178 *Ibid*, p.18

179 Skills Commission, *Progression through apprenticeships: The final report of the Skills Commission’s Inquiry into apprenticeships*, The Skills Commission, London 2009, p.10

180 *Rapid review of research on apprenticeships*, LSC website, see [readingroom.lsc.gov.uk/lsc/National/Apprenticeships\\_Literature\\_Review\\_final.pdf](http://readingroom.lsc.gov.uk/lsc/National/Apprenticeships_Literature_Review_final.pdf), pp.9-10

181 *What is it?*, Apprenticeships website, see [www.apprenticeships.org.uk/Parents/Whats-it-all-about/what-is-it.aspx](http://www.apprenticeships.org.uk/Parents/Whats-it-all-about/what-is-it.aspx)

182 *Framework search*, Apprenticeships website, see [www.apprenticeships.org.uk/Partners/FrameworkSearch.aspx](http://www.apprenticeships.org.uk/Partners/FrameworkSearch.aspx)

However, it could also be argued that the brand is protected by the fact that different types of apprenticeships are in fact called different things. So, confusion and dilution of the brand are avoided by differentiating between young apprenticeship, advanced apprenticeship, programme led apprenticeship and higher apprenticeship as well as apprenticeship at level 2. The issue then, is that individuals and employers (and indeed politicians and voters) must understand that there are differences between these programmes. There should be a clear effort to communicate these differences through an improved Information, Advice and Guidance (IAG) system. As part of this, apprenticeship frameworks should be subject to the same requirements in terms of 'labelling' as it is

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proposed that courses at colleges and other providers should be.

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This move would not only be about attempting to communicate that the quality of apprenticeship frameworks differs, but also that they differ in content and style. In other words, labelling of this sort alongside an improved system of Information Advice and Guidance should ensure that prospective apprentices fully understand the differences between the different types and levels of apprenticeship, and the associated gains and progression pathways.

It should be emphasised that although the evidence would suggest that some of the apprenticeship frameworks mentioned above such as those for Travel and Tourism, or Mail Services are perhaps more creations of government supply, than employer demand, there should not be retrospective decisions made, centrally, to eliminate apprenticeships from any particular sector. If indeed it is the case that these sectors don't really need or want apprenticeships, then in a skills system which begins to genuinely respond to employer demand, these sectors will not offer these apprenticeships. It is important to note that in some non traditional apprenticeship areas, employers insist that they are very happy to now offer apprenticeships (often at level 2). This should be their choice, based on their intimate knowledge of their own skills needs, and not foisted upon them by government.

**Lack of progression from apprenticeships:** The variable quality and poor success rates may have a knock-on effect on the rates of progression from apprenticeships. The figures speak for themselves: in 2008, only 32% of Level 2 apprentices progressed onto Level 3 programmes and a worrying figure of between 2 and 4% of Level 3 apprenticeships went onto Further or Higher Education.<sup>183</sup> There is also the issue of those studying towards 'programme-led apprenticeships', which are effectively a preparation course prior to Level 2 apprenticeships. However, they have ended up as vocational courses that involve full-time attendance at an educational institution yet come with no guarantee of an employer-led apprenticeship place upon completion. The Skills Commission report on apprenticeships noted that, despite being full-time vocational courses, the programme-led courses sometimes have little or no employer contact and do not offer a secure place on a Level 2 or 3 apprenticeship.<sup>184</sup> The Government has since tightened the rules in order to attempt to guarantee employment, but it remains a problem that the programme led model is arguably not offering the quality of higher level apprenticeships.

183 Skills Commission, *Progression through apprenticeships: The final report of the Skills Commission's Inquiry into apprenticeships*, The Skills Commission, London 2009, p.38

184 Ibid p.29

**Limited employer engagement:** Even though the decision to give SSCs more control over their apprenticeship frameworks is a welcome step, there remains considerable room for interference from the LSC and the QCA. In addition, employers have never been given responsibility for running the apprenticeship programme within their firm. The House of Lords Select Committee was critical of the fact that “the current procedures for providing apprenticeships have the perverse result of discouraging employers from taking responsibility for apprentice training. The use of intermediaries to negotiate apprenticeships with the LSC on behalf of employers should have been a transitional ‘learning’ stage, leading to employers taking full responsibility for the recruitment and training of apprentices. Instead, these arrangements have become entrenched, preventing employers from developing the structures and capacity to train young employees.”<sup>185</sup> As employers neither fund nor have genuine control of their apprenticeship programmes, the likelihood of them investing considerable time and effort into their apprentices is surely reduced.

As noted already, it is the well established employer run apprenticeship schemes which are oversubscribed and most successful. However, current policy does not do enough to encourage the development of these schemes and dis-incentivises those already involved with burdensome bureaucratic requirements.

### Case Study – Network Rail

Network Rail is one of the country’s biggest investors in vocational training and development in the UK. This year it will spend more than £30 million on vocational training, providing a range of qualifications from apprenticeship schemes, through Foundation degrees to an MSc in project management.

The company runs one of the largest advanced apprenticeship schemes in the country at HMS Sultan in Gosport combining personal development with technical training. Network Rail has trained 1,000 apprentices since it launched in 2005 and will train a further 1,200 apprentices in the next five years.

Each of these apprentices is guaranteed a job at the end of their training and this means that it is unquestionably in the company’s best interest to maintain high standards of training and rigorous internal audit processes. Indeed, the processes that Network Rail are currently externally audited against are already very similar to their internal best practice.

Despite the fact that Network Rail is an employer and does not generate income from their training, they still face the same level of external inspection and assessment as a college or commercial training provider. Not only do they face the full Ofsted inspection regime, but in 2009 alone Network Rail will also be audited 4 times by the Learning and Skills Council.

These audits take a considerable amount of preparation, for example the last OFSTED inspection required 4 weeks of focused management attention in preparation, in addition to tying up the senior team all week working from 07.00 - 20.00 each day. Simply to manage the collation of data to satisfy the requirements of the LSC Network Rail employs one full-time member of staff.

This diverts a considerable amount of time and resource from where it should be invested: in the delivery and potential expansion of their apprenticeship scheme.

185 House of Lords Select Committee on Education Affairs, *Apprenticeship: a key route to skill (Volume 1)*, TSO, London 2007, p.43

Companies like Network Rail fully accept the need for some outside assessment, but they believe that there should be a distinct tailored, light touch approach to large employers that run well established, high performing, training programmes.

Assessments should focus on ensuring the overall effectiveness of schemes and spreading best practice while employers themselves are best placed to take the lead role in determining and maintaining the standards of training so that they are driven directly by the needs of their business.

The Government should withdraw immediately from the level of auditing and inspection it currently subjects these sorts of schemes to. Apprenticeship schemes should be treated in the same way as colleges and providers in an improved system of quality assurance. In return for extra freedoms (reduced inspection and auditing) schemes such as this will aim to provide the sort of information which will contribute to a potential traffic light style report card, the information provided by which, individuals could use to make informed decisions.

**Inequitable access:** The appalling quality of careers advice in UK schools has been noted on many previous occasions and apprenticeships suffer disproportionately from this failing. Teachers are generally well-aware of A-levels and GCSEs but frequently have little or no knowledge of apprenticeships. The Lords education committee found that many children “are failed by wholly inadequate or nonexistent careers advice and guidance, and by ignorance of or indifference to apprenticeship opportunities in schools.” Girls and ethnic minority students are at an ever greater disadvantage, as stereotyping has also been identified in careers advice.<sup>186</sup> Prior qualifications can affect access to apprenticeships in both directions, as many school leavers do not have the literacy and numeracy skills required in apprenticeships whereas some apprentices may be working at too low a level.<sup>187</sup>

### The future of apprenticeships - The Skills Strategy

As with so much else, the Skills Strategy did not usher in a significant shift in the Government’s approach to apprenticeships. Once again, it was heralded as the beating heart of a skills and training system geared towards meeting employer demand and excellence. There was also an effort to emphasise the potential role of apprenticeship in facilitating social mobility.

The central proposals in the strategy were to double the advanced apprenticeship places for young adults (19-30 year olds); build stronger pathways into higher education for apprentices and generally work towards an ambition of 360,000 apprenticeship starts by 2020.

According to the strategy, meeting these objectives involves a reprioritisation of existing funds to boost post-19 advanced and higher apprenticeships, paying for an additional 35,000 places on these sorts of schemes. Funding for this will rise from £17 million in 2010-11 to £115 million in 2014-15.<sup>188</sup>

Another key element of the skills strategy in relation to apprenticeships, was the stated desire to boost the level of skills at technician and advanced technician levels. The Government announced plans to consult with relevant industry bodies over strategies to boost participation in registration schemes for techni-

<sup>186</sup> Ibid, p.43

<sup>187</sup> Ibid, p.26

<sup>188</sup> DBIS, *Skills for Growth: The National Skills Strategy*, TSO, London 2009, p.30

cian level engineers. This would seem a more sensible, measured approach than simply pumping funding into the sector, hoping that the result will be good quality apprenticeships out at the end of the day. The Government sees improving progression from apprenticeship into higher education as a vital part of increasing their attractiveness in these sort of areas. This is certainly a valuable aim, and as this report has identified progression from apprenticeships (at all levels) is woeful. As part of this, they plan to ensure that all level 3 and 4 frameworks include UCAS tariff points as well as set out the routes into higher education that apprentices could take. This is certainly a step forward, although it might be added that it would be sensible to include these considerations as part of a more general approach to 'labelling' apprenticeships and providing more information about them to prospective apprentices.

The Government also announced a £1 million apprenticeship scholarship fund, through which 1,000 apprentices would get £1,000 each to continue into higher education. Of course, there is much value in the outcome, but this is merely a piecemeal measure which would not encourage any lasting structural or institutional change.

Overall, although the skills strategy does recognise that government focus is more welcome at higher levels, there is little to promote real change. The system will continue to be dominated by supply and the volume driven targets set by government.

## The National Apprenticeship Service

As mentioned in the introduction, the break-up of the LSC will set the next phase of the apprenticeship programme in motion through the creation of the National Apprenticeship Service (NAS) within the Skills Funding Agency. The functions of the NAS, which has been operating since April 2009, are:<sup>189</sup>

- Overall responsibility for delivery of the Government's policy on Apprenticeships.
- Coordinating the funding of all Apprenticeship places
- Assessing potential providers for quality and value-for-money
- A national information and marketing service
- Establishing and maintaining a national matching service for employers and would-be Apprentices (this has been in operation since December 2008)
- Ownership of the Apprenticeships blueprint
- Development of a model Apprenticeship Agreement
- The specification and provision of all future management information
- Promotion of Apprenticeships
- Management of a task force initiative to overcome the particular barriers to the growth of the programme in London

The large list of responsibilities means that the NAS has ultimate accountability for the achievement of national delivery of targets. The NAS will be armed with 400 employees, including a national team of stakeholders and policymakers plus regional teams working with training providers, schools and career guidance services.<sup>190</sup>

The rationale for a single organisation being responsible for apprenticeship may seem appealing. However, the power given to the NAS is worth noting. For

<sup>189</sup> DIUS, *World Class Apprenticeships: Unlocking talent, Building Skills for All*, HMSO, London 2008, p.27

<sup>190</sup> *National Apprenticeship Service Prospectus*, Apprenticeships website, see [www.apprenticeships.org.uk/About-Us/~/\\_/media/Documents/NAS%20Prospectus%20-%20May%202009.ashx](http://www.apprenticeships.org.uk/About-Us/~/_/media/Documents/NAS%20Prospectus%20-%20May%202009.ashx), p.20

example, it is they, not employers, who will assess providers in terms of value for money and whether they are providing a high-quality service. Their incessant drive towards more apprentices will cost the NAS a considerable amount of time and money, yet this could all be in vain if employers are not interested. Furthermore, the new powers bestowed to the Secretary of State by the Apprenticeships, Skills, Children and Learning Act that passed through Parliament in 2009 raise even more concerns about who is in control of apprenticeships. The Secretary of State will be able to demand new apprenticeship standards for any sector that they choose from the new Skills Funding Agency,<sup>191</sup> bypassing the need to discuss such matters with employers. The Bill also demands that the Secretary of State puts apprenticeships in place that “encompass the full range of skills, trades and occupations” even if apprenticeships are not in any way appropriate for a given role.<sup>192</sup>

These excessive powers should not be held by the Secretary of State or any agency with responsibility for apprenticeships. As has been suggested by this report, it should be decided by sectors and employers themselves whether or not an apprenticeship scheme is appropriate for them and they should be the main drivers in setting standards and frameworks. Moreover, in a system, where information about the quality of apprenticeship standards is gathered and communicated in the same way as for other colleges and providers there will be less need for a service such as the NAS to be engaged in assessing providers for quality and value for money, although it should be accepted that there will be a need for occasional inspections. However, these inspections should be part of the wider inspection regime and delivered by Ofsted.

The key point to note is that the NAS does not signal a significant change from the previous system under the LSC. Instead, it represents an attempt to re-brand the existing apprenticeship arm of the funding body (now the LSC, next year the SFA). But having a separate body for apprenticeship funding could certainly lead to complication and confusion. We therefore recommend that the remaining functions of the NAS be brought back under the auspices of the main funding agency (the SFA). If measures are taken to ensure that the SFA will indeed be a funding body and not a funding and planning body, as the Government claims, then it would seem appropriate that the same principles apply to apprenticeships as with all other government funded training.

However, as noted, the NAS may have some value as a brand, particularly in its role in promoting apprenticeships and providing a matching service for employers who wish to find suitable candidates. It may make sense to retain the brand, in order not to confuse employers further, but under the umbrella of the SFA. There should however, be steps taken to ensure that the apprenticeship matching service is adequately integrated with the Adult Advancement and Careers Service as well as employment services. Apprenticeship vacancies should be included in the database of job vacancies available at Job Centre Plus and through the Adult Advancement and Careers Service.

<sup>191</sup> *Apprenticeships, Skills, Children and Learning Bill*, House of Commons website, see [www.publications.parliament.uk/pa/ld200809/ldbills/042/2009042.pdf](http://www.publications.parliament.uk/pa/ld200809/ldbills/042/2009042.pdf), p.10

<sup>192</sup> *Ibid*, p.16

### Recommendations:

The funding regime must be adapted to allow a greater degree of flexibility for providers to respond to employer demand in the short term. Crucially for appren-

apprenticeships, this must mean that providers should be able to shift funding to apprenticeship schemes if there is demand, rather than being told by central government how much money they should spend on what type of apprenticeship. Freedom to switch funding will also help with what happens when an apprentice drops out, or the employer is no longer able to support them. Currently there is a great risk that individuals will drop out of training entirely, but giving colleges and provider flexibility with their funding streams will allow them to respond and move the individual into different, more suitable training where appropriate.

In the future, apprenticeships funding should be delivered via a learner account system, through the hands of the individual. This system will be discussed in the final section of this report. In the meantime, information about apprenticeship funding should be available through the existing skills accounts.

Government should not abandon a general desire to boost apprenticeships. They have rightly identified them as successful and useful training activity and they should attract state funding. However, their approach should not be about driving up supply and then finding (artificially created) demand to meet this surplus. Rather they should be ensuring that genuine demand is met where it exists. They should not expend great energy on foisting apprenticeships on sectors and employers who receive no real benefit from these sorts of schemes.

With the abandonment of qualification targets, there should also be an abandonment of centrally dictated apprenticeship targets. If the Government wishes to retain non binding targets for the volume of apprenticeships as a measure of the success of the skills system this should be done on the basis of meeting employer demand. Therefore, targets for apprenticeships should be driven by the Sector Skills Councils.

If under a new funding regime which is not based on targets and allows providers flexibility with funds there is a drop in demand for certain apprenticeships this should be recognized as a message that demand is lower than the Government previously thought, rather than a failure of the system. If SSCs advise that it is a matter of market failure rather than a genuine drop in demand then this should be addressed.

Having said this, as much should be done to advertise the potential benefits of apprentices to all (employers and individuals) as possible. The NAS brand can play a key part in engaging with employers, as can the SSCs in their respective sectors. The Adult Advancement and Careers Service and schools careers advisors also have a key part to play.

Importantly apprenticeships should be labeled like other provision. Information should be provided on success rates, customer satisfaction and other measures identified in the proposed 'traffic light' style report card for colleges and providers (discussed in Chapter 10).

Bureaucracy should be significantly reduced for those employers who provide their own, in house apprenticeship schemes. These represent the best quality provision in many cases and should be rewarded for doing so rather than dis-incentivised. There should also be attempts to incentivise employers who currently use external provision to develop in house capacity. A small pot of money could be diverted from the Train to Gain budget to create a discrete fund which employers could bid for to help develop this capacity.



