



World Class Skills:

Implementing the Leitch Review of Skills in England



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**Innovation,
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Skills**



World Class Skills: Implementing the Leitch Review of Skills in England

Presented to Parliament
by the Secretary of State for Innovation, Universities and Skills
by Command of Her Majesty
July 2007

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A Plan for England

This is a plan for England. The Departments of HM Government are committing themselves to action in England only. All facts, figures, policies and actions refer to England only, except where stated otherwise. 'National' should be taken to mean England-wide, except where the context indicates otherwise. There are aspects of policy in England covered by this plan which the Whitehall Departments concerned wish to pursue within a framework of 4-country action across the United Kingdom of Great Britain and Northern Ireland. These are clearly flagged. These parts of the plan do not commit any of the four Governments of the United Kingdom to any UK-wide actions or policy positions, except where explicitly stated otherwise. Rather they state the position of the UK Government acting on behalf of England alone regarding collaborative issues. As such they indicate policies and actions which cannot be taken forward without explicit agreement from the Welsh Assembly Government, the Scottish Executive and the Northern Ireland Assembly.

NSA	National Skills Academies
NVQ	National Vocational Qualification
OECD	Organisation for Economic Co-operation and Development
OFSTED	Office for Standards in Education
PSA	Public Service Agreements
QCA	Qualifications and Curriculum Authority
QCF	Qualifications and Credit Framework
QIA	Quality Improvement Agency
RDA	Regional Development Agency
SQS	Sector Qualification Strategy
SSA	Sector Skills Agreement
SSC	Sector Skills Council
SSDA	Sector Skills Development Agency
TUC	Trades Union Congress
ULR	Union Learning Representative

Glossary

BERR	Department for Business, Enterprise, and Regulatory Reform
CBI	Confederation of British Industry
CLG	Department for Communities and Local Government
CoVE	Centres of Vocational Excellence
CSR	Comprehensive Spending Review
DCSF	Department for Children, Schools and Families
DfES	Department for Education and Skills
DIUS	Department for Innovation, Universities and Skills
DWP	Department for Work and Pensions
EQIA	Equality Impact Assessment
ESB	Employment and Skills Board
ESOL	English for speakers of other languages
FE	Further Education
FSM	Free School Meals
HEFCE	Higher Education Funding Council for England
HE	Higher Education
HMT	Her Majesty's Treasury
IBC	Institute of Business Consulting
ICT	Information and Communications Technology
JCP	Jobcentre Plus
LSC	Learning and Skills Council
MAC	Migration Advisory Committee
NEP	National Employment Panel
NOS	National Occupational Standards

World class skills

Foreword

It used to be that natural resources, a big labour force and a dose of inspiration was all that was required for countries to succeed, economically.

But not any more. In the 21st century, our future prosperity will depend on building a Britain where people are given the opportunity and encouragement to develop their skills and abilities to the maximum; and then given the support to rise as far as their talents will take them.

Since 1997 we have made real progress on skills and employment. There are 2.6 million more people in jobs. More women, lone parents, older people and disabled people are working than ever before. Over 1.7 million adults have gained literacy and numeracy qualifications through the Skills for Life programme. Over 1 million adults have achieved the platform of employability skills through a level 2 qualification (equivalent to 5 GCSEs at grades A* - C). More young people are participating in education and training after the age of 16, and more of them are achieving qualifications at level 2 and 3. And record numbers of students are engaged in higher education, from a wider range of backgrounds.

Aspirations for our nation's future are rising. To realise that vision for a prosperous future for all our citizens, we need to build on the progress we have made to date and improve our skills still further. That's why, by 2020, we have committed to joining the world's 'premier league' for skills.

This will require an enormous shift in attitudes and aspirations, not only in Government, but also within workplaces, schools, colleges, universities and society itself.

For the Government, it means adopting a much more positive approach to creating new opportunities for all. It means encouraging people to raise their aspirations for themselves and for their families, and it means giving them the opportunities and help they need to achieve them.

We will work with employers, trade unions, schools, colleges, universities, training providers and individuals themselves, to break down barriers to opportunity, and give everyone the best chance to make the most of themselves and their potential.

Realising our vision will mean ensuring that all adults have the skills they need to find and progress in work. It will mean helping the 5 million adults in the UK who are struggling with reading and writing to become functionally literate, and the 6.8 million that have serious difficulty with numbers to become functionally numerate. It will mean helping more adults to develop intermediate level skills, and ensuring that all have the platform of skills they need to find and progress in work. It will mean more graduates, translating more of the UK's world-class research and development ability into world-class businesses and jobs. And it means ensuring that excellent schools, a relevant curriculum and the 14-19 programme enable every young person to leave school with the skills they need to progress to further learning and work.

In a world of increasing international trade and investment, migrant workers' skills make an important contribution, but we must also continue to develop the skills of our domestic workforce if we are to meet the skills needs of a prosperous economy.

As the Stern Review set out in compelling terms, we will not secure the future we all want for our nation, indeed for our planet, if we do not reflect our responsibility to the environment in all that we do. We need to ensure we have the skills necessary to protect and improve the environment we live and work in.

In our rapidly-changing world, having a highly-skilled workforce isn't an optional extra; it's an economic necessity. But developing the right culture for skills and employment isn't just about being able to compete in the global economy. It's also the most effective way of tackling family poverty, encouraging people to strive for a better life, and increasing social mobility.

This document explains how the Government will provide the right supporting framework to act as the catalyst for this skills 'revolution', and to close the gap between where we are now, and where we need to be in 2020. And the Welfare Reform Green Paper, *In work better off: next steps to full employment*, published alongside this report, sets out proposals for further reform to increase support for those who are most disadvantaged in the labour market.

But creating the right culture for skills will require a collective effort.

It will require every individual to think about updating their skills and qualifications, to ensure that they are giving employers what they really need. It will require employers to play an active role in helping to reform vocational qualifications, to ensure that they are relevant and responsive to changes in the global economy.

And it will require a major new investment of time, effort and money by employers and individuals that far exceeds the Government's direct contribution. No matter how advanced their skills are today, we need to see every individual across the nation rising up the skills ladder, reaping financial benefits for themselves, their families, their employers and the community.

Action	Owner	Timing
Equipping young people with the skills they need for work and life		
Publish report on consultation on raising participation age to 18	DCSF	By September 2007
Diploma qualification specifications to all consortia	14-19 partnerships	September 2007
Phased roll-out of the first five Diploma lines	Schools, colleges, training providers	September 2008
Accredited Diploma qualifications available for phase 2	Diploma Development Partnerships, QCA	By September 2008
Phased roll-out of second five Diploma lines	Schools, colleges, training providers	September 2009
Accredited Diploma qualifications available for phase 3	Diploma Development Partnerships, QCA	By September 2009
Phased roll-out of final four Diploma lines	Schools, colleges, training providers	September 2010
National entitlement to Diplomas fully rolled out in all areas	DCSF, 14-19 partnerships	2013
Pilot functional skills in English, maths and ICT	QCA and providers	From September 2007
First teaching of revised GCSEs in English, maths and ICT (including functional skills) and free-standing functional skills qualifications nationally	Schools, colleges and training providers	From September 2010
Review of the Apprenticeship blueprint	DCSF, DIUS, LSC, SSCs	By end 2008
Roll out Apprenticeships vacancy matching service	LSC	From 2008/09
Create a new entitlement for Apprenticeships	DCSF, DIUS	In 2013
Participation age raised to 17	DCSF	2013
Participation age raised to 18	DCSF	2015

* Subject to resources

Action	Owner	Timing
Improving the quality of training supply		
Trial new performance indicators in Framework for Excellence	LSC	From Summer 2007
Introduce new standard for employer responsiveness and vocational excellence for colleges and training providers	LSC	September 2007
Review the National Improvement Strategy for FE	QIA, National Improvement Partnership Board	By December 2007
Full launch of new standard	DIUS	Spring 2008
12 National Skills Academies in place	DIUS	By 2008
Achieve success rates of 80%	FE colleges	By 2010/11
A new partnership for the workplace		
Publish a strategy for embedding literacy and numeracy into vocational provision	DIUS, QCA, LSC, QIA	October 2007
Publish delivery plan for Train to Gain	LSC	October 2007
Report findings of review of Investors in People	DIUS	December 2007
Publish results of Collective Learning Fund project	TUC	Summer 2008
All Government Departments, agencies and non-departmental public bodies to make Skills Pledge	Government Skills SSC	By 2008
Support for level 3 available through Train to Gain in all regions	LSC	2008/09
Leadership and management continuing professional development modules developed	Leadership and Management Advisory Panel, SSCs	By 2009

In recognition of the fact that skills are central to both our economic and social justice goals, we have made a number of significant changes to the machinery of Government.

We have created a new Department for Children, Schools and Families (DCSF), which will bring together for the first time all key aspects of policy affecting children and young people, to deliver excellent education and integrated support to all children and their families. We have also created a new Department for Innovation, Universities and Skills (DIUS), bringing together the key drivers of a successful, knowledge-based economy, and leading work to ensure that the nation has the skilled workforce it needs to compete.

These changes will help us to deliver a step-change in the nation's attitude towards education and skills. By 2020, the culture of 'only the best is good enough' that we are inculcating today will lead to a society that is doing better than ever in our schools, workplaces and homes.



Gordon Brown
Gordon Brown,
Prime Minister



Alistair Darling
Alistair Darling
Chancellor of the
Exchequer



John Denham
John Denham
Secretary of State for
Innovation, Universities
and Skills



Peter Hain
Peter Hain
Secretary of State for
Work and Pensions



John Hutton
John Hutton
Secretary of State for
Business, Enterprise
and Regulatory Reform



Ed Balls
Ed Balls
Secretary of State for
Children, Schools and
Families

Introduction

- 1 When Lord Leitch presented his report on skills, he clearly demonstrated why skills are so important to the UK's continuing prosperity.
- 2 For adults, better skills and economically valuable qualifications are a route to achieving better jobs, career progression and higher incomes to support their families. Better skills are the key to greater social mobility, ensuring that individuals can get on because of their talent and hard work, and not just because of their background.
- 3 For employers, a more highly-skilled workforce is a route to achieving higher productivity and, in the private sector, greater competitiveness and profitability.
- 4 For communities, better skills can create an escape route from generations of low ambition, and low achievement.
- 5 In recent years, we have made good progress on skills and employment. We have one of the highest employment rates amongst the major economies at nearly 75%, with plans to reach 80%. There are 2.6 million more people in work than there were in 1997. More than 1.7 million adults have gained literacy and numeracy qualifications through the Skills for Life programme. More than a million adults have achieved a level 2 qualification (equivalent to 5 GCSEs at grades A* - C), giving them a solid platform from which to find a rewarding, productive job and progress in work.
- 6 More young people are participating in education and training after the age of 16, and more of them are achieving qualifications at level 2 and 3. Record numbers of students are going into higher education, from a wider range of backgrounds. We have also introduced some major innovations in the delivery of training, most notably through the national Train to Gain brokerage service, which helps employers to identify and address their skills needs in a way that meets their priorities.
- 7 But as Lord Leitch's review set out, we still have a mountain to climb. Although the UK has narrowed the productivity gap with our major competitors, we still lag behind the most successful economies. A major reason for this is weaknesses in our skills base. More than a third of all adults in the UK don't have the equivalent of a basic school leaving certificate.

Action	Owner	Timing
Vocational qualifications reform		
Pilot scheme to extend awarding powers to employers, colleges and training providers	QCA	From autumn 2007
Publish new funding methodology	LSC	September 2007
Begin modelling and trials of approaches to support flexible patterns of achievement arising from the QCF within new funding methodology	LSC	From September 2007
Trial process for SSCs advising LSC on which qualifications in the QCF should be a priority for public funding	LSC, SSCs	From autumn 2007 implement from August 2008
Reformed vocational qualifications resulting from the pilot phase of Sector Qualifications Strategies submitted to the QCA for accreditation onto the QCF	SSCs	From January 2008
Complete Sector Skills Agreements	SSCs	March 2008
Replace NVQ levy with direct grant to SSCs	DIUS, DCSF, QCA	April 2008
Delivery of reformed vocational qualifications	Colleges and training providers	September 2008
Accredit phase 1 reformed vocational qualifications onto the QCF	SSCs, QCA	January 2009
Accredit phase 2 reformed vocational qualifications onto the QCF	SSCs, QCA	April 2009
Accredit phase 3 reformed vocational qualifications onto the QCF	SSCs, QCA	July 2009
QCF fully functional (subject to the outcome of trials and tests)	QCA	September 2010
Complete review of National Occupational Standards	SSCs	By 2010
Complete all Sector Qualification Strategies	SSCs	By 2010
Full set of progression pathways in place within the Foundation Learning Tier	DIUS, DCSF, QCA	By 2010