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# 5

## Regional Development Agencies

### Why were RDAs created and what responsibilities do they have?

The Labour Party manifesto in 1997 committed the party to “establish one-stop regional development agencies to co-ordinate regional economic development, help small business and encourage inward investment.”<sup>193</sup> The Regional Development Agencies (RDAs) were established by an Act of Parliament in 1998, and were formally launched in eight English regions on 1 April 1999.

The RDAs were established to “create prosperity across England” by “strengthening and growing regional economies”. Their statutory roles are to:

- Further economic development and regeneration
- Promote business efficiency, investment and competitiveness
- Promote employment
- Enhance development and application of skills relevant to employment
- Contribute to sustainable development<sup>194</sup>

According to England’s RDAs website, the RDA achieves its aims by working ‘with local authorities to translate national and regional demands into local action’. Their approach aims to be business-led, engaging with the private sector. RDAs triumphantly claim to ‘turn around’ local economies by creating jobs, providing skills and revitalising communities.<sup>195</sup> Six Government departments (DBERR, DCLG, DEFRA, UKTI, DCMS and DIUS) support a single pot which funds the majority of RDA activity.<sup>196</sup>

The NAO’s Independent Performance Assessments rated the 8 RDAs outside of London to be ‘Performing Strongly’ or ‘Performing Well’.<sup>197</sup> However, many groups have questioned the usefulness of the RDAs. The Conservatives note in their Localism Policy Paper that the RDAs have been expensive, spending over £13 billion since their creation in 1999. In fact this may be an under-estimate, as an independent report by PricewaterhouseCoopers (PwC) in 2007 claimed that between 1999-2000 and 2006-07, the RDAs had collectively spent around £15.1 billion.<sup>198</sup> The Conservatives noted that over the last ten years the RDAs’ salary bill has trebled from £38 million to over £120 million and their total running costs have risen by 159 per cent to £202 million. They point out that economic output per head for the seven regions excluding London and the South East has increased less during the period since the RDAs were established than the 10 years previously. They also observe that the RDAs have been

193 1997 election manifesto for the Labour Party, see [www.labour-party.org.uk/manifestos/1997/1997-labour-manifesto.shtml](http://www.labour-party.org.uk/manifestos/1997/1997-labour-manifesto.shtml)

194 Conservative Local Policy Paper: [www.conservatives.com/~media/Files/Green%20Papers/Localism\\_Policy\\_Paper.ashx?dl=true](http://www.conservatives.com/~media/Files/Green%20Papers/Localism_Policy_Paper.ashx?dl=true) - 2009-04-02

195 England’s RDAs website: [http://www.englandsrdas.com/what\\_we\\_do/economic/](http://www.englandsrdas.com/what_we_do/economic/)

196 Conservative Local Policy Paper: [www.conservatives.com/~media/Files/Green%20Papers/Localism\\_Policy\\_Paper.ashx?dl=true](http://www.conservatives.com/~media/Files/Green%20Papers/Localism_Policy_Paper.ashx?dl=true) - 2009-04-02

197 Communities and Local Government Website <http://www.communities.gov.uk/citiesandregions/regional/regionaldevelopmentagencies/>

198 *Impact of RDA spending – National report (Volume 1)*, Department for Business, Enterprise & Regulatory Reform, March 2009, see [www.berr.gov.uk/files/file50735.pdf](http://www.berr.gov.uk/files/file50735.pdf), p.ii

given two contradictory agendas. Firstly, they must promote the economic development of their own region, but secondly, they must “narrow economic disparities between regions”.<sup>199</sup>

### What role do RDAs have in ‘skills’?

The RDAs report to Government on their region’s achievement of basic, intermediate and high level skills. The Leitch Review in 2006 and the Review of Sub-National Economic Development and Regeneration in 2007 gave them more responsibility on skills. In particular, the RDAs took over responsibilities for the flawed skills brokerage system from the LSC when this system was merged with Business Link. They were now expected to work with a huge range of national, regional and local bodies, including the LSC, JobCentre Plus, the UKCES, SSCs and universities.

The RDAs were also tasked with leading on Regional Skills Partnerships (RSPs), which aim to ensure that those within the partnership (typically the LSC, trade unions, the RDA and other interested parties) align their funding towards agreed priorities that support the economic strategy within any given region.<sup>200</sup> The effectiveness of the RSPs came in for particular criticism from those giving evidence to the Innovation, Universities, Science and Skills Select Committee, with some highlighting the lack of employer involvement and the Chair of the Yorkshire RSP even conceding that “there is a real lack of clarity from the Government as to what the role of the RSP is.”<sup>201</sup>

The Select Committee on Innovation Universities Science and Skills found that RDAs and the LSC were often pulling in different directions due to their emphasis on Level 3 and Level 2 respectively. The working relationship between SSCs and RDAs was similarly tense, given that RDAs prioritise certain sectors in each region, meaning that some SSCs were of little interest to the RDA and became ‘shut out’.<sup>202</sup> The Alliance of Sector Skills Councils told the Select Committee that “leaving 25 SSCs to negotiate independently with nine RDAs is a recipe for confusion”. They also complained about the unhelpful conflict between the ‘sectoral’ approach to skills supported by Leitch and the regional approach pushed by the RDAs.<sup>203</sup> Giving evidence to the committee, the City and Guilds Centre for Skills Development argued that “existing regional structures for delivering skills and training have not achieved their full potential, due largely to a perceived lack of clout and a failure to communicate to employers how the system works and what they can expect from it”, while two of the Committee’s expert witnesses called for RDAs to be abolished altogether.<sup>204</sup>

Yet the Government’s 2009 Skills Strategy promoted RDAs still further, to the alarm of many in the sector who feel that their usefulness remains unproven at best. It announced “an important new strategy setting role” for RDAs. Working in partnership with SSCs, local authority leaders and sub-regional bodies, they “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.”<sup>205</sup> This signals an alarming new dimension to the planning approach to skills, with the RDAs deciding where money ought to be spent in each region. In keeping with Lord Mandelson’s industrial activism agenda, the strategy makes clear that funding will be concen-

199 Conservative Local Policy Paper: [www.conservatives.com/~media/Files/Green%20Papers/Localism\\_Policy\\_Paper.ashx?dl=true](http://www.conservatives.com/~media/Files/Green%20Papers/Localism_Policy_Paper.ashx?dl=true) - 2009-04-02

200 Innovation, Universities, Science and Skills Select Committee, *Re-skilling for recovery: After Leitch, implementing skills and training policies*, TSO, London 2008, p.31

201 Ibid, p.32

202 Ibid, p.32

203 Ibid, p.36

204 Ibid, p.33

205 DBIS, *Skills for Growth: The National Skills Strategy*, TSO, London 2009, p. 12

trated on skills that the Government and its RDAS deem to be economically viable, asserting that “Priorities for increased funding include life sciences, digital media and technology, advanced manufacturing, engineering construction and low carbon energy”. As we said in our recent report, *Innovation and Industry: The Role of Government*, the history of industrial policy over the past half century teaches us that Government attempts to pick winners by throwing resources behind particular sectors, technologies and companies have failed in the past and will fail again.

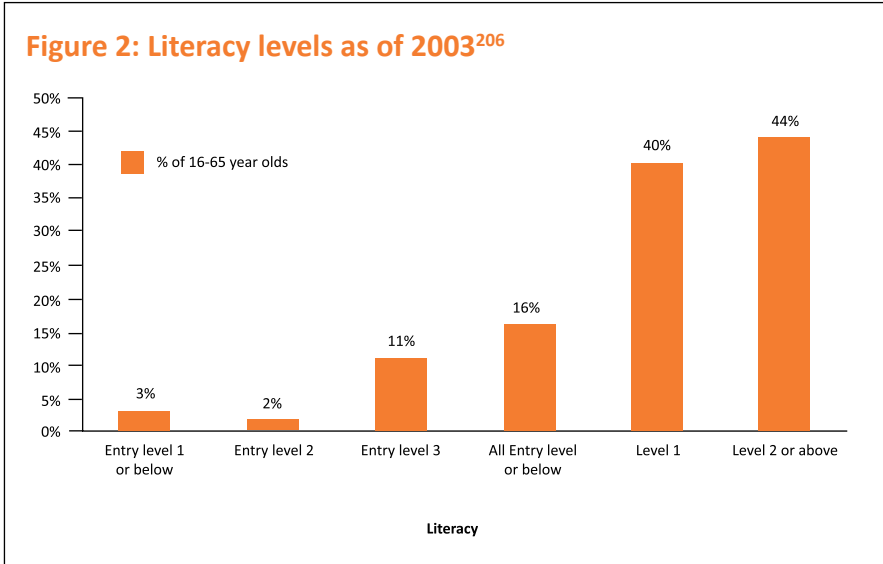
### Recommendations:

Regional Development Agencies add an additional layer of unwelcome complexity to the skills marketplace, without adding sufficient value. The Government is using them as a means of continuing a planning approach to skills that is both unhelpful and dangerous. RDAs should lose their responsibilities within the skills agenda. Better-funded Sector Skills Councils should be more equipped to cover regional disparities in their sectors. Meanwhile, a reformed funding system, driven by the choices of individuals, will introduce a new focus on local demand.

# 6

## Basic Skills

‘Basic skills’ is the term used to refer collectively to the skills of literacy and numeracy as well as, increasingly, skills in information and communication technology. Current policy in this area can be traced back to 1999 and Sir Claus Moser’s review of adult basic skills in England which found that 20% of adults lack functional, basic skills. The subsequent report called for a *Skills for Life* strategy, launched in 2001, which has since become the cornerstone of adult basic skills provision in England. It gives free literacy, language and numeracy training to all adults without a Level 2 qualification. It also developed a clear framework of national standards for literacy and numeracy which has since been used to measure and describe the ‘basic skills’ of adults (16–65) in England. The last survey of literacy and numeracy in England was carried out by DfES in 2003 and it was alarming reading as the graph depicting literacy levels shows:



- 5.2 million (16%) of adults (16–65 year olds) were at Entry Level 3 or below for literacy, meaning they were able to understand familiar texts and everyday sources of information but were deemed unable to: “Understand short straightforward texts of varying length on a variety of topics accurately and independently” or “Obtain information from different sources”
- 1.6 million (5%) of adults could not even meet the standards of Entry level 3 and were at Entry Level 2 or below for literacy.

206 DFES, *The Skills for Life Survey: A national needs and impact survey of literacy, numeracy and ICT skills*, TSO, London 2003, p.18/19

- 6.8 million adults were deemed to have numeracy levels at Entry Level 2 or below, meaning they were unable to “Understand information given by numbers, symbols, diagrams and charts used for different purposes and in different ways in graphical, numerical and written material”

The point must be made (and it often is) that adult basic skills strategies are by their nature remedial measures. *Skills for Life* aims to pick up the pieces from the failure of the compulsory education system to ensure that school leavers are (at a minimum) functionally literate and numerate. It therefore stands to reason that, in the long term, policies concerning basic skills must focus on improving provision in schools in order that, as we move forward, fewer adults will fall within the scope of a programme such as *Skills for Life*.

In *Rising Marks, Falling Standards* Policy Exchange conducted an investigation into literacy, numeracy and science in primary and secondary schools. It argued that the effect of the Government’s primary literacy and numeracy strategies (replaced in 2003 by a single primary national strategy) have been minimal. The improvements which have been seen were largely in effect before the strategies were

implemented. This can largely be put down to the manner in which centralised and highly prescriptive programmes concerning literacy and numeracy stifle innovation, an argument which will be all too familiar in the world of skills. The same is true for the Secondary

National Strategy which has also had little effect on literacy and numeracy standards: fewer than half of 16 year olds gain 5 A\*-C grades (including Maths and English). Moreover, the sudden removal of the Key Stage 3 assessment for 14 year olds has left schools desperately needing a more effective replacement.

The report contained a number of recommendations for improving standards in schools, the implementation of which would in time go some way to precluding the need for large scale adult basic skills provision. It advised that the Government should introduce a ‘What Works Clearinghouse’ for literacy and numeracy best practice at primary level. It would be maintained by a new Standards Agency (replacing OFQUAL) and incentivise schools to use programmes that work through funding. Schools would have a choice of a number of proven programmes, although no school would be required to use the approved programmes. The Government should also scrap ‘single-level tests’ and look to regular adaptive online testing as a long-term alternative to Key Stage 2 tests as well as introduce sampling as a new measure of national standards (monitored by National Standards Agency). At secondary level, the Government should give schools extra resources and time to focus on children struggling with literacy and numeracy with £100m a year of funding available. At the same time all secondary schools should have academy style freedom over Key Stage 3 to focus on those struggling with core skills if need be.

Teaching children to read, write and add up at school is of course the best way of ensuring that adults have the basic skills needed to cope in the workplace. Nonetheless, many adults have been failed by the compulsory education system and must be helped. This is no doubt an extremely serious problem, and one that is worthy of government funding. Indeed, unlike many other aspects of

“ The point must be made (and it often is) that adult basic skills strategies are by their nature remedial measures ”

skills policy, where the question of the relative contributions due from individuals, the state and employers can be a highly contentious issue, it is fairly widely acknowledged that adult basic skills are the responsibility of the state to fund. There may well be an expectation that employers will be helping and supportive to individuals who wish to undertake a basic skills course, but employer bodies such as the CBI are clear (and the Government has offered no opposition) that the state must bear the financial burden. This is because it is understood that one of the central aims of compulsory education is to teach literacy and numeracy and as compulsory education is paid for by the state, any work which needs to be done as a result of its failures should also be paid for by the state.

Two fifths of firms are concerned about the levels of basic skills in the work force and the CBI estimates the cost to the economy each year as being as high as £2.4 billion.<sup>207</sup> It is important to note, as throughout this report, that the problem varies widely from sector to sector and region to region. Nonetheless, employers generally clearly perceive it as a serious skills issue.

As no updated survey has been completed since the statistics quoted above, and upon which the Government has based its basic skills strategy were released, it is difficult to assess *Skills for Life* accurately in terms of these figures, although we do have figures pertaining to the number of learners who have been brought up a level through *Skills for Life* provision<sup>208</sup>. The Public Service Agreement Target was to improve (defined as moving up a level and attaining a qualification) the basic skills of 2.25 million adults between 2001 and 2010. This over arching target included two milestones: 0.75 million attainments by 2004 and 1.5 million by 2007, both were exceeded. This is certainly an impressive volume of provision and indeed, spending on the programme has been significant, rising from £165 million<sup>209</sup> in 2000-01 to around £700 million in 2009/10. In 2006-07, spending reached a massive £995 million. Nonetheless, the scale of the *Skills for Life* programme needs to expand fairly rapidly if it is going to meet the 2020 ambitions for world class skills, proposed by Leitch: that 95% of the adult population would possess functional literacy and 95% functional numeracy, where functional literacy is defined as Level 1 and functional numeracy is defined as Entry Level 3. The UKCES estimated that this would require 7.4 million basic skills qualifications by 2020. Although the costs of courses vary according to level and type, even assuming a fairly low average cost of £600 per course the cost of *Skills for Life* over the course of the next decade will be in the order of £4.4 billion.

The *Skills for Life* programme has been regularly touted as a government success story. Spending money on basic skills is relatively easy to sell to voters, as noted earlier, they are seen as the natural concern of the state. However, analysis has suggested that there is significant room for improvement.

Judging *Skills for Life* on its own terms, against its broader aims, numerous criticisms have been made. Far less progress has been made in strengthening numeracy than literacy. Only ten numeracy qualifications have been achieved for every hundred people with numeracy skills below the level of a good GCSE, compared with eighteen for literacy.<sup>210</sup>

Many of the people we have spoken to have suggested that *Skills for Life* could be better aligned with the integrated employment and skills agenda. Furthermore, only one in five offenders assessed as having literacy and numeracy below level 1 enrolled on a literacy or numeracy course. There has been a particularly

207 CBI / Nord Anglia, *Emerging stronger: the value of education and skills in turbulent times - Education and skills survey 2009*, CBI, London 2009, p.22

208 There are plans for an updated survey in 2010

209 NAO, *Skills for Life: Progress In Improving Adult Literacy and Numeracy*, TSO, London 2008, p.8

210 220 *Ibid*, p.9

wide concern that Skills for Life has not been delivered enough through the Government's flagship Train to Gain, and that when it has, provision has not been good enough.

OFSTED found: "Where Skills For Life training was provided, it often had a greater impact than achievement of the NVQ alone [and] all the gains in personal skills, knowledge and understanding were enhanced by good Skills For Life training",<sup>211</sup> which was indeed positive news. Even so, "in almost all of the providers surveyed ... providers did not do enough to promote, or provide, Skills for Life training. Few had specialist Skills for Life trainers or assessors or sufficient resources to support employees' development. The training needs analysis they carried out did not place enough emphasis on discrete Skills for Life training, or on Skills for Life within a package of training offered to employers."<sup>212</sup> OFSTED acknowledged the problem of stigma associated with poor literacy and numeracy in explaining why employers did not want to raise the issue, but "even when Skills for Life needs were identified, employees were not given sufficient encouragement to take up training opportunities. In one example, eight employees were identified as having a need, but only one attended local classes to improve literacy and numeracy skills. As well as their lack of willingness to tackle basic skills problems, over half of employers did not have much knowledge or involvement of their employees' training and assessment, to the point where "they were not invited to comment on employees' progress, did not attend progress or assessment reviews with employees and were not routinely involved in planning additional training to fill gaps in employees' skill or knowledge."<sup>213</sup>

Another, very serious issue identified by observers, including OFSTED has been the level of skills amongst the teaching workforce itself: in 2006/7 only 35% of teachers delivering Skills for Life provision held appropriate qualifications.<sup>214</sup> Although this was up from 13% in 2004/5, it would seem highly likely that a large proportion of this rise was due, again, to the accreditation of the existing skills amongst the teaching workforce. It was even found by OFSTED that some providers were circumventing basic skills needs when providing through Train to Gain, rather than tackling them head on. For example, assessors helped employees with poor writing skills by loaning them dictation machines to record answers to questions, rather than develop their writing skills.<sup>215</sup> However, while two thirds of literacy and numeracy teachers teach more than one subject, fewer than 10% of these held appropriate qualifications in all subjects they taught.

The Government has attempted to respond to these criticisms and in 2009 made a number of changes to Skills for Life, although not all of them are to be welcomed. Reasonably enough they have established separate measures for literacy and numeracy, partly to address the shortcomings in numeracy attainment. In order to accelerate progress toward the 2020 targets, new PSA targets have been set which aim for 597,000 people of working age to achieve a first level 1 or above literacy qualification and 390,000 to achieve a first entry level 3 or above numeracy qualification by 2011. These targets differ in more than just scale from previous ambitions. Rather than aiming at general progression, counting the same person twice if they achieved two qualifications and moved up a level both times, these targets aim at bringing a certain amount of people up to a

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211 OFSTED, *The impact of Train to Gain on skills in employment*, OFSTED, London 2008, p.14

212 *Ibid*, p.14

213 *Ibid*, p.16

214 DIUS, *Skills for Life: Changing Lives*, TSO, London, 2009, p.8

215 OFSTED, *The impact of Train to Gain on skills in employment*, OFSTED, London 2008, p.14

minimum threshold of attainment. The implication is that Skills for Life is being focused on the very lowest skilled. However, this also means that the Government has actively created a disincentive for providers who might otherwise help adults progress from one level to the next.

Continuing the shifting of focus on to priority learner groups, the Government has also stated that Skills for Life will be targeted at: the unemployed and those on benefits; low-skilled adults in employment; prisoners and those supervised in the community; and other groups “at risk of social exclusion”.<sup>216</sup> Finally, there was also a commitment to focus provision on ‘employability’ by better aligning it with the Integrated Employment and Skills agenda and giving colleges and providers more freedom below Level 2. In 2009, the LSC began to pilot the use of performance incentives linked to ‘employment outcomes’.

At the same time the Government made a commitment to raise the already huge expenditure on the programme to exceed £1 billion in 2009/10, although this funding was ultimately cut to £600 million, at which rate investment will remain for 2010/11.<sup>217</sup> Given the huge amount of government expenditure on this programme, and the fact that the Government makes explicit claims that it will (and does) help boost productivity it is particularly interesting to note that the basic skills drive has been singled out for criticism for its failure to do so. As noted in the introduction, the explicit causal link between skills and productivity is a problematic one: the relationship is more complex than this, and the ability to measure the effect of one upon the other is hampered when qualifications are erroneously considered to be the same thing as skills. The case of basic skills is however a slightly muddier one. The evidence is very clear that there is a strong demand in the labour market for basic skills and that the effect of literacy and numeracy on earnings is high.<sup>218</sup> It would seem to follow that a basic skills programme like Skills for Life, which seeks to massively boost the supply of basic skills in the labour market should play a part in increasing productivity. However, the evidence here suggests that this has not been the case.<sup>219</sup>

One problem is that the provision itself just isn’t good enough, as identified by OFSTED and academics we consulted. Skills for Life fits perfectly into the qualifications stockpiling approach to skills which has characterised Government policy since Leitch and as such it is prey to the same perverse incentives as other government funded training programmes. Prescription from above of what qualifications should be sought, and how they should be taught stifles innovation on the ground. The setting of qualifications based targets leads to providers, and employers, targeting those who need the least amount of help to shift up one level (and thereby hit a target). Finally, as another result of the focus on qualifications targets, a high proportion of Skills for Life provision accredits existing skills rather than developing new ones. Indeed the quality of the teaching means that to a large extent this is all that is possible.

According to Anna Vignoles, whose work looks at wage gains from a range of vocational qualifications, the evidence suggests that there is virtually no impact from taking the numeracy or literacy courses which are provided through Skills for Life, and she is not the only one. In their final report on Skills for Life, academics from the National Institute for Social and Economic Research summed up the international evidence on basic skills provision:

<sup>216</sup> DIUS, *Skills for Life: Changing Lives*, TSO, London, 2009, p.8

<sup>217</sup> DBIS, *Skills Investment Strategy 2010-11*, TSO, 2009, p.10

<sup>218</sup> Centre for the Economics of Education, *The Value of basic skills in the British labour market*, 2007

<sup>219</sup> The Times, *Adult literacy drive ‘almost worthless’, says Anna Vignoles*, April 3<sup>rd</sup>, 2009. See, [http://www.timesonline.co.uk/tol/life\\_and\\_style/](http://www.timesonline.co.uk/tol/life_and_style/)



“Although general evidence (for example that reviewed by Leitch 2006) points to the importance of competence in basic skills for influencing lifetime outcomes, it is less clear that gaining these skills as an adult has the same effect on employment as gaining them during compulsory (or full-time continuous) education. Beder (1999) and McIntosh (2004), in reviewing previous evaluations of literacy training programmes found a dearth of robust evidence of the impact: most research suffered from major methodological problems, notably, the lack of a robust (or any) counterfactual; most were qualitative and relied on trainees’ perceptions of effects. From the evidence, Beder felt able to conclude only that “it is likely” that literacy participants made gains in employment, wages, continued education and in self-image. However, only two of the reviewed studies of employment impacts used comparison groups, with one reporting negative and the other positive effects. Beder was agnostic about whether these gains could have stemmed from literacy improvement: it was unclear from the reviewed studies whether basic skills training improved basic skills.”<sup>220</sup>

“There is a growing body of evidence, some of which is based on robust evaluation methods using control or comparison groups, that basic skills training improves soft outcomes... However, there is less evidence to suggest that learning basic skills as an adult improves labour market outcomes such as employment or earnings. The most recent British research has found that the effect on employment and earnings of improvements in literacy and numeracy during adulthood appears to be weak.”<sup>221</sup>

As is suggested by Metcalf et al, this is partly because it is in fact very hard to address problems in literacy and numeracy in adulthood and indeed it has already been argued in this report that it is absolutely vital that a basic skills strategy has its focus on ensuring that the compulsory education system does its job properly.

Nonetheless, as suggested in the above quotes, evidence does suggest that employer provided training can be beneficial for a variety of reasons, not necessarily related to increased productivity or wage gains directly linked to the basic skills provision itself. Participants in basic skills courses are more likely to engage in other learning as a result; it improves confidence; the ability to help children with homework and pursuing interests outside of work. It is also the case that employers feel a benefit from providing this sort of training as it strengthens the psychological contract between employer and employee. They also believed courses improved confidence and morale but again, reported little impact in narrow economic terms. Moreover, they were unwilling to continue further literacy training after the end of the free entitlement offered.<sup>222</sup>

Arguably the most important research finding in this area have been the claim that in order to maximise the benefits from basic skills courses, the recipients must be able to use them in their day to day job. The smallest improvements were made by people who continued to do jobs which needed little or no literacy or numeracy.<sup>223</sup> This is highly problematic, and not something that a skills strategy can address directly. However, this does highlight the need to encourage progression and continued learning. Government policy discourages this because it seeks to stockpile low level qualifications and does not incentivise the continued learning and progress of particular individuals. As noted earlier, recent changes to the PSA targets which focus on the attainment of a minimum threshold exacerbate this problem.

<sup>220</sup> Metcalf H et al, *Evaluation of the Impact of Skills for Life Learning: Longitudinal Survey of Adult Learners on College-based Literacy and Numeracy Courses, Final Report*, National Institute of Economic and Social Research, 2009, p.3-4

<sup>221</sup> Ibid, p.4

<sup>222</sup> Wolf, A, *Teaching and Learning Research Briefing no. 59*, 2008, p.3 see, <http://www.tlrp.org/dspace/retrieve/3704/wolfRB59final.pdf>

<sup>223</sup> Ibid, p.3.

Moreover, there is serious concern that the length of the courses offered are too short. As with other government funded training, the length of courses (through guided learning hours which will be discussed later in this report) is prescribed by the government. Although short courses have their benefits, in that the ‘hardest to reach’ may be more likely to do these sorts of courses, the courses that can really add benefit need to be between 100 and 150 hours.<sup>224</sup>

Finally, it must be noted, that criticising the value for money or the effectiveness of a particular programme which seeks to provide basic skills to adults does not imply that this is not an important or valuable aim. Similarly, just because basic skills provision may not be very good at boosting productivity, it does not follow that it is not worthwhile. Indeed, the numerous other benefits of basic skills courses have been put forward in the preceding pages of this report. Moreover, perhaps one of the strongest arguments for government provision of this sort of learning is that it is vital to a functioning, liberal, participative democracy that citizens are able to read and write, in order to communicate and engage both with their fellow citizens and with the democratic process. Finally, literate and numerate parents are more likely to bring up literate and numerate children.

However, in a time of great fiscal constraint the justification for a significant chunk of government expenditure on training cannot be merely that:

*“Learners were able to lead a fuller life, e.g. to travel unaccompanied, to budget and manage their own finances, to go shopping. Not only did the initiative appear to have reduced their dependency, but it released others from providing support (including social services). Moreover, some took on greater responsibilities for others (e.g. helping elderly neighbours).”<sup>225</sup>*

Measures must be taken which ensure that funding is spent in the places where it makes the most impact. Much improvement can be made as a result of the various reforms to the general structure of the skills system, including the manner in which it is funded, recommended in this report.

We strongly recommend scrapping the 2020 Leitch targets, thereby removing the incentive to pump money into the system in order to get qualifications (and not skills) out. This would also go some way to removing the disincentives to progression in literacy and numeracy.

By making funding more flexible, doing away with discrete funding pots such as ‘adult learner’ and ‘employer’ responsive funding, and allowing providers to genuinely respond to demand, they will be able to target basic skills provision where it is most valued. This would also allow providers to put on longer courses where appropriate which can give real benefits by removing the tight relationship between funding and the nature (and length) of provision.

By ensuring that the Adult Advancement and Careers Service meets its potential, it will be easier to track (and encourage) the progression of basic skills learners, reduce drop out rates and respond more flexibly to local demand.

It is essential that the Government should retain the £85 million of funds set aside in the Train to Gain budget for basic skills provision in the workplace. Colleges and providers should also be given new flexibilities to use skills for life funding previously only for non work based learning, where appropriate.

224 Vignoles A, *Adult Basic Skills Training No Boost to Economic Competitiveness*, see <http://www.ioe.ac.uk/newsEvents/22794.html>

225 (DBIS Evaluation)

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# 7

## The Experience of Individual Learning Accounts

The Leitch report specified that all public funding for adult vocational skills in England, apart from community learning, should be routed through Train to Gain and Learner Accounts by 2010.<sup>226</sup> As has been explored, Train to Gain was designed as the mechanism by which the Skills system would be responsive to the needs and demands of employers. Leitch expected learner accounts to perform the same function in respect of individual demand.

Leitch recognized that those who chose, or who were forced by necessity, to learn outside of the workplace should have the same degree of control over their learning as intended for their counterparts through Train to Gain. But the report noted that at the time, LSC funding streams for these learners ensured a completely supply-led system:

*“At present, the LSC, rather than the learner, decides the amount of funding a college receives and the type of learning it should deliver.”<sup>227</sup>*

Leitch’s system would use learner accounts to “put effective purchasing power in the hands of customer”<sup>228</sup> allowing the customer, not the LSC to determine the amount of funding a college receives and the type of learning it should deliver. As a result, FE colleges and independent learning providers would be given an incentive to deliver the skills that employers and individuals need and demand. This system would also increase choice as individuals could use learner accounts at any accredited learning provider. He argued that effective providers would quickly expand since each new learner would bring in extra funding.

This purchasing power would not be provided in the form of cash: “i.e. actual funding will be channelled through the existing provider payments system, rather than held in the accounts.”<sup>229</sup> This idea drew on the Government’s infamous experience of Individual Learning Accounts, which were brought in as a flagship policy in 2001 and then withdrawn rapidly after allegations of widespread fraud. Leitch clearly believed that the problems with this original scheme were administrative rather than fundamental, and he hoped to overcome them by using the existing provider payment system, thereby eliminating the risk of money being used for other purposes, ‘outside of the system’.

Since Leitch, the learner account policy has begun to take shape. In September 2007 the Government launched Adult Learning Account pilots, set out in Leitch, which gave holders access to funding at level 3. The pilots have now been super-

226 HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006, p.4

227 Ibid, p.112

228 Ibid, p.17

229 Ibid, p.111

seded by trials of new Skills Accounts which offer access to a wider range of learning. Skills Accounts trials began in 2008 in preparation for universal roll out of the scheme in 2010. Unfortunately, we will see that in the eventual Skills Accounts scheme, the risk averting measure mentioned above (channelling payments through the existing system) has been taken to a disappointing extreme. All that is left is the existing provider payment system and the 'learner account' merely serves to provide the individual with information about this system of funding.

This has led to a great deal of confusion about exactly what Skills Accounts are. Leitch seems to be implying that they are one thing but the actual scheme looks like something different. At the same time, they do deliver in the manner Leitch promised in the sense that funds are delivered to providers through the existing system. We will explore this (and whether Skills Accounts will result in the demand led system Leitch claimed) later.

First it is pertinent to revisit the disastrous experience in the early part of this decade with ILA's because this experience has clearly heavily influenced subsequent thinking in this area.

## Individual Learning Accounts

Individual Learning Accounts (ILA's) were a flagship scheme in the 1997 Labour manifesto, designed to widen participation in and create a culture of individual investment in lifelong learning amongst adults.

*"Learner Accounts, sometimes called Individual Learning Accounts (ILA), provide people with funding that they can spend at an accredited learning provider of their choice. Individual Learning Accounts were introduced in England in 2000 with the aim of encouraging people back into learning, particularly young adults with few qualifications. Various financial incentives were used to attract learners"*<sup>230</sup>

In May of 2001 the scheme had only been up and running for a matter of months, but the Government announced that their target of one million ILA's opened had already been reached. Just a few months later, in November of 2001 the then Secretary of State for Education and Skills, Estelle Morris, was forced to shut down the scheme immediately amidst suspicions that unscrupulous learning providers had taken advantage of weaknesses in the system and de-frauded the state to the tune of unknown millions.