Action	Owner	Timing
Creating a UK Commission for Employment and Skills		
Set up the UK Commission in shadow form as a non-departmental public body and company limited by guarantee	DIUS, DWP, working with Devolved Administrations	Autumn 2007
Appoint the UK Commission's Board and Chief Executive	DIUS, DWP working with Devolved Administrations	By November 2007
UK Commission fully operational	DIUS, DWP, working with Devolved Administrations and UK Commission	By March 2008
Transfer to Commission relevant functions of Sector Skills Development Agency and National Employment Panel	DIUS, DWP working with UK Commission	By March 2008
Publish basis for the review in 2010 of the case for introducing a statutory entitlement to workplace training	UK Commission	By June 2008
Publish first annual report on state of UK employment and skills system	UK Commission	2009
Decide whether the introduction of a statutory entitlement to workplace training is appropriate	UK Government, in light of advice from UK Commission	2010
Consider whether further institutional change is required to deliver an integrated employment and skills service	UK Government, in light of advice from UK Commission	2010
Reforming and re-licensing Sector Skills Councils		
Consult on the case for new enabling legislation to streamline current levy arrangements.	DIUS	Summer 2007
Publish criteria for re-licensing SSCs	Commission	Early 2008
Carry out research to establish whether licence to practise schemes could be used to drive up skills and productivity	DIUS	2008
Lead the re-licensing of SSCs	Commission	From April 2008
SSC reform and re-licensing complete	UK Government and the Devolved Administrations, advised by the Commission	By 2009

6.8 million people have serious problems with numbers, and 5 million people aren't functionally literate.

- 8 This document sets out the practical reforms that we will be introducing in England to spark off this 'skills revolution' and close the skills gap at all levels, right across the nation, by 2020.
- 9 Changing the culture in this country in relation to skills is at the heart of that revolution. We need to embed the value of skills in our culture in a way it has never been before. We need individuals to feel that it is their responsibility to improve their skills throughout their lives, because of the benefits that will bring for them and their families. We need employers to take responsibility for the skills of their employees, because of the increased productivity and profitability that investing in skills will deliver. And when they do take that responsibility, they need to know that Government accepts its responsibility to support them.
- 10 Bringing about that change in culture, attitudes and behaviour will not be easy. There is no 'quick fix'. But we must make it a reality, and the reforms set out in this plan are designed to begin that process of cultural change.
- 11 What all our reforms have in common is that they are trying to put the customer – in this case, adult learners and employers - first. We call this our 'demand-led' approach.
- 12 When it comes to increasing skills and ensuring the better integration of employment and skills, we want Government funding and systems to be increasingly demand-led. In turn, we will expect the colleges, universities and training providers that supply education and training to be increasingly responsive to what learners and employers actually want.
- 13 Two key reforms sum up the new rights that learners and employers will have – Skills Accounts and the Skills Pledge. In Chapter 2, we talk about Skills Accounts and the new adult careers service. The latter will work with Jobcentre Plus to give every adult easy access to skills and careers advice that will help them find work and progress in their careers; it will also help them to learn about any financial entitlements they may have to help with tuition fees or access to learning, which will be reflected in their personalised Skills Account.
- 14 In Chapter 4, we talk about the Skills Pledge and the improvements to Train to Gain brokerage. The Pledge enables employers to demonstrate their commitment to improving skills in their workplace, and through Train to Gain brokerage, Government will support employers to deliver their Pledge commitment.
- 15 We will bring forward new legislation to strengthen the current funding entitlement for adults to free training in basic literacy and numeracy skills, and to achieve their first full level 2 qualifications. This arrangement would not create any new obligations on employers, since the case for new legislation around workplace training will be reviewed in 2010.

- 16 We will consider whether it would be beneficial to introduce new enabling legislation to make it easier for Sector Skills Councils (SSCs) to introduce levy schemes where they consider that these would help improve skills and productivity in their sector, where a clear majority of employers in the sector support them, and where impact assessments are positive.
- 17 But with these rights come responsibilities. The annual Government budget for further education and training for adults in England currently stands at more than £3 billion. The lions' share of this money is focussed on the lowest skilled and least qualified individuals in our society, because that is where the market failures are greatest, and where the barriers of disadvantage are highest.
- 18 But in order to realise the potential of every citizen, we will need to see investment of many times that amount in new skills training – and that cannot and should not all come from the Government. Between now and 2020, employers and individuals will need to make a sustained and increased investment in improving their respective skill levels.
- 19 The benefits of doing so will be huge. Improving skills will help individuals to improve their employability, progress in their careers, and secure better wages. It will help employers to secure increased productivity and profitability for their businesses. It will help us to reduce unemployment, tackle child poverty and improve social mobility. And it will help to reduce crime, improve health outcomes, and improve civic and community participation.
- 20 This document not only responds to the recommendations contained in Lord Leitch's¹ review of skills, it also sets out the actions the Government will take to raise the nation's skills base, build productivity, increase social inclusion and improve economic competitiveness². In turn, we hope that these actions will help us to achieve our long-term aspirations of achieving 80 per cent employment, breaking the cycle of low-skilled and temporary jobs, and eradicating child poverty.
- 21 A comprehensive programme of reform for education, training and skills for young people and adults, in schools, colleges, training providers and universities is already underway across the nation. This document builds on that existing programme, extending its ambition and introducing new measures that will increase its reach.
- 22 As the first significant document to be published by the new Department for Innovation, Universities and Skills, this document also sets out the policy direction which the DIUS will follow to build better skills, which will be further developed over the coming year.

1 *Leitch review of skills: Prosperity for all in the global economy – world class skills*. Final report HM Treasury, 2006.
 2 A table showing how the proposals in this plan respond to each of the recommendations in the Leitch Review is at www.dius.gov.uk/publications. Also available from that website is a summary of the major issues raised in the consultation programme around the Leitch Review.

Action	Owner	Timing
Supporting individuals to improve their skills and progress in work		
Roll out the new Employability Skills programme	LSC, JCP	August 2007
New ESOL for work qualifications in place	QCA, Awarding Bodies	End September 2007
Develop shared objective of sustainable employment and progression	DWP, DIUS	October 2007
Pilot Skills Development Fund	LSC	September 2008
Trial Skills Health Check in selected locations	DIUS, DWP*	Autumn 2008
Trial aspects of the new universal adult careers service	DIUS, DWP, LSC, JCP	2008-09
Jobcentre Plus to test an integrated diagnostic tool for basic and employability skills	JCP, DWP*	2009
Trial aspects of Skills Accounts nationally	DIUS, DWP, JCP*	2009-10
Refer to skills provision those identified at new claim stage with skills needs	JCP, QIA*	2010
Advise on whether further institutional change is required to deliver an integrated employment and skills service	UK Commission for Employment and Skills	2010
New universal adult careers service fully operational	DIUS, DWP	In 2010-11
Roll out of process for referring clients from JCP to careers service to link identification of skills needs with access to training and support in finding employment	JCP, DWP, DIUS*	2010-11