ILA's were not a new idea. The Conservatives considered them in the 1994 White Paper 'Competitiveness: Helping Business to Win' but by the time of the 1996 'Competitiveness' white paper they had been discouraged.<sup>231</sup> Their pilots and consultations suggested that ILA's were administratively complex and ineffective at reaching those most in need of re-skilling. In the meantime the Labour party, inspired by the Commission for Social Justice, were proposing so called 'Learning Banks' in which the state, employers and the individual would invest for education and retraining throughout life. This idea gained its place in the 1997 Labour manifesto in the form of a proposal to set up Individual Learning Accounts, although the proposals were non-committal as to the form of the eventual scheme. Labour proposed using £150 million of money from the budgets of Training and Enterprise Councils which could be 'better spent'.<sup>232</sup>

<sup>230</sup> Ibid, p.111

<sup>231</sup> Education and Skills Committee, *Third Report – Individual Learning Accounts*, TSO,

<sup>232</sup> The Labour Party, 1997 Manifesto, see <http://www.bbc.co.uk/election97/background/parties/manlab/3labmaneduc.html>

Despite early vagueness, Labour did begin to flesh out their ILA scheme in 1998 with the publication of the 'Learning Age' Green Paper.<sup>233</sup> In it they detailed a number of pilot projects which would test different formats for the accounts but which would broadly support two approaches to the accounts: the universal and the targeted. The universal approach was to offer accounts to anyone at work who wanted to learn. Everyone was to invest a minimum amount of money in their account, either as a lump sum or in regular savings. The Government would support this investment with a maximum public contribution of £150 for each account.<sup>234</sup> Others, such as employers, would also be able to contribute to the account. As such, this universal approach seems to be most recognisably about helping individuals invest in their own learning, allowing them to access the courses they want and thereby helping create a culture of lifelong learning, and a skills system led by individual demand. Meanwhile, the targeted approach would use the accounts to support particular learning needs or skills shortages and target certain groups of people such as those in low skill jobs, those seeking to return to work and employees in small firms. The targeted approach undoubtedly looked to address important issues, but by incorporating the decisions of government over which groups and skills areas would benefit, it arguably began to move away from the initial notion of learner accounts and was indicative of a confusion of aims which beset the policy later on in its life.

Twelve pilot projects ran between 1998 and 2000 and an evaluation was published in August 1999. In contrast to previous research into or attempts at ILAs in the '90's the pilots demonstrated that the accounts were capable of accessing those thought hardest to reach and non-learners. However, the pilots also showed that the methods and techniques required to bring these groups into the learning system were very time consuming and resource intensive. A further finding was that part of the success of the ILAs was down to the ease with which TECs could access a pre-existent, tried and tested network of learning providers.<sup>235</sup>

It is important to note two things about the lessons learned from these pilots. The first, which will be returned to later, is that the eventual, fully-fledged ILA scheme ignored the fact that the pilot schemes benefited from the existing structure provided by the TECs. The second is that the pilots were actually designed to test a delivery model which by the time of the final scheme was completely abandoned. This model was based on the concept of a real account, in the sense of the financial instrument, where individuals could bank and save money in conjunction with state and employer contributions. However, after extensive discussions with the financial services sector and market research into potential demand, the Government doubted whether this model would work in a national scheme.<sup>236</sup> Financial institutions were not enthusiastic about managing a product which would consist of a high number of very low value accounts. Meanwhile market research suggested that although individuals were happy to consider borrowing money in order to learn they were far less disposed to the idea of saving money for the same purpose.

So, the original notion which was first championed by the Commission for Social Justice and ultimately led to the inclusion of an ILA policy in the Labour manifesto, was abandoned. Its replacement was far closer to the delivery model for ILAs which had been considered and rejected by the Conservatives in 1996. ILAs would no

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233 See, <http://www.lifelonglearning.co.uk/greenpaper/index.htm>

234 Education and Skills Committee, *Third Report – Individual Learning Accounts*, TSO, London 2002

235 Ibid

236 National Audit Office, *Individual Learning Accounts*, TSO, London 2002, p.3

longer be real accounts but virtual accounts, a mechanism by which individuals could access state provided discounts on learning. The aims apparently remained the same: to create a culture of lifelong learning and individual investment in their own learning. However, the mechanism had changed. According to the DfES, the mechanism was now one which would be empowering, giving control and freedom of choice to the individual learner.<sup>237</sup> The ILAs would help create a market in adult learning, encouraging the entry of new and innovative providers to the system, whilst weeding out those who didn't meet the demands of the customer. This was the start of what was to become a complete confusion over the fundamental objectives of the ILAs.

The final scheme, still called Individual Learner Accounts, were virtual accounts which recorded the discounts on learning claimed by each individual. The accounts were subject to an upper limit on the total discounts claimable. In the name of innovation, the Government opted for a public-private partnership approach to designing and implementing the scheme. However by January of 2000 there was only one bidder left in the tendering process. The rest had pulled out, mostly citing the overly demanding time frame in which they were expected to deliver a fully functioning scheme. In June 2000, the Government signed a contract with Capita who would develop and operate the scheme. They would provide a call centre for enquiries and an administrative service for registering learners and learning providers, processing accounts, maintaining records and reporting to the DfES on the amounts owed to providers.<sup>238</sup>

Providers could market directly to learners, and learners could find out about the accounts and learning opportunities from sources such as libraries and online. To open an account, you were required to apply to the Individual Learning Account Centre. When the learner had identified the learning they wished to access, they were to register directly with the relevant provider, pay the minimum contribution to the costs (£25) and give them their unique account number.

The financial help available to learners depended on the learning to be undertaken. There were three separate schemes available.<sup>239</sup>

1. An incentive of £150 towards costs of eligible learning for the first million account users (with minimum contribution from the learner of £25)
2. A discount of 20% on the cost of a broad range of learning, capped at £100.
3. A discount of 80% on the cost of a limited range of basics IT and Maths courses, limited to a total of £200 discount per account. This incentive was brought in in October 2000.

## What went wrong?

ILAs had a broad aim: to develop a commitment amongst individuals to lifelong learning. They also had a set of strategic and operational objectives. In the National

“ The targeted approach undoubtedly looked to address important issues, but by incorporating the decisions of government over which groups and skills areas would benefit, it arguably began to move away from the initial notion of learner accounts and was indicative of a confusion of aims which beset the policy later on in its life ”

237 Education and Skills Committee, *Third Report – Individual Learning Accounts*, TSO, London 2002

238 National Audit Office, *Individual Learning Accounts*, TSO, London 2002, p.3

239 Ibid, p.4

Audit Office's report on the ILA scheme, they noted that these objectives (although numerous) were characterised by an absence of measurable or quantifiable factors. This made assessing the success of the scheme difficult. In their analysis, they chose to focus on seven of them:<sup>240</sup>

1. The number of accounts opened
2. The number of providers
3. The level and type of learning booked
4. Target groups
5. Integration with other lifelong learning initiatives
6. Levels of personal investment in learning
7. User satisfaction

**Number of Accounts** – The popularity of ILAs was greater than anticipated. The target for the whole scheme was exceeded in eight months and in total 2.6 million accounts were opened. However, only 1.5 million of these account holders had actually engaged in learning as of 31<sup>st</sup> July 2002. Moreover, it is suspected that not all of the total 2.6 million were real learners. Rather, some were enrolled without their knowledge or full understanding in order that providers could access government funds. Moreover, research conducted by DfES found that over a quarter of learners registered as having started their training had not done any.

**Number of learning providers** – The ILA scheme was highly successful in bringing new providers into the market and thereby extending choice for learners. In September 2000, there were 2,241 registered providers. By the closure of the programme there were 8,910 providers. However, owing to the lack of any rigorous quality assurance checks as part of the scheme, it cannot be guaranteed that all of these new providers represented an extension of choice in terms of quality provision.

**Level and type of learning** – The scheme was successful in funding entry level courses and in particular, courses in Information Technology. However, owing to a lack of rigorous data collection, no data is available on the level of learning for 45% of all learning episodes. Nevertheless, over half of all learning for which data does exist were level 1 or entry level foundation skills. Information Technology represents over four fifths of learning in the 80% incentive and a third under the 20% scheme.

**Target groups** – Again, comprehensive data was largely lacking on whether target groups were effectively engaged, not least because these groups were not properly identified and defined but described only in vague terms. Nor did the DfES identify the size of the target group. Some data does exist from surveys undertaken by DfES of account holders although it is limited. Very little reliable conclusions could be made about the success of engaging young people with low qualifications but some broad points can be brought out of the survey and research conducted by York Consulting and Capita.

- The main beneficiaries of the scheme were older. Roughly half were 30 to 50 and about a sixth were older than 50.
- 16% of learners had no previous qualifications
- 19-30 year olds with no previous qualifications represented about 9% of account users.
- 40% had a qualification equivalent to level 4
- A quarter were graduates

<sup>240</sup> Ibid, pp.13-17

- 8% were Self-employed
- Around 9% could be classified as ‘women returners to work’ – returners to the labour market (men and women) represent about 3% of the population as a whole.
- Around 4% were non-teaching school staff
- In line with the population as a whole, 89% of respondents to a survey identified themselves as white.

**Integration with other lifelong learning initiatives** – Attempts to integrate with learndirect were frustrated by the incompatibility of data sets. More successful attempts were made to market ILAs in conjunction with schemes such as Career Development Loans, Union Learning Funds and through employers.

**Levels of personal investment in learning** – Almost half of learners surveyed by York Consulting paid less than £50 towards their course cost. This is mostly owing to the £150 incentive scheme with a £25 minimum contribution. More significantly, 16% of learners claimed they had made no financial contribution whatsoever. It is thought that this was mostly owing to sharp practice by learning providers.

**Learner satisfaction** – Around 89% or above expressed satisfaction with the services provided by the ILA centre and over 90% were happy with their learning.

An analysis of the scheme against its broad aims then, gives us a fairly mixed picture and yet it is undeniable that, for reasons already elucidated culminating in the cancellation of the scheme, it was a failure. The National Audit Office identified four broad reasons for the eventual failure of the ILA scheme.

**Pressure to implement the scheme quickly and inadequate planning:** The shift of focus and change in delivery model after two years of preparation and pilots meant that the timetable for tendering and delivery was incredibly tight. No business model evaluating costs and benefits was drawn up and security requirements were not specified in the contract with Capita.

**Risks in design and implementation were not actively managed:** The risk of fraud was initially thought of as low. However, in their decision not to accredit providers DfES ignored past experience with distance learning in the further education sector. Nor did they respond effectively enough to risks identified in a Project Health Check by consultants or to bidders concerns over the tight timetable.

**Relationship with Capita:** Although the relationship was regarded as a partnership, the risks remained with DfES and Capita was not involved in the project board – both signs that it was not a true partnership.

**Inadequate monitoring:** DfES should have monitored more closely the information supplied by Capita on the increasing demand for accounts. Moreover, Capita should have been required to undertake spot checks on eligibility and basic validity checks.

We can add to these criticisms, the fact that the eventual scheme failed to notice that the success of the TEC pilots was based on them using a network of trusted providers, a point originally noted by the Select Committee report made into the ILAs.

## ILA Scotland and Wales

Scotland and Wales, as devolved nations, had the opportunity to run separate ILA schemes after the closure of the full UK scheme. Both chose to. In 2003 ILA Wales



was open for business, and in 2004 ILA Scotland was launched. Both schemes still run, and although there are differences from the original scheme they are similar enough for us to take from them that an ILA scheme roughly akin to the model employed and abandoned in the early part of this decade is possible to administer successfully. Looking at the actual experience of the projects can begin to tell us whether, once they are organised effectively, they are useful and valuable tools in promoting lifelong learning and creating a skills system led by individual demand.

ILA Scotland is the larger scheme and that with the most readily available information, so it will form and focus here. The aims of ILA Scotland were laid out prior to its launch as follows:<sup>241</sup>

- Widening participation in adult learning, increasing uptake and interest
- Introducing new learners to adult learning and to provide a new opportunity for those who have not recently participated in learning to do so
- Encouraging more learning progression
- Encouraging individuals to invest in their own learning
- Prioritising the learning needs of certain groups of learners
- Supporting the development of a quality learning provider base in Scotland

Its method was slightly different from the original scheme and was introduced in two phases. The first, the ILA200 or ‘Targeted Offer’ was aimed at those of eighteen years or over, on low incomes, originally £15,000 or less and later increased to £18,000 or less. It provided learners with £200 funding to be put towards a wide range of learning opportunities, accredited and non accredited. The second phase, ILA100 was not income restricted. Learners could access £100 of funding towards basic ICT learning leading to a formal qualification up to Scottish Credit and Qualifications framework Level 5 or equivalent. Later the ILA100 was expanded to include a far wider range of subjects, up to Level 6 but still leading to recognised qualification. Meanwhile, ICT courses are no longer subject to the demand for a qualification.

A Scottish Executive evaluation of the scheme was broadly positive:

“While other forms of financial support, such as fee waivers, exist, ILAs are regarded as valuable in that they provided learners with a wider choice of possible provides and not just restricted to more formal educational settings, such as colleges or HEIs. For many...the opportunity to learn ‘outside the system’ was welcomed.”<sup>242</sup>

However, there were findings which suggested that the ILAs were not entirely successful. Marketing was most likely to be successful with those learners already interested in learning, echoing the experiences of the TEC pilots and the full ILA scheme in attempting to reach those ‘hardest to reach’ learners.<sup>243</sup> Moreover, the £10 minimum contribution which was expected of learners was seen as too high by some and merely added another layer of administration for those processing the accounts. This would suggest a serious problem with the notion that ILAs are about learners investing in their own learning rather than just gaining access to government subsidies.

It was found that 16% of ILA200 and 27% of ILA100 learners said that they would have been ‘very likely’ to have done the course they undertook anyway, even without available funding. However, the majority felt that the funding did make a difference to their decision to learn.<sup>244</sup>

241 Barjonas L, *A demand-led approach to skills and learning: Individual Learning Accounts (ILAs) in Scotland*, see [http://www.employment-studies.co.uk/policy/resources/061107\\_barjonas.pdf](http://www.employment-studies.co.uk/policy/resources/061107_barjonas.pdf)

242 Gallacher J et al, *Evaluation of Individual Learning Accounts Scotland (ILA Scotland) – Learning Providers and Intermediary Agencies Studies*, The Scottish Government, 2007, p.7 See, <http://www.scotland.gov.uk/Resource/Doc/206937/0054972.pdf>

243 Ibid, pp.8-9

244 *Individual Learning Accounts Scotland – Learners Study*, The Scottish Government, 2007, p.5 See, <http://www.scotland.gov.uk/Resource/Doc/216598/0058072.pdf>

In terms of attracting those with low skills and on low incomes, the ILA200 scheme automatically attracts those on low incomes but not necessarily those with low skills although the two may well be likely to occur simultaneously. However, it is interesting to note that the people who took up ILA200 were similar to the national average in terms of their skill levels. The evaluation concludes that it is likely that “within the eligible population those with low skills are underrepresented in the ILA200”.<sup>245</sup> The personal contribution was again cited as a potential stumbling block.

### Lessons to be learnt

The lessons to be learnt in terms of operational effectiveness and avoiding fraud are fairly clear. Any successor scheme should heed all the advice of the National Audit Office in terms of rigorous planning and security measures and the accreditation of providers. However, the lessons in terms of achieving the actual aims of the ILAs are less clear because of the patchy and unreliable data set. One point that came out of the pilots, the full scheme and ILA Scotland was that those ‘hardest to reach’ learners proved to be just that. As mentioned earlier, the TEC pilots discovered that techniques to reach non-learners and ethnic minority groups were time consuming and resource intensive and exactly the same conclusion was reached from attempts to promote ILAs within the community. These schemes, within the full national scheme, managed to attain a rate of one quarter unqualified account holders against 16% in the national scheme. However, encouraging people to sign up took much longer and proved far more difficult. Another common theme has been the unsuccessful nature of attempts to encourage a culture of investment in lifelong learning, with the majority of learners only paying minimum contributions and suggestions that the Scottish ILA scheme suffered from its requirement for a contribution, despite this being as low as £10.

245 Ibid, p.20

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## Skills Accounts: The Reality

Some seven years after the closure of the ILA scheme and following the pledge in Leitch to route funding through learner accounts, trials of Skills Accounts were launched in September 2008 in two LSC regions: the South East and the East midlands. The trial process will continue into 2010, with adjustments and additions to the model, before a universal roll out to coincide with the dismantling of the LSC and the national roll out of the new Adult Advancement and Career Service.

As noted earlier, the Skills Accounts can be seen as the progeny of a policy idea first broached by the last Conservative administration, that of learner banks which led to the eventual implementation of the ILA scheme under Labour. The result is that the language surrounding them is prone to ambiguity and confusion. Those involved in implementing the policy, and those who will be its beneficiaries, are misled by the connection with the idea of a learner account and cash entitlements. Anyone could be forgiven for assuming that an account (be it physical or virtual) must entail new money – but this is not in fact the case. Put simply Skills Accounts are a way of drawing attention to the existing funding system, rather than a funding system in their own right. The Innovation, Universities and Skills Select Committee encapsulated the key issue which must be addressed when beginning to look at the Skills Accounts:

*“We are concerned that, as details emerge, there may be some disappointment with the programme. The emphasis placed on Skills Accounts in the most recent information from DIUS in answer to questions from us is firmly on the role of the Skills Account as an online record of achievement and entitlement, with the virtual voucher merely “information about the public funding that an individual is entitled to, based on their circumstances and their choice of course” and not a redirection of funding through the hands of individuals as may have been supposed. Skills Accounts are therefore to be seen as “the main mechanism through which people unlock their entitlements to public funding, rather than the entitlements themselves”, which have not changed.”<sup>246</sup>*

Given that Skills Accounts do not redirect funding to the individual, or provide new funding, instead simply providing information about the funding available; any consideration of their efficacy must consider two things.

1. The actual funding available through **the Adult Learner Responsive funding from the LSC.**
2. The information advice and guidance system as a whole, into which the Skills Accounts will feed, which now falls under the umbrella of the new **Adult Advancement and Careers Service.**

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246 Innovation, Universities Science and Skills Committee, *Reskilling for recovery: After Leitch, implementing skills and training policies*, TSO, London 2008, p.75

The two issues will be covered extensively. First, we will explore the way that Skills Accounts themselves work and attempt to understand the ways in which customers will interact with the new service.

Skills Accounts operate through a web portal, which provides the person who has set up a Skills Account with a number of services or products. These include an online voucher, which represents the level of funding the individual may be entitled to depending on what they plan to learn, and other variables such as their previous qualifications. It also includes their new Unique Learner Number (ULN). The ULN is part of an attempt by Government to support data sharing by partners across the learning, skills and employment sectors by providing a universal identifier. This is designed to allow a better integration of services as well as an enhanced ability to track learner progression and reduce bureaucracy. Other information includes additional help with learning costs that individuals may be entitled to, such as an Adult Learning Grant of up to £30 a week, or help with childcare costs.<sup>247</sup>

“ It seems clear that just as Train to Gain has failed to create a system led by employer demand, so Skills Accounts will fail to capture individual demand ”

Ultimately the site will include the Skills Health Check diagnostic tool, which is currently only available through nextstep provision. It will also provide information to help with finding provision and making decisions regarding courses and providers. As part of this there will be an attempt to provide information on the quality of particular providers, probably using the framework for excellence model currently used by the LSC. There will also be advice on enrolment and ultimately the ability to enrol on courses online. There have been suggestions that Skills Accounts could, in the future, have a social networking dimension, through which individuals could find other learners interested in taking a course which their local college doesn't provide (or perhaps even a course not funded by the LSC). By aggregating demand in this way, it could be made economically viable for the college to put on the course. Though still some way off this is certainly an appealing idea that for once demonstrates the Government attempting to respond to real demand.

Naturally one of the fundamental elements of a person's account is their Skills Voucher. This provides the individual with a clear articulation of the funding he or she may be entitled to. Armed with this information, access to further sources of IAG and in particular (in the future) information on the quality of different providers, the intention is that the learner will be empowered to make meaningful choices regarding their learning. With its links to the Skills Health Check and Action Plan, the Skills Accounts are said to be central to the Integrated, Employment and Skills agenda.<sup>248</sup>

If Skills Accounts are the Learner Accounts envisaged by Leitch, then it is these functions that are meant to create a skills system which is demand-led and in particular, one which is responsive to the demands of the individual. Looking at Skills Accounts as they will be, and not as they are often characterised, this claim does not stand up to scrutiny. The social networking idea (which is not yet a reality) would be a step in the right direction, but other elements simply do not suggest a new system that will be able to respond to actual demand. It seems clear that just as Train to Gain has failed to create a system led by employer demand, so Skills Accounts will fail to capture individual demand.

<sup>247</sup> See, <https://skillsaccounts.direct.gov.uk/Pages/default.aspx>

<sup>248</sup> DWP and DIUS, *Work Skills: Unlocking Talent*, TSO, London 2008, p.8

## The Adult Learner Responsive Model

Individuals might learn about potential funding through skills accounts. However, the LSC actually funds adult further education through the Adult Learner Responsive funding Model (ALR). This funding is concentrated on courses which lead to qualifications and are seen as economically valuable.

Under the ALR model, certain learners are eligible for their fees to be paid in full, either because of their personal circumstances or the nature of the course they wish to take. All other learners must cover 50% of the costs of their learning, this can be paid by the individual learner or by an employer.

The following learners have their fees paid in full:<sup>249</sup>

- Learners studying their first full Level 2 qualification
- 19-25 year old learners studying their first full Level 3 qualification
- Those in receipt of income based benefits
- Unwaged Dependents
- Offenders serving in the community
- Those studying courses in 'basic skills' or Skills for Life
- Eligible Asylum seekers
- Learners participating in LSC funded projects
- Level 3 jumpers (those taking a level 3 qualification without first attaining level 2)

Some courses are ineligible for LSC funding. This includes courses requiring fewer than 9 hours to complete, since it is deemed by the LSC that these courses do not require enough learning time to equip the learner with high quality skills, and so do not represent a responsible investment of taxpayers' money. Similarly, courses that have been designed specifically to meet an employer's legal, statutory, or other requirements are not funded. Finally, where LSC funding is not provided for a course, and there is demand from learners or employers, it is for FE colleges and providers to charge the full cost of the course.

As Skills Accounts are linked to the ALR funding stream, the learning voucher will be calculated for each individual learner on this basis. The web portal for the Skills Accounts currently asks the prospective learner for the following information,<sup>250</sup>

- Whether or not you have been resident in the UK for the last 3 years
- Your highest level of qualification
- Subject of Study
- Qualification type (i.e., GCE, A2)

From the information provided, the learner is issued with an online statement of entitlement in the form below:

*Based on the information that you have provided through your Skills Account, you are eligible for financial support to help with the cost of training. You may be eligible for contributions worth around £x*

The learner is then expected to take this voucher or entitlement and use it to enrol at a learning provider of their choice.

It is important to re-iterate that this funding stream has been in place for some time and is not new to the Skills Accounts. Moreover, the way in which the

<sup>249</sup> LSC Funding Guidance 2008/8: Learner Eligibility Guidance, LSC, Coventry 2008, p.17

<sup>250</sup> See, <https://skillsaccounts.direct.gov.uk/Pages/default.aspx>

Skills Account holder accesses this funding is not different from the manner in which a non Skills Account holder will access the funding. The difference is that the Skills Account holder is given an indication of the level of funding which is being provided by the state, whereas the learner without a Skills Account would in all likelihood be told either that their course was free or that they would have to pay a certain amount towards the fees, according to whether they met the criteria set out above.

There is little evidence to show that this funding stream is 'responsive' to the demands of the individual, as it claims to be. It could be argued that in the sense that funding allocations to providers are based on their past popularity with learners, the funding is responsive. This is because providers who are in receipt of the Adult Learner Responsive funding plan their provision based on the anticipated demand for the adult learning which they provide. It is these plans which reflect the choices of individuals in the sense that providers will be informed by their past popularity, and expected future popularity with learners. However, in reality this planning process results in very limited responsiveness indeed.

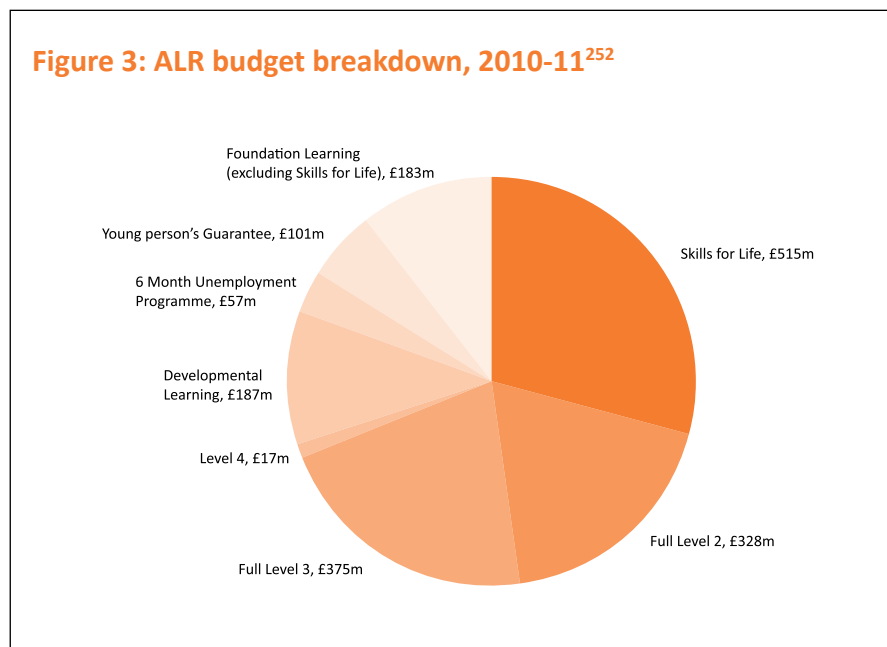
### Adult Learner Responsive Funding Formula<sup>251</sup>

Using strategic plans provided by colleges, the LSC decides upon the funding allocation for each provider based on a very complicated calculation formula which takes into account a number of values:

- **The volume of learning activity planned**, as indicated by Standard Learner Numbers, or SLN's. SLNs are calculated using the total Guideline Learner Hours (GLH) the provider plans to deliver. The GLH are the expected hours of teaching needed for any given learning aim, as decided by the LSC. A modifier is applied to smaller programmes to take into account their disproportionately higher cost of administration and recruitment.
- **The National funding rate** is the level of funding for each SLN. For adult learners, as recognised above, the national funding rate is split into the fully funded and co-funded rates.
- **The Provider factor** is calculated individually for each provider. It reflects the relative costs of delivery and quality as measured by the providers overall success rate. It is based on their historical performance and multiplies together a number of elements. These are an
  - *Average programme weighting* – an average will be found of the programme weightings for all learning aims the provider has delivered. Aims are weighted according to size, measured in annual glh.
  - *Disadvantage* – Average created of the disadvantage factors for all learners in each provider.
  - *Area costs* – Reflect higher cost for providers in different parts of the country
  - *Short programme modifier* – (referred to earlier)
  - *Success factor* – Success includes retention and achievement.
- **Additional learner support** is funding provided for learners with additional needs such as travel, childcare etc.

251 LSC Funding Guidance  
2008/8: Funding Formula, LSC,  
Coventry 2008, p.6

Although specific funds are not demarcated in the ALR budget for certain learning activities, the Government targets mean that the budget is expected to be used in a particular way. The graph below shows the intended use of ALR funds in 2010/11.



The expected split of the ALR budget heavily reflects the Government priorities placed on Skills for Life, Level 2 and Level 3 provision. Only 27% of the budget expected to be used for learning aims outside of this narrow range of provision, thus placing a serious question mark over claims that it is fundamentally responsive. Moreover, the actual qualifications that are available at these levels are, once again, hugely influenced by the Government's opinions on value (and not the employers). The ALR continues to push the much-criticised NVQ, despite evidence that these qualifications do not improve individual's employability consistently enough.<sup>253</sup>

The Centre for the Economics of Education has done extensive analysis of the labour market, using wage levels to investigate the relative values of different qualifications. People with Level 3 qualifications generally enjoy higher wages and better prospects than those without. However, the likelihood of getting a good return from Level 3 qualifications varies considerably according to the type of qualification (academic or vocational) and sector of employment, as well as other factors such as gender. Returns to vocational qualifications are much lower at Level 2 than at Level 3 and above. On average there is little or no financial return for having NVQ Level 2 as a highest qualification. Vignoles has also significantly questioned the value of Skills for Life provision in terms of employability. Skills for Life and Level 2 provision, both particularly singled out by some experts for criticism, make up just under half of the ALR budget.

It is clear that the range of qualifications available through the ALR is not being driven by the demands of the employer or the individual but by the input of the Government.

<sup>252</sup> DBIS, *Skills Investment Strategy 2010-11*, TSO, 2009, p.19

<sup>253</sup> Vignoles A and De Coulon A, *An analysis of the benefit of NVQ2 qualifications acquired at age 26-34*, 2008

A further, vital point is that not only is the Government dictating the courses and qualifications available but, to a certain extent, they are also dictating the manner and mode of delivery. There are two reasons that this happens. Firstly, ALR funding is almost exclusively available to FE colleges. Although FE colleges are excellent in many ways, their stable, traditional institutional structure (whilst highly positive in some contexts) restricts them from innovating in their methods of delivery. More importantly, by restricting ALR provision to FE colleges you massively limit the ability of the individual to choose their provider. Many individuals wishing to undertake ALR funded learning will have little or no choice, as there may only be one FE college at which it is feasible for them to learn (especially given the likelihood that the method of delivery may well be inflexible).

One key example of this restricted delivery and restricted choice is the online learning market. The Government set up learndirect, a Government-owned not-for-profit online learning provider in 2000. Learndirect has not been free of criticism – most notably by the Public Accounts Committee on value for money in 2006.<sup>254</sup> However, crucially it offers individuals a flexible learning experience, either working on their own at home online, or working with support in one of 800 online centres. Yet the very idea of one sole provider being given the remit “to use new technology to transform the delivery of learning and skills” flies in the face of the notion of a system that is flexible and responsive.<sup>255</sup> E-learning is an obvious way to pull in new learners, especially those who need to slot their learning into already complicated lives, and those who have been put off by more traditional experiences of education. Yet the current system ensures that no online market will emerge, driving up quality through competition, because learners would not be able to access ALR funding for courses.

Secondly, an integral part of the funding formula (as described above) is the role of the Guided Learning Hours for each course. These are set by the LSC, and represent their notion of how much time should be spent on teaching each course. This is clearly another case of the LSC restricting innovation on the ground. Moreover, the implication that the teaching of these qualifications is to a large extent standardized, suggests (again) that the notion of individuals choosing the provider which best suits them is at best, illusory.

Once again, the supply-side rules whilst lip service is paid to the role of the employer in endorsing qualifications and the ability of the individual to choose the course which suits them best. Skills Accounts are said to empower learner choice but it seems that, as long as they are linked to the ALR model, it is a case of learners being faced with choosing what the Government wants them to do, or nothing at all.

There are a number of steps which can be taken to reform the funding regime in the short term and begin to create a system far more led by employer and individual demand. The first of these should be that colleges should be able to plan their mix of provision according to their own perceptions of local demand and not according to the requirements of the Government. There is a clear precedent for such a model in the way that colleges operated following incorporation in 1992. The Government itself has proposed that top performing colleges be given more freedoms, along these lines. This report believes that all colleges should be given these freedoms and that this will encourage and engender excellence, and a higher degree of responsiveness to demand. They should also be able to plan

254 House of Commons Committee of Public Accounts, *Extending access to learning through technology: Ufi and the learndirect service*, TSO, London 2006. See, <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/706/706.pdf>

255 See, <http://www.learndirect.co.uk/about/aboutus/>



provision based on their own knowledge of how long it takes to deliver certain learning outcomes, not on the Government's perception of this (communicated through guided learning hours). Funds currently restricted to colleges should also be open for independent learning providers to access in competition with colleges. However, these freedoms must come with clear commitments by colleges and providers to provide detailed information about their performance in order to inform decision making by learners and employers.

It has already been recommended that the 2020 Leitch qualifications targets be abandoned as so much of Government funding is based on the desire to meet these ambitions to the detriment of creating a demand led system. Once the incentives to push provision, in particular at level 2, are removed by eliminating qualifications targets, the system will become more open for true individual demand to express itself.

In the immediate future, colleges and providers should continue to submit their plans of provision to the funding agency (LSC or SFA) based on anticipated demand. However, having submitted their plans and drawn down funding, colleges should not be bound to deliver the precise mix of provision planned, but allowed to flexibly respond to demand as it arose – switching funding for example from planned provision of basic skills to provision for apprenticeships where demand dictates. The immediate result is unlikely to be radically different from current supply, as colleges, employers and learners are wedded to the current system. Colleges and providers will be assessed on measures such as learner satisfaction and ability to meet demand using extensive surveys (measures which we will describe in more detail in the chapter on information for users). In subsequent years colleges and providers will have a fuller picture of demand in their locality (and their ability to meet this demand) and their plans will reflect this. As such, funding will begin to follow demand. However, this system should be intended only as a temporary measure whilst plans for a learner account system whereby funding will be routed through the individual are made.