Annex A: Summary of actions in England

Executive Summary

Action	Owner	Timing
Delivering our world class ambition		
First students recruited onto the Higher Level Skills Pathfinders	HEFCE, HE institutions	By summer 2007
Report findings of early review of Higher Level Skills Pathfinders	HEFCE	December 2007
Publish PSA targets	DIUS, HMT	Autumn 2007
Publish full details of post-16 funding allocations for 2008/09, including demand-led funding system, in Priorities for Success 3	DIUS, LSC	Autumn 2007
Publish funding allocations for HE sector for 2008/09	HEFCE	Spring 2008
Publish adult numeracy and employability strategy	DIUS, working with LSC, QIA, QCA, National Centre for Excellence in Teaching of Maths	March 2008
Deliver 5,000 additional employer co-funded HE places in 2008-09, and at least an additional 5,000 entrants in each subsequent year to 2010-11	HEFCE	From 2008-09
Increase Train to Gain budget to £650 million	DIUS, LSC	2008/09

Our world class ambition

- In order to sustain and improve our position in the global economy, the Government has committed itself to the ambition of becoming a world leader in skills by 2020, benchmarked against the top quartile of OECD countries.
- The 2020 ambition is very stretching. For England, it means by 2020 we would need:
 - 95 per cent of adults to have the basic skills of functional literacy and numeracy³, up from 85 per cent literacy and 79 per cent numeracy in 2005;
 - More than 90 per cent of adults to have gained at least a level 2 qualification (equivalent to 5 GCSEs at A*-C grade), up from 69 per cent in 2005; with a commitment to achieve 95 per cent as soon as possible;
 - to shift the balance of intermediate skills from level 2 to level 3 (equivalent to 2 A levels), with 1.9 million more people achieving level 3 by 2020;
 - to deliver England's share of the UK ambition to have 500,000 people a year in Apprenticeships; and,
 - More than 40 per cent of all adults to have a higher education qualification (at level 4⁴ and above) up from 29 per cent in 2005; with a commitment to achieving world-class levels.
- While the new cross-cutting Public Service Agreements for skills and employment will be announced in the autumn, our current thinking is that by 2011 we should aim for:
 - participation in full-time education amongst 16-18 years olds to rise to 84 per cent;
 - 89 per cent of adults to be qualified to at least level 1 literacy, and 81 per cent to be qualified to at least entry level 3 numeracy;

3 Defined as level 1 literacy (equivalent to GCSE English at grade D-G) and entry level 3 numeracy (one level below level 1).

4 Equivalent to a certificate in higher education, foundation degree or honours degree.

- 79 per cent of adults to be qualified to at least full level 2; and
 - 56 per cent of adults to be qualified to at least full level 3.
- 4 By 2014, we will aim for 36 per cent of adults to be qualified to level 4 and above.
 - 5 Following the spending review settlement relevant to the Department for Innovation, Universities and Skills (DIUS) that was announced in the Budget 2007, we are substantially increasing the proportion of public funding for adult training that is 'demand led'.
 - 6 Train to Gain employer training funds will be around £440 million in 2007/08, rising to more than £650 million in 2008/09. We project it will rise to more than £900 million in 2010/11. Taking account of other work-based employer training programmes, we estimate that by 2010/2011 the total amount of employer-focused funding will be around £1.3 billion.
 - 7 In return for this increased level of investment, we will expect individuals and employers to take much more responsibility for improving their own skill sets and qualifications.

Supporting individuals to improve their skills and progress at work

- 8 We have to motivate many more adults to want to improve their skills and education, including the millions of people who left school with few or no qualifications.
- 9 In order to do this, we will have to clearly show individuals the link between getting economically valuable skills, and getting good jobs and progressing in their chosen career. We will also work to remove any barriers related to a person's age, race, gender or class, that may be preventing them from having fair and equal access to more training and education opportunities.
- 10 DIUS and DWP will work together to create a joined-up employment and skills system. We will merge the information and advice services of learndirect and nextstep providers into a new universal adult careers service in England, working in partnership with Jobcentre Plus. The new careers service will ensure that everyone is able to access the help they need to take stock of where they are in achieving their goals and ambitions, and to get the support they need to advance themselves and achieve their full potential.
- 11 Jobcentre Plus will work with the new adult careers service and the Learning and Skills Council to ensure that every customer gets the right balance between job search and training to improve their employability.
- 12 Flexible training for individuals will be offered in a way that can be combined with their job search and continued alongside work. Train to Gain brokerage and employer training funds will play an important part in supporting this objective.
- 13 We will pilot the new concept of 'Skills Accounts', which will give individuals greater ownership and choice over their learning, motivating them to gain skills and achieve qualifications, enter work and progress in employment.

3 years. We will revisit these initiatives in the light of the Sainsbury Review of Science and Innovation, which is due to be published later this year.

Young people supervised by the youth justice system

- 5.22 Delivery of the 14-19 reforms and the consultation proposals on raising the participation age presents clear challenges for ensuring participation and progression, by both young people in the youth justice system who are supervised in the community and those who are held in custody. The contribution of education and training to reducing re-offending and to ensuring successful rehabilitation is detailed in *Reducing Re-offending through Skills and Employment: Next Steps*²⁷. The document outlines the ways in which we will improve education and training for this group of young people. We held a consultation on education for young people supervised by the youth justice system. We will use this to inform our plans to ensure that our education and training policies for improving participation and progression for young people operate to meet the needs of this specific group. We will publish those plans by the end of 2007.

²⁷ *Reducing re-offending through Skills and Employment: Next Steps*, DfES, December 2006

participation age to 17, and then to 18 in 2015. A report of the consultation will be published shortly, and we have announced our intention to introduce legislation to implement these proposals.

5.17 As well as the reforms described above, we are introducing others specifically focused on those at risk of disengagement and on supporting young learners in choosing among a range of options and in finding appropriate provision. All of this will help to ensure that all young people are given the best possible chance to secure their future and to make a full contribution to the economy.

Science and Engineering

5.18 Our future economic success is dependent upon a good supply of skilled scientists and engineers. In March 2006 we published "Science and Innovation Investment Framework 2004-2014: Next Steps"²⁶. This aimed to achieve year on year increases in the numbers of young people taking A levels in physics, chemistry and maths; improve the number of pupils getting at least level 6 at the end of Key Stage 3; improve the number of pupils achieving good grades in the two science GCSEs; and step up recruitment, retraining and retention of physics, chemistry and maths specialist teachers.

5.19 We have begun to implement these ambitions through: piloting 250 science clubs for Key Stage 3 pupils; making GCSEs in the individual sciences of physics, chemistry and biology more accessible; expanding the science and engineering ambassadors scheme; providing additional incentives to recruit more high quality science graduates into science teaching; and developing an accredited course to give science teachers without an initial specialism in physics and chemistry the subject knowledge and pedagogy they need to teach these subjects effectively.