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# 9

## Learner Accounts, Learning Banks and Co-financing

It has been established that Skills Accounts do not conform to the notion of a learner account as often idealised by Government rhetoric and flippant commentary on the sector. It has also been established that although the ILAs carried more hall marks of this sort of scheme in that purchasing power really was routed through the individual and access to the funding was opened up to independent learning providers, it dealt with relatively small amounts of money and (although it didn't really know it) it was more effective as a targeted policy, not a universal one. Therefore, it is surprising when ILA's are used as proof that far more radical versions of learner accounts could be used to create a truly demand led system and to encourage co-financing. The reality, is that there is very little evidence domestically or internationally to draw upon in this area. There have been hundreds of small co financing and budget personalisation schemes throughout the world, but none which have dealt with the kinds of sums currently enjoyed by adults courtesy of the LSC. The OECD study into co-financing lifelong learning sums the issues up excellently:

*“Demand-led approaches imply a genuine revolution in policy and practice. They entail a reorientation of decisions about provision, for example, towards people and their needs and expectations; co-financing mechanisms provide a tool for leveraging the resources of individuals and thereby enhancing their ‘market power’. Because of the far-reaching implications of this shift for overall policy and institutional behaviour, experience with demand-led financing of education and training remains limited.*

*However, there has been a rich variety of pilot and experimental programmes, some launched within the framework of national initiatives that have been based on leveraging financial resources of individuals, thereby allowing them to exert greater demand in markets for learning. It suggests that progress is possible, but not straightforward. Reallocating public support away from institutions and towards support of individual learners may make institutions more responsive, but do little to change the accessibility of learning. Targeting may reduce the deadweight loss by restricting support to those most in need; but it may be administratively complex. There are issues of what kinds of learning activity should be supported and, ultimately, what kinds of schemes are most effective in motivating demand on the part of individuals who are presently under-represented in lifelong learning.”<sup>256</sup>*

This implies that, although a radical scheme which routed funding through learner accounts is not necessarily a bad idea, it is one which needs very serious thought

256 OECD, *Co-financing Lifelong Learning: Towards a systemic approach*, OECD, 2004, p.42

first. It is important to pick up on the point regarding the potential disruption to the FE and adult learning sector. Providers and stakeholders in England are sick to death of the disruption caused by new initiatives and already preparing for the potential chaos caused by the dismantling of the LSC in March of 2010.<sup>257</sup> Any radical notion like universal or lifelong learning accounts should be approached with great caution and without doubt providers should be consulted extensively.

At least three good models for how a learner account might look have been put forward. One by City and Guilds who advocate an approach of developing Skills Accounts to become mechanisms through which real money can be transferred. They would become the single portal for all post compulsory education funding. Skills Accounts plus has the advantage of being cautious and allowing the sector to get used to changes in a more measured way, rather than swift radical change.<sup>258</sup>

City and Guilds advocate basing learner accounts on the model of personal pension accounts, using national insurance contributions to build funds. This is also the model proposed by CFBT education trust.<sup>259</sup> Finally, a third model was put forward by Alison Wolf in a recent paper on the FE system in England. For her model, Wolf proposed using the example of the Charities Aid Foundation<sup>260</sup> to create a similar institution in charge of distributing personal entitlements and career development loans to learners.

This report recommends changes to the funding system which can be implemented to respond better to demand in the short term. In the meantime there should be a clear commitment to introducing real learner accounts, but the precise nature of the proposed model should be consulted upon as widely as possible.

257 Innovation, Universities Science and Skills Committee, *Reskilling for recovery: After Leitch, implementing skills and training policies*, TSO, London 2008, p.75

258 City and Guilds, *A Manifesto for Skills: Further thoughts and new ideas*, London 2008, p.4. See, [http://www.cityandguilds.com/documents/Centre%20\(Generic\)/Manifesto\\_for\\_Skills\\_\(Nov\\_08\).pdf](http://www.cityandguilds.com/documents/Centre%20(Generic)/Manifesto_for_Skills_(Nov_08).pdf)

259 CFBT, *Funding Upskilling And Reskilling In The 21st Century: From Personal Pension Accounts to Personal Skill Accounts*, see [http://www.cfbt.com/evidenceforeducation/what\\_we\\_offer/by\\_type/perspectives/upskilling\\_and\\_reskilling.aspx](http://www.cfbt.com/evidenceforeducation/what_we_offer/by_type/perspectives/upskilling_and_reskilling.aspx)

260 Wolf A, *An Adult Approach to Further Education*, Institute of Economic Affairs, London 2009, p.158

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# 10

## Information for Users

Better sources and communication of ‘information’ are key to a reformed and improved skills system. If individuals are to be allowed to exercise more choice regarding their learning there must be a good system of Information, Advice and Guidance (IAG). Part of delivering this is about ensuring the right structures and personnel are in place, this will be addressed in a discussion of the new Adult, Advancement and Careers Service. However, a good system of IAG, must have behind it a consistent, reliable and user friendly source of Labour Market Information (LMI).

The nature (and therefore definition) of LMI, and the requirements we make of those who collect and provide it is shaped completely by the use to which it is put. With this in mind, we might say that there are two broad approaches to LMI, corresponding to different uses to which it is put. The first might be categorized as the ‘planning’ approach, and the second the ‘informed decision making’ approach. Given what has already been argued in this report about the efficacy of planning skills provision, and given the focus (noted above) on the role of information in a good system of IAG and informed decision making, it is clear which is to be preferred here.

So, we want LMI which enables people to make informed decisions about their learning. As individuals are unlikely to be making incredibly complex calculations involving the development of the economy and the labour market in the coming years, the information required may be relatively simple. In this case, the individual will probably have fairly straightforward concerns: the different wage returns related to different courses; the skills or qualifications expected of applicants to particular vacancies and the current (and perhaps likely short to medium term future) job vacancies in a certain sector and/or geographic area. If we are to abandon planning, then we must abandon the notion of LMI as an aid to this and embrace a notion of it as an aid to effective decision making.

However, it will come as no surprise that increasingly in skills policy discourse, LMI is not thought of in these terms. Consistent with the rest of the policy landscape:

*“of late the main purpose of LMI from Government’s point of view has been to support the planning of the Education and Training system.”<sup>261</sup>*

At the moment, the UKCES has responsibility for improving the quality of LMI and as part of this remit it conducts its own research and develops numerous publications. The work of the UKCES in this area might be described as ‘high – level’, it is not meant to be used by the individual actor or even the employer in making decisions about skills. Rather, it is meant to contribute to the development of strategy at national, regional and local levels, i.e. planning.

261 Keep A, *Breaking Free of the Thrall of Planning (UKCES – LMI Think piece)*, UKCES, London 2008, p.1

Recent changes made to the role of the UKCES and others in contributing information continue along these lines, where LMI is about planning. The recent Skills Strategy backed up the central role of the UKCES as well as the role of Sector Skills Councils in contributing sectoral information, both regarding the current situation and their predictions for the future. The UKCES will also be responsible for bringing together evidence provided by local authorities, city regions, RDAs as well as SSCs and the Migration Advisory Committee. All of this is designed to build a grand picture of skills needs, in order that the great leviathan that is the skills system can be more 'responsive' to demand and need. The UKCES, will be required to use this information annually to develop a 'National Strategic Skills Audit' in order, apparently, to help identify and advise the Government about skills needs at a national, sectoral, regional and sub-regional level. They will identify skills of strategic importance to the UK economy and all of this will feed into the Government's national framework (its planning document), which will in turn influence the development of more planning documents at a regional and local level. The problems with such an approach have already been discussed extensively in this report, and the proposed changes will result in little difference in practice from the current system of central planning.

### LMI for informed decision making

It must be applauded however, that recent Government policy has attempted to address the issue of information which can 'empower' learners.<sup>262</sup> The Skills Strategy proposed a 'traffic light' style report card for colleges, essentially a mechanism to communicate information about the performance of providers to prospective customers (individuals or employers). It is this information when combined with relevant information on the local labour market which constitutes what is important about LMI. It is this sort of information which allows individuals to make informed decisions, and will be fed into an improved IAG structure, the Adult Advancement and Careers Service, to help them in doing so.

The Skills Strategy promised that every course and every college would have information about them published, including where possible, their record of getting people into jobs. The new traffic light data would also include data on likely wage gains from certain courses and customer satisfaction ratings. The data will be drawn heavily from the existing quality assurance regime, Framework for Excellence. The Government did not commit itself to a particular model for presenting the data, citing the fact that it would need to be appropriately consistent with the single report card being developed to measure schools performance.

However, it did draw on the model proposed by the UKCES as a possibility. Looking at this can give us an idea of what such a system might look like. It is important that the 'traffic light' analogy refers to a number of different measures, rather than there being a single red, green or yellow for each provider. This would be patently inadvisable in the sense that it would not address the complexities and nuances of the issues. The measures suggested by the UKCES were: Learner success; customer satisfaction; positive destination in further learning or work; wage gain; quality inspection. On their proposed model, the first three of these would be presented with a percentage figure and an accompanying value judgement such as good, ok or poor.<sup>263</sup>

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<sup>262</sup> DBIS, *Skills for Growth: The National Skills Strategy*, TSO, London 2009

<sup>263</sup> *Ibid*, p.62.

It is a step in the right direction that the Government wishes to include the sorts of data it does in its traffic light data set, including information at a course level and that it wants to present it in an easily accessible way. The *Skills Strategy* is vague about exactly what this will mean in practice; qualifying its proposals by stating that the information would be required only where it was possible to collect it.<sup>264</sup> Colleges are understandably worried that a need for finely grained data will put place yet another burden on them in an already bureaucracy-laden system. They currently face a considerable strain from frequent audits from the LSC and other bodies, and are only just getting used to the Government's Framework for Excellence (introduced in 2009) which many say they currently find overly complicated. Indeed, in common with elsewhere in the skills system, colleges are subject to over zealous auditing and inspection procedures, placing serious burdens on them.

### Case Study of LSC Bureaucracy in a large FE college

The principal of a large FE college told us that she was not sure even she knew all the separate inspections and audits that her college had been subject to in the past year. On top of the requirements of the LSC and other bodies, this particular college paid for 30 days a year of internal audits in order that they could identify areas to focus on in preparation for external scrutiny. They recently spent 5 days looking into issues related to safeguarding in order to prepare for OFSTED's new, more stringent requirements in this area.

The three recent separate external inspections related to its HE provision represent just the tip of the iceberg. They have had a 'Matrix' inspection of their performance in delivering IAG, an apprenticeship and ESF audit from the LSC, a Train to Gain audit from the LSC and an inspection by OFSTED as part of a pilot programme the college was involved in. Meanwhile, they are currently preparing for an inspection related to the Training Quality Standard and are wary of the possibility of an audit of their Individualised Learner Record data (ILR) and the constant threat of a full OFSTED inspection. This list does not even include the regular quality and centre approval checks undertaken by various awarding bodies, especially in examination periods.

The college principal was keen to stress that appropriate measures are taken to ensure that these burdens never impact negatively on actual performance. However, these measures essentially come down to devoting huge amounts of time and resources towards preparing for this panoply of scrutiny. Moreover, things are expected to get worse, not better with the splitting up of the LSC. In years gone by colleges have received a single planning document from the LSC. This year, in preparation for the new 16-18 structure colleges will receive a 79 page LSC planning document, a planning document from each local authority covered by the college (this is often as many as four separate authorities) and a regional planning document. This is just for the LSC funding related to 16-18 provision (soon to be transferred to the YPLA), the college will also receive as many documents for adult learner responsive provision and employer responsive provision. Additional separate briefing events will also take place associated with each funding stream. Add to this a variety of partnership meetings across a number of local authorities, and it is clear that the resource needed to

<sup>264</sup> Ibid, p.62.

service and understand all the complex funding and planning arrangements puts a strain on college resources. In addition the overlapping planning and funding regimes must be incredibly wasteful. They essentially duplicate one another (being heavily informed by national priorities) but colleges are worried that attempts to bring local and regional expertise into planning, although in theory welcome, will result in even more problems for them. The principal of this college also added that she didn't even know what the concomitant audit requirements would be as the system changes.

Whilst we would not advocate any more unnecessary bureaucracy being placed on institutions, it is important to note that the way for colleges to avoid excessive state intervention (of the sort depicted in the case study above) in the future is to demonstrate a willingness to self regulate, by helping users to access as much information about courses and outcomes as possible. One option would be for colleges to take the lead in establishing a national student satisfaction survey similar to the one that operates in higher education. This would build on the survey already

in place as part of Framework for Excellence. While this has its flaws it can be seen to be answering a very real need amongst would-be students for information, as well as driving up quality by exposing weak departments.

Policy Exchange recommended the introduction of a school report card, based on extensive study of international examples, in

*Helping Schools Succeed: A Framework for English Education in 2008*.<sup>265</sup> Although the experiences in schools can be useful, we must understand that the basis for decision making when choosing a college or learning provider for post compulsory education may be different from that for a parent choosing the destination of their child. For instance, as already noted, the issue of wage gains and employment opportunities will be far more important in the former. In the latter, the decision maker will be more concerned with the ability of the school to take a pupil through possibly as much as 7 years, and to deal with this progress in the right ways. With post compulsory education the timeframes are much shorter, and the provision usually far more narrow and focused.

There are nonetheless some features (other than the format in which the data is presented) which could be common to both: report cards should for example compare the provider's performance in relation to its peers (i.e., providers with a similar intake and focus). As in schools, college or provider performance should also be measured over time to enable the identification of trends as well as to encourage a less short-termist approach.

“ As in schools, college or provider performance should also be measured over time to enable the identification of trends as well as to encourage a less short-termist approach ”

### Other uses of LMI

Although we have argued here for the use of LMI in aiding informed decision making as opposed to its use in the planning of skills supply, there are some other uses to which it can be put (uses which, again, change the nature of the information required.)

<sup>265</sup> See, <http://www.policyexchange.org.uk/publications/publication.cgi?id=32>

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One is in assessing the success of government policies. This is currently done primarily through progress made against qualifications targets but the Skills Strategy proposed that there will be a new 'National Scorecard' which will take into account more nuanced measures. The UKCES will be in charge of reporting on the measures which will make up the new National Scorecard. The scorecard is intended to go some way towards reducing the dominance of qualifications targets. It will include four separate measures:

- Ensuring supply matches demand
- Ensuring skills delivered have economic value for employers, raising productivity.
- Ensuring adults improve their employability and progress, by measuring employment and earning outcomes from training and improving the integration of employment and skills
- Driving progress towards a world class skills base – using qualifications as the key measure.

Again, this broad approach is to be applauded although it is doubtful to what extent the Government truly will move away from the focus on qualifications, especially given the likelihood that the data concerning qualifications will continue to be more clear cut, easy to understand and easy to collect. The other data is likely to rely on that collected to contribute to the traffic light report cards and framework for excellence, as well as employer surveys. One way in which this data can be collected could be improved large scale student destination surveys, as in the HE sector. The FE sector should follow this example in order to improve the knowledge base in this area and potentially contribute to assessing government skills policies in the way the Government envisages in the national scorecard. This would require the cooperation of colleges, but also an understanding on behalf of the Government of the administrative burdens this may create.

Some further uses of LMI must also be recognised. Despite the movement away from a planning culture and the contention that it is not possible to predict future skills gaps and shortages, it remains true that some information about short term, and very rarely the medium term (the examples of Crossrail and Nuclear power are pertinent here), future skills needs can be garnered. Here, the Sector Skills Councils can be expected to do relevant research and alert providers and funding bodies in due course. Sector Skills Councils should conduct whatever research they deem fit into their respective industries, under the purview of the UKCES. However, it is vital that the UKCES gives clear guidelines to the SSCs to ensure that where possible, data is consistent and comparable between sectors.

Another vital area which LMI policies should recognise is the gap in our knowledge regarding the activities and investment patterns of employers in education and training. This report has constantly encountered this as a stumbling block to making clear statements about the disparity between demand and supply in the skill system. We are constantly told that supply does not match demand, and yet there is no clear source of information articulating what demand is (and this goes for individuals too). One might say that this is because of the lack of a market in skills; a true market would tell us exactly where demand was because supply would follow. Indeed, this must be part of the answer but as the skills system is



unlikely to operate on perfect market principles, there must be a concerted effort to gather data on this issue. Employer surveys therefore must be redesigned to take this vital requirement into account.

It should also be noted that there is a serious gap in knowledge regarding retention rates in apprenticeships which vary wildly from sector to sector. Understanding this issue will go some way towards improving the quality of apprenticeship frameworks in general.

### Recommendations:

Job Centre Plus resources on job vacancies should be more easily available on the Careers Service website. Employers should be encouraged to ensure that the information provided for these vacancies should include skills or qualifications requirements where appropriate. All employers should be encouraged to post their vacancies via this central portal. With greater use by the AACS, employers will reach a broader range of prospective applicants than currently at the Job Centre.

The AACS must have a serious role in the development of any report card for colleges and other providers.

The UKCES should shift its focus from high level LMI designed to contribute to Government strategies. Its focus should instead be on addressing gaps in our knowledge regarding employer and individual demand for skills. It should also co-ordinate the work of Sector Skills Councils in monitoring short to medium term developments in their relevant sectors and ensuring information is compatible.

While we would not advocate any more unnecessary bureaucracy being placed on institutions, it is important to note that the way for colleges to avoid excessive state intervention in the future is to demonstrate a willingness to self regulate, by helping users to access as much information about courses and outcomes as possible. One option would be for colleges and providers to take the lead in establishing a national student satisfaction survey similar to the one that operates in higher education, building on the Learner Views survey that already exists as part of the Framework for Excellence. The UKCES could be in charge of co-ordinating such a survey.

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# 11

## The Hardest to Reach

It is never explicitly stated that Skills Accounts are designed to draw the hardest to reach learners into the system. Its predecessor, the ILA scheme, suffered from a lack of clarity over aims and was never fully committed to targeting hard to reach learners or to offering a universal system of personalized learning. By contrast, the Skills Account portal (if considered as a stand-alone mechanism) is in theory a universal service designed to benefit all learners equally. The funding stream which it is linked to, is as we have seen, targeted towards certain types of learning and not certain types of learners. Although those on income-based benefits are eligible for full fee remissions for any LSC funded learning, in reality this statement of entitlement is slightly misleading. All learners are eligible for full fee remission on their first full level 2 or 3 qualifications and Skills for Life learning aims regardless of other considerations. Therefore, learners on income based benefits are only receiving different treatment from other learners on a very small range of learning. Furthermore, these learning aims are perhaps those which these particular learners would be least likely to undertake. It is acknowledged that in an economic downturn there may be an increase in more highly qualified individuals claiming benefits, such as Job Seeker's allowance. These learners may be able to benefit from the full fee remission they are entitled to as it may allow them to re-skill by completing a second level 2 or level 3 qualifications which they would otherwise have to contribute to were they not receiving benefits. However, a significant portion of those eligible for full fee remission for this reason will not be learners who already hold level 2 or 3 qualifications. Therefore they would already be eligible for full remission, regardless of their financial or employment circumstances. Moreover, it is also likely that they would not be ready to undertake a full course leading to level 2 or 3 qualifications, and that something below level 2 such as Skills for Life may be the more appropriate LSC funded course. In this case again, the fact that they are on benefits is largely irrelevant as all Skills for Life learning aims are immediately fully funded by the LSC.

Colleges have told us that they are concerned that current funding policies do not incentivize them to take on hard to reach learners. They characterize the problem as a matter of risk, and claim that at the moment the system has no mechanisms through which high risk learners are essentially 'de-risked' thereby removing disincentives for colleges and other providers to take them on. At the moment, many colleges who feel they have a responsibility to the community to take on these learners anyway, operate policies which in effect seek to hide this from the LSC. If a learner is deemed to be high risk, in other words there is a worry that they will not complete whatever course they are put in for, the college

is left with two options. They can put that learner on a lower level course, thereby not challenging them and in all likelihood not giving them as much value and benefit from their learning as would be hoped. In doing this, colleges would be more confident that the learner would complete the course, gain a qualification, hit a government target and therefore draw down the full amount of funding applicable. In practice, some colleges choose to allow the learner to embark on a more challenging course, whilst not informing the LSC that they have been enrolled. Colleges take a small funding hit by doing this, but feel that it is justified because it allows them to provide appropriately for hard to reach learners. However, they are worried that if belts tighten in the future they will not so easily be able to absorb small funding hits such as this.

### Lambeth College – NEETS

Lambeth College gives 300 places to young people who are classified as NEETs every year. They offer bespoke literacy and numeracy training and a programme called the Skills Challenge which runs for 13 weeks and includes work experience, community projects, taster courses and fundraising work. It only runs for one term, so learners who start in September can join a full time programme in January and complete it by the end of the year. Through normal routes, this progression would take two years.

The challenge has a high rate of success (78%) dealing with a cohort of learners who are very difficult to engage. Those that do drop out do so often because they have been sent to prison, or because of serious difficulties securing housing. Many others suffer from low self esteem and a lack of confidence. Lambeth 'Skills Coaches' go out into the community, often targeting shopping centres, fast food outlets on Brixton High Street, parks, youth clubs and housing estates in order to engage with NEETS. These coaches then act as mentors when the individual is enrolled on the Challenge, and maintain contact when they progress onto other learning.

Despite difficulties the programme has achieved some startling success. One young man had had no secondary schooling whatsoever before starting the Skills Challenge and had effectively spent 5 years at home. He was convinced that he suffered from a learning difficulty, yet after completing a literacy and numeracy course he went on to undertake an art course at the college and is planning on attending university in 2011.

The Skills Challenge also offers the college a way to deal with students who are already on more formal courses, but are struggling or being disruptive. One student was on the verge of being excluded from his business course, but after discussion was transferred onto the Skills Challenge. He completed it successfully and has now progressed on to level 1, and in the coming year will be embarking on a level 2.

Case studies such as this show the excellent work which colleges are capable of doing with hard to reach groups. However, they feel that there is a lack of full recognition within the funding system of the difficulty (and expense) of these sorts of programmes. To help alleviate this problem, there should be investigation into the possibility of introducing a pupil premium for FE provision which would take into account factors including, but not limited to, economic disadvantage in determining individual entitlements to government funding. Although current arrangements give colleges extra money if their catchment area is deprived, there

is still an issue with the risk associated with taking on individual learners who may be difficult to recruit and retain. One college principal we spoke to said that he was ‘amazed’ to be talking about the disadvantage uplift (the mechanism by which colleges receive more money if their catchment areas are economically deprived), because as far as he was concerned it did nothing to help the college in its attempts to engage with NEETS. In the future, as funding is routed through the individual, it will be easier to personalise the incentives offered to providers to take on certain learners.

This sort of reform would be implementable under a system of real learner accounts, where colleges and providers will receive their funding from individuals themselves. In the meantime, under a reformed funding regime where colleges and providers are given far more control over their own planning and spending, they would take into account the expected costs of delivery to hard to reach groups and include this in their plans. Moreover, institutional scorecards or ‘traffic light’ style report cards would take into account the performance of colleges in reaching these groups. This may not aid the average individual in their decision making over skills, but the collection of relevant data would allow the government to monitor performance on this measure.

Finally, it is important not to consider Skills Accounts and the ALR funding as stand alone services but part of a wider skills system. If we do so we can see the way in which they fit into a general attempt by the Government to design the provision of services in order to engage those hardest to reach groups and individuals in learning. As asserted earlier, Skills Accounts are actually best understood as functions of a reformed system of Information Advice and Guidance and integrated employment and skills: the new Adult Advancement and Careers Service (AACS). Understanding the role and nature of this new service will help us evaluate the likely success of Skills Accounts but as mentioned earlier, along with the ALR the AACS is the truly important policy for us to consider.

## Adult Advancement and Careers Service

Another of Leitch’s recommendations was that, in England there would be created:

*“a new universal adult careers service, learning from those elsewhere in the UK, providing a universal source of labour market focused, accessible careers advice for adults”<sup>266</sup>*

The report suggests that, if we are to have a more demand-led system where individuals are given more choice over their learning, it is absolutely vital that this choice is informed. Although, as argued above, individuals accessing funding for learning through the ALR model are not presented with a particularly meaningful choice either with regards to the course they wish to learn or where they wish to learn it, a good system of Information Advice and Guidance is nonetheless imperative to allow people to make broader, more fundamental decisions about learning. Before an individual can be presented with meaningful choices about different courses, methods of delivery and learning providers they must be able to make informed decisions about their broader learning aims: do they want to be a plumber or an electrician and what would their job prospects be (in their region or locality) with qualifications in these respective fields?

266 276 HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy - world class skills (Final Report)*, TSO, London 2006, p.22

In the years since Leitch there has been an increasing recognition that the IAG services which are on offer to adults in England are too fragmented, do not complement one another by sharing information or cooperating to track the progress of individuals and in some ways serve to further confuse those they are trying to help. Moreover, in the *Cross Government Review of Information, Advice and Guidance Services for Adults* it is suggested that in the recent past the funding of IAG has increasingly become a means to achieving wider goals and policy objectives, e.g. skills and qualifications. Prior to the 2003 Skills White Paper, the entitlement to

free IAG was universal with specific targeting and prioritization undertaken at a local level. However, when up skilling of those without level 2 became a priority, the adult guidance offer became a key mechanism of achieving skills and qualifications targets.<sup>267</sup>

So, in the first instance, advice is geared toward the wrong policy objectives. Rather than being personalised and aimed at helping people on a case by case basis it has been moulded to suit the Government's skills

agenda. Furthermore, it is arguable that in many ways the provision of IAG in England has been lacking because of the sheer difficulty of helping lay people navigate their way through the increasingly chaotic and chronically complex world of skills and learning provision.

In a sense then, the need for the AACS could be seen as a second order issue. If we reform the skills system as a whole, rationalizing it and simplifying it then the need for a complete revamp of IAG provision becomes far less important. Indeed, there are some concerns over the extent to which trained IAG practitioners actually understand the system. Funding streams and regulations are at times so complex and impenetrable that even the experts struggle. One professional told us that when they tried to access training to improve the qualifications for the IAG practitioners working in their AACS network, it took them four weeks before they were able to work out where and how they could access funding. They made the point that any lay person would have given up long before. This reinforces the notion that information should be seen as a second order issue to simplification. This report has already recommended that the Government follows the recommendations of the UKCES for simplifying the system in terms of cutting quangos. It is also to be hoped that reforms to reforms to the funding system, eliminating central Government planning based on qualifications targets and the excessive bureaucratic machinery required to maintain this system will prove decisive in simplifying the system.

However, although this is a strong point, it ignores the role that these sorts of services can play in engaging the hardest to reach learners and the importance of integrating employment and skills services to deal with the serious problem of NEETS.

There are ten AACS prototypes currently in operation across four LSC areas: the North West, West Midlands, the South East and London. Each prototype tests innovative methods of delivery. Broadly speaking the prototype networks are all testing different ways of pulling together the different strands of IAG available

“ It is arguable that in many ways the provision of IAG in England has been lacking because of the sheer difficulty of helping lay people navigate their way through the increasingly chaotic and chronically complex world of skills and learning provision ”

267 *Cross-Government Review of Information, Advice & Guidance (IAG) Services for Adults in England: Selected Review Working Group Papers*, pp.28, 40-41

throughout the community, whether it be at an FE college or at the local doctor's surgery. At the same time as the AACCS trials, the LSC and DWP are also running trials of an integrated employment and skills service.<sup>268</sup> Although, as can be seen from the description of the trials below, the IES trials are most usefully seen as part of a wide reform, including the AACCS and Skills Accounts trials:

The service has been trialled in stages since September 2008. As with the AACCS, they have differed slightly from region to region but there are seven core components across all the trials:<sup>269</sup>

- Enhanced skills screening tools for Jobcentre Plus advisers to identify the skills needs of Jobseekers' Allowance claimants;
- Enhanced referral processes between the different service advisers;
- Skills Health Checks to help build targeted Skills Action Plans;
- Skills Accounts offering online personalised accounts so learners can track all their information in one secure web portal.
- Careers and advancement advice and guidance including nextstep, the National Careers Advice Telephone and Web Service (formerly learndirect careers advice);
- Support to access relevant job opportunities to focus on sustained employment.
- Relevant and responsive provision to reflect customers' needs and local labour market conditions.

In effect, customers at JCP will have their skills assessed in an initial 'skills screening'. If their skills needs are minor, they may be referred to one of a range of short courses provided by JCP. If their needs are more pressing, they will be referred to a nextstep adviser (an 'Adult Advancement' expert) who will give them a Skills Health check and help them develop a Skills Action plan. They may then be advised to undertake some LSC funded learning, using Skills Accounts as a facilitating aid.

Combining this process with a network of IAG and a core service, based on existing learndirect (now 'Careers Advice Service') and nextstep provision<sup>270</sup> seems to be a broadly sensible approach and there is much evidence to suggest that an effective AACCS will be successful in engaging the hardest to reach learners and getting people into sustainable employment.<sup>271</sup>

However, from the expert consultations and workshops which have informed the development of the prototypes, and from talking to those actually involved in their development there are certain concerns which should be highlighted here.

Firstly, it seems again that one of the key lessons from the ILAs has not been properly learnt. The AACCS, like the ILAs (and perhaps even the whole Skills agenda) is not clear as to whether it is primarily a policy designed to target the worst off and the hardest to reach, or far more ambitiously – all things to all people. The AACCS has real potential to engage the hardest to reach but there are concerns that in attempting to combine this aspect of the service with a 'universal' approach, it will (like the ILAs) be in danger of not fulfilling its potential. This was highlighted in particular in the high level workshops which were designed to inform the implementation of the policy. Bafflingly, it having been decided that an Adult Advancement and Careers Service would be created, one of the key conclusions of the workshop was that the Government should decide and clarify "the purpose of the service".<sup>272</sup>

<sup>268</sup> See, DWP and DIUS, *Work Skills: Unlocking Talent*, TSO, London 2008

<sup>269</sup> LSC, *Integrating Employment and Skills Noticeboard*, see [readingroom.lsc.gov.uk/lsc/.../December08\\_IES\\_Noticeboard\\_\(2\).doc](http://readingroom.lsc.gov.uk/lsc/.../December08_IES_Noticeboard_(2).doc)

<sup>270</sup> DIUS *Adult Advancement and Careers Service: Expert Practitioners work shop*, p. 55. See, <http://www.iagreview.org.uk/keydocs/DIUS%20AACCS%20WORKSHOP%201%20FULL%20REPORT%20FINAL.pdf>

<sup>271</sup> OECD, *Career Guidance and Public Policy: Bridging the Gap*, OECD, 2004

<sup>272</sup> DIUS *Adult Advancement and Careers Service: Expert Practitioners work shop*, p.6. See, <http://www.iagreview.org.uk/keydocs/DIUS%20AACCS%20WORKSHOP%201%20FULL%20REPORT%20FINAL.pdf>

Some practitioners involved in the AACS prototypes have expressed these concerns to us. Those involved in these schemes are fantastically enthusiastic about the work they are doing on the ground and it should be re-emphasised that the AACS is a policy with real potential for positive to change. Nonetheless there are worries that in creating a universal, nationally consistent service, the eventual fully fledged AACS will not be taking advantage of the experiences of good practice being learnt from the prototypes. There were also worries that expectations might be too high, that even with increased funding for IAG (it is currently around £45 million a year<sup>273</sup>, not including JCP provision) resource levels will be too low for a universal service.<sup>274</sup>

Many of the prototypes are heavily involved in the kind of outreach work that has been mentioned in relation to the ILAs previously. This work is resource and time intensive but is effective at engaging the hardest to reach. One prototype focusing on this sort of work has no targets towards which practitioners must work. The result is that practitioners feel able to put in the heavy hours needed even just to get one disadvantaged NEET into some form of learning (almost certainly not leading to a qualification). It is to be re-iterated that, after this hard fought success, if the new learner is enrolled on a non-accredited course they are not eligible for government funding. As will be explored in more detail later, the funding through the LSC Personal and Community Development Learning stream is the funding most commonly accessed by these sorts of learners but there are serious issues surrounding this stream. Although PCDL funding is safeguarded, it is at a standstill (and does not even rise with inflation), yet providers are expected to deliver the same quality and quantity of provision. Moreover, the worry was expressed in one of the workshops that the new nextstep contracts could endanger community learning and outreach services:

“New contracts might reduce the range of subcontractors, and particularly exclude some offering community- based activity. They said it would be important to maintain outreach services for those who do not naturally use mainstream services; they thought there was a danger of cherry picking clients who can easily be grouped together or who are already convened in groups.”<sup>275</sup>

Another prototype expressed concerns that the eventual scheme could be characterized merely as a ‘nextstep plus’, a development they thought would not be taking advantage of some of the innovations on the ground. Again, they cited their own practice, where advisers were not bound by targets and experts were not paid on the basis of the amount of people they engaged. General worries were expressed about the role of the RDAs. As the prototypes are delivered at a local level, this is unsurprising. Equally, it is to be expected that those enthusiastically engaged in creating innovative and idiosyncratic models of delivery will be worried that the national scheme will subsume their own. Nonetheless, their general concern that the eventual AACS might not learn from their experiences is understandable. In particular, it was suggested that large private training providers of the sort that are thought to be likely to run the service may well not be interested in the nitty gritty of expensive outreach work and detailed, individually tailored advice and guidance. The feeling was that large contractors would definitely be inclined towards a ‘nextstep plus’ style of delivery.