5.20 The 10-Year Framework also gave priority to improving the supply of people with higher-level qualifications in science and engineering. At the same time, the Government sought to strengthen higher education's £45 billion annual contribution to the economy by responding to the recommendations of the Lambert Review of Business-University Collaboration and by raising to over £100 million a year its support for the transfer of knowledge between higher education and business.

5.21 The measures described in the Framework and other government initiatives have already helped to ensure buoyant demand from students for science and engineering degree courses, with applications for subjects like physics, chemistry, chemical engineering and civil engineering all running more than 10 per cent above last year's level. At the same time, we have moved to strengthen the teaching of high-cost science and engineering courses in higher education by providing additional funding of £75 million over the next

14 When they open a Skills Account, individuals will be able to access the full range of adult information, advice and guidance services in the new universal adult careers service. They will also receive an account number and account card, which will help people to understand the levels of investment going into their training, whether it's coming from them, their employer or the state.

15 Skills Accounts, Jobcentre Plus and the new adult careers service will come together to provide customers with the seamless service they need to identify and access the right training and skills opportunities, at the right time.

16 We will bring forward new legislation to strengthen the current funding entitlement for adults to free training in basic literacy and numeracy skills, and to achieve their first full level 2 qualifications. This arrangement would not create any new obligations on employers, since the case for new legislation around workplace training will be reviewed in 2010.

Employers leading the way on skills

17 Treating employers and individual learners as the customers of the skills system is central to the idea of a demand-led approach. Through the measures set out in this plan, we will give employers the opportunity to exert real leverage and decision-making over both the content and delivery of skills and employment programmes. That will help us to build employer confidence in the qualifications and learning programmes provided by universities, colleges and training providers, and it will open the door to increased employer investment in skills. We will use employer satisfaction data to monitor whether the skills delivered contribute to improved business performance.

18 We will work with the Devolved Administrations to create a new UK Commission for Employment and Skills that will operate across the UK, and strengthen the employer voice at the heart of the system. We expect the UK Commission to be fully operational in 2008.

19 The UK Commission will provide a vigorous, expert, and external challenge to the employment and skills system at all levels, to ensure that it is delivering the services that employers and individuals need. It will also report to Government in 2010 on whether a statutory entitlement on training is appropriate, and whether further institutional change is required to deliver a better integrated employment and skills service.

20 In England, the UK Commission will advise Government on skills and employment strategy and targets; assess our progress towards achieving our world-class ambition; ensure that employment and skills services are integrated to meet the needs of individuals and employers; and oversee the performance and reform of the SSCs.

21 In England, the remit of the SSCs will be more sharply focused on: raising employer ambition and investment in skills at all levels; articulating the future skill needs of their sector; and ensuring that the supply of skills and qualifications is driven by employers.

²⁶ *Science and Innovation Investment Framework 2004-2014: Next Steps*, HM Government, March 2006

- 22 Through their SSCs employers have the opportunity to play a leading role in the reform and development of vocational qualifications for their sector. Only those vocational qualifications which meet the standards set by the SSCs will be put onto the Qualifications and Credit Framework. This will help us to build employers' confidence in the programmes and qualifications offered by universities, colleges and training providers.
- 23 We will consider whether it would be beneficial to introduce new enabling legislation to make it easier for SSCs to introduce levy schemes where they consider that these would help improve skills and productivity in their sector, where a clear majority of employers in the sector support them, and where impact assessments are positive.
- 24 We will make it easier for employers to have their own in-house training programmes accredited through the Qualifications and Credit Framework.
- 25 We will continue to encourage more HE institutions to collaborate with employers to develop programmes and delivery methods that meet their higher level skills needs.
- 26 The Higher Education Funding Council for England (HEFCE), which is supporting a range of projects in HE institutions to develop employer engagement, will fund an additional 5,000 student places in 2008-09, co-funded with employers. We expect the HEFCE's work in this area to substantially expand in subsequent years.
- 27 In return, we want employers to increase their investment in skills, training and qualifications at all levels. We expect employers to be active in using the opportunities set out in this plan to shape the skills and employment systems to meet their needs.
- 28 We want employers to be more demanding, and to clearly articulate what their skills needs and priorities are, in order to support business development. We also want them to engage with and challenge the learning and skills providers at all levels, to achieve high standards in the design and delivery of training.
- 29 Investing in National Skills Academies (NSAs), for example, offers employers an opportunity to directly influence the content and delivery of skills training for their sector, through further and higher education. We are on course to have 12 National Skills Academies in place by 2008. Longer term, we hope to have at least one Academy for each major sector of the economy.

A new partnership for the workplace

- 30 We want to encourage all employers in England to take responsibility for the skills of their workforce, by making a Skills Pledge to support their employees to become more skilled and better qualified, with Government help.
- 31 The Skills Pledge is a public, voluntary commitment that we launched in June 2007. Any organisation that signs up to the Skills Pledge undertakes to support their staff to get basic literacy and numeracy skills, and also to work towards achieving their first full level 2

5.13 A recent review of work-related learning recommended that we should: communicate a clear vision for work-related learning and simplify guidance; develop an effective delivery and funding model geared to local needs; clarify roles and responsibilities of national, regional and local partners; and develop a national quality assurance framework. So over the next 6 months we will:

- draw together existing guidance and best practice into a single, coherent set of guidance;
- give 14-19 partnerships a leadership role in work-related learning and re-consider funding routes;
- ensure development of the workforce in schools and colleges includes skills in employer engagement;
- develop a quality assurance model to be used by providers and intermediaries;
- clarify the roles and responsibilities of national, regional and local partners; and
- embed measures to improve the quality of work-related learning experience in management information and evaluation.

Enterprise Education

5.14 Enterprise education aims to help all young people to be more creative and innovative, to take and manage risks, and to do so with determination and drive. From September 2005, all schools with Key Stage 4 pupils received money for a new focus on enterprise education. In the 2006 Budget we announced a new schools enterprise education network, based on 51 expert 'hub' schools embracing all secondary schools in their regions, focusing on professional development for teachers. Budget 2007 announced the continuation of funding at £60 million a year until 2010/11 to develop enterprise capability in all tiers of education.