As for the role of Skills Accounts in the AACS, the thoughts of those on the ground were ambivalent. Some felt that it was the Skills Health check which was the truly useful tool, others felt the ULN would be important in the future for tracking learner progression. None were entirely clear what Skills Accounts were for and reported confusion on the part of learners too. Importantly, Skills

<sup>273</sup> LSC Annual Report and Accounts 2008/09, p.71

<sup>274</sup> DIUS Adult Advancement and Careers Service: Expert Practitioners work shop, p.25. See, <http://www.iagreview.org.uk/keydocs/DIUS%20AACS%20WORKSHOP%201%20FULL%20REPORT%20FINAL.pdf>

<sup>275</sup> Ibid, p.40

Accounts were often irrelevant for the hardest to reach as they couldn't be used to access the useful funding such as the PCDL or the Community Allowance Pilot funds. Moreover, one of the fundamental tenets of Skills Accounts is that they should be primarily owned and managed by the learner. However, one practitioner suggested that as yet this has not happened. Rather, the advisers are continually required to play a role in talking the learner through the accounts.

The AACS has already been mentioned in some recommendations in this report, in particular with regards to its role in framing and disseminating information about the quality of providers and courses, (this was discussed in the section on Labour Market Information). The AACS has the potential to offer an excellent service but it is vital that the eventual national scheme builds on the excellent work of the pilots, particularly in developing networks. Everything should be done that these networks include a broad range of community and third sector learning providers and to encourage communication between these, Job Centre Plus and local colleges.

The AACS is currently in theory a service only for adults. The careers advice function for young people (13-19) is currently provided by Connexions. Connexions already operates in a similar way to some of the AACS pilots by endeavouring to build networks and partnerships. When speaking to various stakeholders and experts we specifically sought for reasonable justifications for maintaining the split between Connexions and the Adult service, and could find none. A civil servant could only argue that the rationale behind the split was that different types of learners required different types of advice. This justification fails to persuade and therefore this report recommends that Connexions and the AACS be merged to form one universal Careers Service.

## Adult and Community or Informal Learning

Government figures published recently showed the largest number of 18 to 24 year olds out of work or education since the first quarter of 2005. Just over one million 16 to 24 year olds were classified as NEETs according to the figures.<sup>276</sup> The Department for Children, Schools and Families has a target to reduce the proportion of 16-18 year olds NEETs by 2% points from 9.6% in 2004 to 7.6% by 2010.

Informal learning has been identified as one part of the war on NEETS. It is sometimes a difficult concept to officially pin down, but the Government describes it as "made up of a kaleidoscope of part-time, non-vocational learning where the primary purpose isn't to gain a qualification."<sup>277</sup> Experience with the ILAs suggests that informal work which can be categorized as 'outreach' into communities and groups who might not usually be engaged in learning was pivotal in getting the 'hard to reach' involved in government funded schemes. The importance of this work was also emphasised by those involved in the Adult Advancement and Careers Service prototypes, who suggested that many learners would be utterly lost to the system were it not for the work of some providers, usually from the third sector, offering unaccredited courses, sometimes in things as simple as confidence skills. The recent DIUS White Paper on informal learning, *The Learning Revolution* also stated that such activity:

*"Contributes to the health and well-being of communities by building the confidence and resilience of the individuals involved. The social relationships that develop as a result of this informal learning can provide networks of support and solidarity. For the low skilled and under-confident, informal learning can be an important stepping stone to further learning and a more skilled future."*<sup>278</sup>

276 DCSF Statistical Release see, <http://www.dcsf.gov.uk/rsgateway/DB/STR/d000890/index.shtml>

277 DBIS, *Informal adult learning: The Learning Revolution* TSO, London 2009, p.3

278 *Ibid*, p.3



Having said this, the paper pledged that informal learning would be supported “through direct funding to help support a core infrastructure of adult and family learning in each locality.”<sup>279</sup> However, it would seem difficult to characterise the four initiatives which were announced in the White Paper as such. The main or headline initiative announced was the ‘Transformation fund’, a £20 million pot which will apparently perform a number of, admirable, functions. This sum will be used to:<sup>280</sup>

- Build partnerships, strengthen capacity and encourage knowledge transfer between sectors;
- Improve connections between different kinds of learning experiences, to encourage people to broaden and deepen their interests;
- Encourage more and different people into learning, especially those who would not usually participate;
- Open up access to learning in new places, in new ways and at more flexible times;
- Support people to drive their own learning through self organised groups and learning clubs;
- Widen choice, by developing and sharing innovative content;
- Make better use of broadcasting and technology to stimulate and support learning
- As well as this £20 million pot, there will also be an Informal Adult Learning Pledge, a festival of learning (a national campaign reaching out to new learners) and a drive to encourage organisations to open up their spaces for informal learning at reduced rates.

### LSC Funding

The key source of funding for this type of learning, the Adult Safeguarded Learning (ASL) budget administered by the LSC, will have a total budget of £210 million in 2010/11.<sup>281</sup> Within the overarching principles of general access to ASL provision, the aim is to concentrate most of this budget on those who need help most; lost out at school or would not otherwise be able to afford the cost of a course. ASL applies to “learning for personal fulfilment, civic participation and community development”<sup>282</sup> and courses may be offered by local authorities, colleges and voluntary and community groups but are primarily delivered via the Local Education Authority who may sub contract the work. The funding is delivered across four programmes:

- PCDL: Personal and Community Development Learning (£156 million)
- FLLN: Family Literacy, language and numeracy (£25 million)
- WFL: Wider Family Learning (£13 million)
- NLDC: Neighbourhood Learning in Deprived Communities (£21 million)

Courses may be offered by local authorities, colleges and voluntary and community groups. Funding for informal learning is also available from the DWP, through Job Centre Plus, the European Social Fund and the Working Neighbourhoods fund. However, providers on the ground are constantly worried that next year their funding allocation might be dramatically cut. This sense of instability can only be detrimental to the sector.

Third sector providers told us that they were frustrated about the lack of effort made by Job Centre Plus to include them in contracts for training. They claimed

279 Ibid, p.4

280 DBIS, *The Learning Revolution: Transformation Fund Prospectus*, TSO, London 2009, p.6

281 DBIS, *Skills Investment Strategy*, p.10

282 LSC, *Adult Safeguarded Learning and First Steps – Funding Guidance, 2009/10*, p.3

that regional contracts often included a non binding suggestion that the contract holders should sub contract at a local level, including using the third sector, but in practice they very rarely did. In general, providers are highly frustrated with the procurement system and the approach of the LSC.

### Case Study of a third sector, welfare to work provider - Jericho

The Jericho Foundation run six small social enterprises, providing paid and unpaid work experience and on the job training to allow people to build work skills and they also engage in outreach to the long term unemployed. They can have as many as 50 young people (mainly 18-24 year olds) at any one time and receive money from a variety of different sources, including the LSC and JCP. Juggling different funding streams proves a daunting administrative task, even for a medium-sized charity with 20 years of experience.

Jericho argue that as contracts get larger it becomes increasingly hard for the third sector to involve themselves in skills. One particularly unfavourable experience with the LSC tendering and contracting process serves to illustrate how hard it is for third sector providers to engage with the system.

On this occasion Jericho built a broad partnership with other local third sector providers and bid for a £4.3 million project with the long term unemployed in Birmingham and Solihull, first trying to engage this hard to reach community and then offering them bespoke training. The LSC initially wrote to Jericho in Dec 2007 to tell them that their bid was successful. However, in February 2008 they were told that rather than the full £4.3 million, the LSC would only be offering £370,000 for the project. The LSC explained that the original 'success' letter was a standard letter sent to all successful bidders, and did not include precise details. There was more disappointment and upheaval for Jericho when in June £200,000 of funding was withdrawn. At the end of the year, 12 months after the initial award letter the two remaining contracts were finally signed. In total they were worth £170,000, representing just 4% of the original bid.

Following all of this uncertainty and delay, Jericho now had 14 months to deliver a programme planned for 24 months. They had already started some work before the contracts had been signed, which meant they incurred further risk. After 6 months, the LSC began threatening that some funding would not be delivered due to underperformance. However on further investigation Jericho discovered that they were being measured against the original £4.3 million contract profile rather than a revised profile that had been agreed to take into account the delays with the project. Subsequently the LSC also reneged on a promise to allow flexibilities in pricing for certain training interventions.

Ultimately Jericho felt that if they had the choice again they would not bid for a contract with the LSC. Their opinion is that the key to improving and encouraging the involvement of the third sector in employment and skills services is in trusting organisations. In a parallel to the situation with colleges and providers, the third sector should be allowed more freedom to use its expertise. It is important to note that Jericho's problems with the procurement process have not stopped with the LSC. They have also just gone through a prolonged 20 month procurement process with Birmingham City Council leaving just 16 months to deliver a three year programme. This indicates an endemic problem with procurement which goes wider than just the LSC.

It has been argued that the effective reduction in funding from the LSC in recent years (as funding has not risen with inflation but stayed at £210 million) has meant that providers and organisations on the ground have begun to struggle. Combine this with the fact that, prior to the shift in skills policy to focus on qualifications, a large part of the core FE budget was spent on this sort of learning, these sorts of providers have been hit by huge cuts in the last decade.<sup>283</sup> Importantly, the Government expects the sector to deliver the same amount of learners with an ever decreasing amount of money. The result is that many learners are now asked to pay fees. This is a real problem for a sector which deals with the hardest to reach learners who can often simply not afford fees or are at first highly sceptical about and even hostile towards the very notion of dopping a course even for free.

In light of this, this report recommends that the budget for Adult Safeguarded Learning should remain constant in real terms, rising year on year with inflation.

In light of the concerns of the third sector regarding procurement, a future strategy of integrating employment and skills should ensure that measures are taken to encourage Job Centre Plus contractors to honour commitments to sub contract with the third sector in regional level contracts for welfare to work, and skills training.

With regards to the AACS: it is vital that the eventual national scheme builds on the excellent work of the pilots, particularly in developing networks. Everything should be done to ensure that these networks include a broad range of community and third sector learning providers and to encourage communication between these, Job Centre Plus and local colleges.

In theory the AACS is currently a service only for adults, Connexions performs the careers advice function for young people. When speaking to various stakeholders and experts we specifically sought for reasonable justifications for this split and could find none. A civil servant informed us that the rationale behind the split was that different types of learners required different types of advice. This justification fails to persuade and therefore this report recommends that Connexions and the AACS be merged to form one universal Careers Service.

## Conclusion

The Skills system in England is unlike that of any other country in terms of the degree of government involvement. In 2006, the Leitch report identified the central problem: that the system is governed by supply and not demand. He argued that the most effective system would respond to the demands and needs of individuals and employers. He was absolutely right. However, despite good intentions and the right fundamental conclusion, post compulsory education and training in England since Leitch has been ever more dictated by the Government's sense of what is best for learners and employers.

The two pillars of delivery which Leitch identified as the mechanisms of a demand led system: Train to Gain and learner accounts (skills accounts) have both proven to be nothing of the sort. Train to Gain is alarmingly wasteful, with clear evidence that a considerable proportion of the training funded would have been carried out by employers anyway, and a preoccupation with meeting central targets even if that means moving the goalposts repeatedly. Meanwhile, Skills Accounts are billed as a mechanism through which individuals can exercise

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283 NIACE, *Learning Through Life: Inquiry into the Future of Lifelong Learning*, London 2009

choice over their learning, but in reality they can only choose from a narrow range of Government-approved provision. Crucially, we have no faith that either programme will encourage a clear increase in investment in skills by employers or individuals.

Perhaps the only part of our incredibly complex skills system that has really registered in the public consciousness is the apprenticeship programme. Here again we see the overwhelming temptation to plan from the centre. The danger is that politicians get swept away by their own rhetoric about apprenticeships, without tackling the underlying problems. Whilst much is done to push up the volume of training branded as apprenticeships, it is rarely questioned whether this is a valuable use of public money. Apprenticeships are often excellent, but are not always suited to every employer. The skills system should ensure that employers who want and value apprenticeships should be encouraged to take ownership of their own schemes, but it should not preoccupy itself with strategies and targets to increase volume exponentially.

One reason that the skills system has developed in this way is that the Government is wedded to too simplistic an understanding of the relationship between three things: skills, qualifications and productivity. The result is a planning system which is entirely geared towards meeting highly ambitious qualifications targets. These must be scrapped as we develop a more nuanced understanding about what we want from our skills system.

If we are to move away from the central planning system, colleges and providers must be trusted to deliver responsively. Returning to a funding system more like that in place following colleges' incorporation in 1994 will begin to address this in the short term. But this added freedom must be met with added responsibility. In return for the slackening of an over-zealous auditing and inspection regime they must take it upon themselves to provide detailed information which can be used by individuals and employers to make the best decisions regarding their learning and training. This information should complement an improved system of Information, Advice and Guidance. In the long term, learning should be more personalised and a system of learner accounts should be established. The Government should commit to proper learner accounts and consult widely on the ideal form of these accounts. Ultimately, a learner account system will allow colleges and other providers to respond to demand in the most accurate and flexible way.

Those involved in the skills system are used to endless change and endless government intervention. The aim in the community has for some time been to 'hide the wiring' in a sector that has become utterly unwieldy. This is not enough. Instead we need a much simpler approach to tackling skills in the UK – and it must be one in which the Government takes much more of a back seat and stops telling employers and individuals exactly what their needs are in order to tick its own boxes.

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## Summary of Key Recommendations

- The 2020 qualifications targets, the meeting of which government policy on skills funding is entirely geared towards, should be scrapped. If government wishes to gather indicative targets, for instance for apprenticeships, they should be driven from the bottom up by Sector Skills Councils.
- There should be a commitment to real learner accounts which genuinely empower, by giving individuals power over how they use government funding. They should be the primary mechanism for delivering state subsidies for post compulsory education. Whilst maintaining a commitment to learner accounts, their eventual form should be consulted upon as widely as possible in the sector.
- In the meantime it is vital that funding is made more flexible and that government funding for skills is not delivered in a system characterised by central planning.
  - The division between employer responsive and adult responsive funding should be abandoned
  - Private training providers should have access to government funds for what is now termed ‘adult responsive’ provision
  - Colleges and providers should operate with a level of autonomy similar to that seen after college incorporation in the 1990’s. They should be allowed to plan the mix of their provision according to local demand
  - In return for greater freedom colleges and providers must commit to providing detailed information about their performance in order to aid individuals and employers in their decision making. They must also be assessed in their record of delivering to the ‘hardest to reach’
- Train to Gain has been proven to provide poor value for money, and not respond sufficiently to employer demand. It should be scrapped. Part of its budget could be used to bolster the budgets of Sector Skills Councils (with a more realistic, focused remit), the rest would still be available to colleges and providers to plan provision to meet employer (and individual) demand.
- Government should not abandon a desire to boost the volume of good quality apprenticeship provision but it should abandon the attempt to expand apprenticeships exponentially, in particular in sectors which are not suited to them.

- Information about apprenticeships must be more widely disseminated, including on their impact on future wages and employability. Apprenticeships should be more widely discussed as an option in schools as part of a better system of careers advice and guidance.
- Government must do all it can to incentivise employer led apprenticeship schemes, reducing bureaucracy and encouraging the building of capacity. A small pot of money could be diverted from Train to Gain to create a discrete fund which employers could bid for to help develop their own in house capacity.
- The Adult Advancement and Careers Service must be enabled to meet its potential. It must have a serious role in the development of any report card system for assessing providers. In creating a national scheme, the emphasis on local networks, outreach and the availability of face to face advice must not be lost.
- The budget for Adult Safeguarded Learning should begin to rise year on year with inflation in order to avoid cuts to provision which has real value in engaging NEETS and other hard to reach groups.

The world of skills, whether it be vocational education, apprenticeships or adult education, has been subject to near constant upheaval for at least 25 years. In recent years the Government has attempted to increase the volume of post compulsory education, improve the status of vocational courses and make the whole system more ‘demand-led’. Yet the skills system in England remains chaotic and unproductive. It is widely agreed that not only is not demand-led, being driven instead by the priorities of the Government, but it is also shockingly complex and wasteful. The purpose of this report is to unpick the problems which beset the skills system in England. We offer recommendations for reform which will simplify the system and make it genuinely responsive to the needs of employers and individuals, whilst incentivising providers to deliver to the hardest to reach learners.

As part of this analysis the report looks in detail at Train to Gain, the Government’s funding scheme for employers; apprenticeships; Sector Skills Councils, basic skills; Skills Accounts; and the hardest to reach learners.

This report is the second in Policy Exchange’s Skills Programme. The first report, *Rising Marks, Falling Standards: An investigation into literacy, numeracy and science in primary and secondary schools*, offered recommendations for the future direction of primary and secondary education. These included giving schools more freedom in how they teach core skills and creating a better set of academic and vocational options for pupils at age 14.

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