Raising the Participation Age

- 5.15 A major aim of 14-19 reform is to achieve 90 per cent participation by 2015. But even achieving this will not be enough to make us internationally competitive. It would mean 10 per cent were still not participating. Those who have low aspirations and have most to gain from continuing in education and training would be the very ones who would miss out.
- 5.16 Raising the compulsory participation age would help us go beyond this and make sure that everyone benefits. In March we published a Green Paper setting out for consultation our proposals that young people should remain in education or training until their 18th birthday. This education could be in a school, college, work-based learning provider, or as part of a job. It could be full-time, or part-time if the young person is in full-time employment. We would introduce the new requirement from 2013, raising the

- Introduce a pre-Apprenticeship programme for those who do not quite meet the standard for their chosen occupation and need some help in order to do so. Trialling will begin in 2008.
- Increase the supply of employer places, particularly in those sectors with little prior involvement with Apprenticeships. Drawing on evidence from the sector survey, we and partners will concentrate marketing and promotional efforts on those sectors and businesses that can most effectively deliver additional places. Those training providers who can demonstrate the ability to expand will be encouraged to do so.
- Review the Apprenticeship blueprint, which sets out the minimum standards and flexibilities in Apprenticeship frameworks, to ensure it meets the needs of employers and young people, and does not act as a barrier to employer involvement.
- Host a summit of employers and key partners in the autumn of 2007 to take delivery of the final agreed plan and monitor progress towards the introduction of the entitlement.

Employer input to Apprenticeships

Luxury leather goods company Mulberry has worked with Skillfast-UK, the SSC for apparel, footwear and textiles, on developing a new Apprenticeship qualification to build the skills of new recruits in this specialist craft area.

By delivering training in the factory itself, with a local college providing support on assessment, Apprentices are able to use up-to-date equipment and gain technical training from industry-experienced staff. This solution to a particular employer need has far-reaching benefits for other businesses in the leather sector in the region, because the Mulberry technical training centre is open to other local employers, helping to build the regional training infrastructure.

Work-related Learning

5.12 Work-related learning ensures young people have the skills, attitudes and behaviours needed for the workplace. We have just completed a review of the quality and delivery capacity of work-related learning to ensure it will meet the challenges of the 14-19 Reform Programme. Work-related learning is statutory for 14-16 year-olds, and can take many forms, apart from the familiar work experience. Employers are already involved in supporting project work, running seminars, workshops or longer learning programmes such as Young Apprenticeships, providing learning materials and acting as mentors. Work-related learning will be an intrinsic aspect of the new Diplomas, but also needs to be improved for all young learners, ensuring it is fully integrated into their overall learning experience.

qualification in an area that will be valuable to the employer. This is the core requirement for the pledge, but many organisations will want to extend their commitment to a higher level of training and skills beyond this.

- 32 To date, more than 150 employers - including all central Government Departments, the armed forces, the police force, Ford Motor Company, McDonalds, BT and Sainsbury - have committed to the Pledge, which means that more than 1.7 million employees are already covered.
- 33 Employers making the Skills Pledge will be able to access Government support to deliver their Pledge commitment through the Train to Gain service, including the support of an independent skills broker to help them assess their training needs and source the right provision for them, and free literacy, numeracy and first full level 2 training for their staff.
- 34 In 2010, we will review whether this voluntary approach is working sufficiently well, or whether the time has come to introduce a statutory entitlement to workplace training in England.
- 35 In his Review, Lord Leitch strongly endorsed the principle of demand-led training, where employers and learners would be given the purchasing power – and the leverage – to decide which sort of training best suited their needs. He also endorsed the primary vehicle for demand-led funding of adult training – the Train to Gain service – and recommended that the Government should significantly increase the proportion of public funding for adult skills training that was being routed through it.
- 36 Train to Gain currently offers a skills brokerage service for employers, with full public funding for literacy and numeracy programmes and first full level 2 qualifications. But we intend Train to Gain to become a much broader service that will help employers of all sizes and in all sectors to improve the skills of all their employees, as a route to raising the performance of their businesses. It must also help employers and employees in disadvantaged communities, as well as those in more prosperous areas.
- 37 Given the enormous potential benefits to their businesses, employers will be expected to pay towards the costs of this wider training effort.
- 38 Trade unions also have an important part to play in achieving our skills ambitions. There are now more than 18,000 trained Union Learning Representatives (ULRs) working across the country to encourage more people to participate in training. These ULRs are proving to be particularly effective in targeting people with low skills, or low confidence in their own ability to learn and benefit from training.
- 39 We will encourage Union Learning Representatives to work with employers to make the Skills Pledge, to draw up action plans for delivering the Pledge, and to help more employers and employees to access Train to Gain brokerage and funds for training.

40 We will also encourage unions and employers to work together to improve skills in individual workplaces, building on the achievements of the new union-sponsored training programme, Unionlearn. And, through the consultation on Business Support Simplification, we will look at whether skills brokerage and business support brokerage should be combined into one seamless service from April 2009.

Equipping young people with the skills they need for work and life

- 41 The major focus of the Leitch Review was is on training and skills for adults. This is because 70 per cent of the 2020 workforce is already beyond the age of compulsory education. But our long term skills needs will only be met if we also ensure that young people have a better start than previous generations, and are equipped with the skills, competencies, understanding and attributes they need to succeed in a modern, sustainable economy.
- 42 In England, we have a major programme underway to reform education and training for 14-19 year olds. This programme includes rolling out new Diplomas in a number of broad occupational areas that have been developed with the SSCs, which will help young people to develop the skills they need for work and higher level study.
- 43 We are making basic English, maths and ICT skills the cornerstone of young people's education, integrating them into Diplomas, Apprenticeships and GCSE English, maths and ICT, as well as creating a stand-alone qualification.
- 44 We have consulted on proposals to raise the participation age to 18, so that all young people would be required to continue in education or training until the age of 18. We will shortly be publishing a report of the consultation and have announced our intention to introduce legislation to implement these proposals.
- 45 We have also made a commitment to boost the number of Apprentices in England, and to ensure that all suitably-qualified young people will have access to an Apprenticeship.
- 46 In 2007, the number of Apprentices has risen to 250,000. We want to build on this success by introducing a new entitlement to free training for those aged 19-25, in order to help more people in this target group to achieve their first full level 3 qualification. For many people in this group, an Advanced Apprenticeship will be the most appropriate programme. The Train to Gain brokerage service will help employers access the Apprenticeships scheme.
- 47 Following the recent Machinery of Government changes, sponsorship of the further education and higher education sectors now sits with the new Department for Innovation, Universities and Skills (DIUS). The DIUS will work in partnership with the Department for Children, Schools and Families (DCSF) to secure effective delivery of 14-19 reforms.

applied learning delivered in work-related contexts and will include functional skills in English, maths and ICT, as well as personal learning and thinking skills. They will be available at three levels, equivalent to GCSEs at lower grades, GCSEs at higher grades, and A level. Employers have led the design of the Diplomas, and will also be integrally involved in their delivery, both nationally through the provision of support materials by the relevant SSCs and locally through enhanced work experience and other forms of work-related learning.

- 5.7 In September 2008 the first five of fourteen Diploma lines will be delivered in two thirds of all Local Authorities by 145 consortia. The consortia bring together colleges, Academies, independent schools, sixth form colleges, specialist schools, special schools, trust school pathfinders, work-based learning providers, connexions partnerships and HE institutions. Employers are also playing an active part in many consortia.

Functional Skills

- 5.8 The lack of basic literacy and numeracy skills has long been a primary concern for employers, and we are committed to ensuring that all young people have these skills. So, as well as creating stand-alone qualifications in the functional skills of English, maths and ICT, we are making them a compulsory component of GCSEs in English, maths and ICT, Apprenticeships and the new Diplomas.
- 5.9 The functional skills standards were designed with the help of employers, and initial trials ended in March. The pilot qualifications, in both the stand-alone form and for integration within GCSEs, are being accredited by the QCA. Pilots will begin in September, with first teaching of all three functional skills beginning nationally in September 2010.

Apprenticeships Entitlement and Expansion

- 5.10 We will boost the number of Apprentices in England and ensure all suitably-qualified young people have access to an Apprenticeship through the creation of a new entitlement, announced in October 2005. To deliver this the LSC and SSCs, working with the Apprenticeship Ambassador Network, have drawn up a joint action plan. SSCs have been asked to make an assessment of the potential for Apprenticeship expansion in their sectors. The plan shows that there are a number of sectors with scope for significant expansion, including some with little previous experience of Apprenticeships, such as parts of the public sector and the creative industries.
- 5.11 Within the constraints of the available budget, the key tasks addressed in the plan are to:
- Expand the current pilots of vacancy-matching services, so young people are able to access Apprenticeships which meet their needs and abilities. National rollout will begin in 2008/09.

5.1 As Lord Leitch observed, some 70 per cent of the 2020 workforce have already left compulsory education. That is why we need a continued focus on the skills of adults. However, we will not achieve our world class ambition unless we also build better foundations for the future. We must ensure that every young person entering the workforce – regardless of their background or preferred learning style – is equipped with the skills that they need for successful employment, and that employers need to improve productivity and competitiveness. This means doing more to encourage young people to remain in education and training; making the curriculum more relevant and work-related, while continuing to focus on the basics; and getting employers themselves better engaged in the design of qualifications and support for young people’s learning.

Raising standards in schools

- 5.2 We have made good progress in all Key Stages of the school curriculum. At Key Stage 3, test results for 2006 show sustained improvements, and the highest ever results in maths and science since the Secondary National Strategy was introduced in 2001.
- 5.3 The National Strategies are at the heart of our work to raise standards. Since 2006, intervention materials and progression maps have enabled teachers to assess which aspects of learning are holding a pupil back and draw on targeted materials to help pupils in core subjects. In partnership with the QCA, the Strategies have developed Assessing Pupil Progress tools, designed to underpin robust teacher assessment of pupil progress in English and maths, as the basis for planning more tailored teaching and learning.
- 5.4 In addition to the development of functional skills in English, maths and ICT described below, the QCA has developed a framework of personal, learning and thinking skills. This comprises six groups of skills: independent enquirers, creative thinkers, reflective learners, team workers, self-managers and effective participators. Work has begun to integrate these skills into the secondary curriculum and qualifications. In September 2008 a new secondary curriculum will be introduced, putting greater emphasis on using the whole curriculum to develop these general skills.
- 5.5 The new secondary curriculum will also introduce greater flexibility within programmes of study, which will allow schools to develop cross-curricular themes encompassing life skills such as developing creativity and financial capability. From September, case studies and guidance will demonstrate to schools how these essential skills can be developed across the curriculum.

14-19 Reforms

Diplomas

5.6 The introduction of the new Diplomas will give greater curriculum choice to learners and will better prepare young people for successful employment in the economy of the future, as well as for further and higher education. They will combine theoretical and

1. Our world class ambition

Chapter summary

This chapter describes our ambition to ensure that the workforce in England has world class skills by 2020, including the progress we want to make by 2011. It explains our approach to the balance of funding responsibilities between employers, individuals and Government and sets out our plans to increase the proportion of public funding in England that is demand-led.

Lord Leitch’s recommendations

Lord Leitch recommended that the UK commit to becoming a world leader in skills by 2020, rising to the upper quartile of the OECD. For England that means by 2020 we would need:

- 95 per cent of adults with the basic skills of functional literacy and numeracy⁵, up from 85 per cent literacy and 79 per cent numeracy in 2005;
- exceeding 90 per cent of adults to be qualified to at least level 2⁶, up from 69 per cent in 2005. A commitment to go further and achieve 95 per cent as soon as possible;
- to shift the balance of intermediate skills from level 2 to level 3⁷, with 1.9 million additional level 3 attainments over the period;
- to deliver our share of the 500,000 a year UK ambition for people in Apprenticeships; and
- exceeding 40 per cent of adults to be qualified to level 4⁸ and above, up from 29 per cent in 2005. A commitment to achieving world class levels.

He also recommended that all publicly funded, adult vocational skills funding in England, apart from community learning and programmes for those with learning difficulties and disabilities, should go through demand-led routes by 2010.

5 Defined as level 1 literacy (equivalent to GCSE English at grade D-G) and entry level 3 numeracy (one level below level 1).

6 Equivalent to 5 GCSEs at A*-C grade.

7 Equivalent to 2 A levels.

8 Equivalent to a certificate in higher education, foundation degree or honours degree.

Our world class ambition

- 1.1 We accept the ambition Lord Leitch recommended and adopt it as our own. The new UK Commission for Employment and Skills, once established, will maintain an overview of both our progress towards the ambition and the ambition itself to ensure it continues to reflect 'world class skills'.
- 1.2 The final Comprehensive Spending Review (CSR) outcome across Government, and the associated Public Service Agreements (PSA) and Delivery Agreements, will be published in detail in the autumn. Our current thinking, which will be subject to that announcement, is that it should be possible to make the following progress on skills by 2011:
- participation in full-time education by 17 year olds to rise to 84 per cent;
 - 222,000 level 1 literacy achievements per year and 165,000 entry level 3 numeracy achievements per year; that would mean 89 per cent of adults qualified to at least level 1 literacy, and 81 per cent qualified to at least entry level 3 numeracy, up from 85 per cent literacy and 79 per cent numeracy in 2005;
 - 449,000 first full level 2 achievements per year; that would mean 79 per cent of adults qualified to at least full level 2, up from 69 per cent in 2005; and
 - 213,000 first full level 3 achievements per year; that would mean 56 per cent of adults qualified to at least full level 3 up from 48 per cent in 2005.
- 1.3 By 2014, we will aim for 36 per cent adults to be qualified to level 4 and above, up from 29 per cent in 2005.
- 1.4 Subject to the final CSR announcement our thinking on definitions is as follows:
- The Spending Review 2004 Skills for Life PSA target measures the number of first achievements by Skills for Life learners gaining a literacy, language or numeracy qualification at entry level 3, level 1 or level 2. We consider that future measures should focus on the number of people who have reached the minimum standard required, namely entry level 3 for numeracy and level 1 for literacy. This would be more inclusive, as improvement would not be possible without continually reaching out to new people who do not have adequate Skills for Life. It would also cover those learners for whom English is a second language and who progress towards skills at level 1 through provision of English for speakers of other languages (ESOL).
 - Measures should include the entire working age population, not just those adults in the workforce (as is the case for the current level 2 PSA target). This means that to drive improvement we must up-skill those who are currently not in work. The best way to do this is to help them move into a job with training. This will incentivise joined-up delivery of employment and skills services.

5. Equipping young people with the skills they need for work and life

Chapter summary

This chapter sets out how we will ensure that young people are equipped with the skills they need for further learning and employment. We are doing this by:

- making the school curriculum more personalised and engaging, with better progression routes;
- reviewing the Key Stage 3 phase, and reducing prescription of the National Curriculum to allow flexibility for more engaging teaching;
- rolling out 14-19 Diplomas, which will help young people develop the skills they need for work and higher level study;
- making functional skills the cornerstone of young people's education;
- giving all suitably-qualified young people access to Apprenticeships through a new Apprenticeship entitlement;
- improving work-related learning;
- giving employers greater involvement in the design and delivery of qualifications; and
- consulting on raising the participation age to 18, so that young people are required to stay on in some form of full-time or part-time education and training.

Lord Leitch's recommendations

Lord Leitch recommended that we should:

- boost the number of Apprentices in the UK to 500,000 each year by 2020;
- build on the success of the Apprenticeship route, expanding it to become a pathway which is open to every suitably qualified 16-19 year old; and
- consider raising the participation age, so that all young people must remain in full or part-time education or workplace training up to the age of 18.

expect many employers, where unions are recognised, will want to make a joint approach to Train to Gain Skills Brokers with their recognised Trade Union.

- 4.27** In May 2007, the Confederation of British Industry (CBI), TUC and Government Departments launched a joint project to produce best practice guidance helping employers, employees and trade unions, where present, to develop workplace dialogue on training and skills. We aim to publish that guidance in autumn 2007, after assembling evidence from a range of other organisations and experts.
- 4.28** Collective Learning Funds are part of a project run by the TUC to examine how unions and employers can work together to develop learning agreements in the workplace. We will publish the results of the project by the end of December 2007. The Collective Learning Fund project in the North West has been set up by the DIUS, TUC and Unionlearn to help define a strategy for developing joint funding models to support learning in the workplace, including workplace learning centres. The aim is to identify, pilot and evaluate different models for pooling funds, and produce a report that sets out proposed models with supporting case studies.

Employers and Unions working together to improve skills in the workplace

Merseytravel public transport operation has been steadily developing a new learning culture throughout its three divisions. They developed a single purpose agreement, designed to operate alongside existing bargaining machinery. The project it supports is known as Merseylearn. Since the agreement was signed, the role of Union Learning Representatives has been revitalised and joint working between the five unions has been achieved for the first time.

As importantly, the new learning culture has greatly improved management-union relationships. In 2006 Merseytravel was one of only nine UK organisations to be awarded liP Champion status.

Considering a legal entitlement to workplace training

- 4.29** If we do not make sufficient progress towards our world class skills ambition for 2020, we will consider creating an entitlement to workplace training for employees in England lacking a first full level 2 qualification. We will ask the UK Commission to maintain an overview of progress towards our ambition, and in 2010 Government will review whether introduction of an entitlement is necessary and appropriate.
- 4.30** Key considerations in this review will include the progress of our reforms, the level of take-up of the Skills Pledge, and progress against a range of metrics of skills and business performance, which the UK Commission will develop. Until the review in 2010 has been completed, we will retain an open mind on whether legislation for a workplace entitlement will be necessary or desirable.

- A new indicator at level 3 would support increased skills at a level many employers see as vital to their businesses. This would also be the first time we would set a PSA indicator for achievement at level 4 and above.

- 1.5** These ambitions for 2011 represent a step-change in progress towards our 2020 world class skills ambition. They can only be delivered by a combination of greater investment by employers, individuals and Government; and continued reprioritisation of public funding towards priority programmes. Full details of the funding allocations for 2008/09 will be published in the autumn.
- 1.6** These are exceptionally demanding goals. Our direction of travel is clear. But we will review on an annual basis our progress in reshaping publicly funded provision towards these priorities, and the impact on colleges and training providers, to sustain an ambitious but achievable rate of change. We must be flexible in adapting as circumstances change, recognising that targets only tell part of the story, and ensuring that we always focus on the outcomes we are trying to achieve for learners and employers in terms of better lives and more successful, productive businesses. We will also safeguard the availability of programmes for learners with learning difficulties and disabilities, for first step progression opportunities within the Foundation Learning Tier, and for ESOL, in addition to the existing safeguard for programmes of personal and community development learning.
- 1.7** We recognise that migration flows can significantly affect the availability of skills in the labour market. The UK has benefited substantially from skilled people moving to live and work here. That has helped employers to recruit people with the right skills. The Government is creating a new Migration Advisory Committee (MAC) which will provide independent and evidence-based advice on where in the market labour shortages exist which can sensibly be filled by migration. The advice will feed into the Government's new points-based system for managed migration. At the same time, we need to keep under review the broader implications for our national skills base. We must keep investing in raising the skill levels of all those in this country, so that individuals and communities with low skills do not get excluded from the employment opportunities of a flexible, productive labour market.

The balance of funding responsibilities

- 1.8** Delivering our ambition, and the dramatic increase it requires in participation and achievement in priority areas, will require increased action and investment in skills from Government, employers, Trade Unions and individuals. It must be underpinned by a high quality, responsive system for skills in further and higher education. The DIUS will continue to focus public funding on addressing market failures and ensuring everyone has the basic platform of skills they need for employability and progression. At intermediate and higher levels of qualification, where the private returns are greater, we expect employers and learners to contribute more to the costs of learning.

- 1.9 This balance of responsibility between Government, employers and individuals is reflected in the reform of fee remission arrangements that is already underway. The Government will meet the full costs of learning in highest priority areas (notably literacy, numeracy and first full level 2) and for certain low income learners. No fees will be charged in those cases. The rate of public subsidy towards the cost of Further Education (FE) programmes will be reduced to 50 per cent by 2010 for learning outside the priority areas and learning where the returns are greater for learners and employers, so that the fee rises to 50 per cent. For some learning there will be no public subsidy, for example where courses are designed to help employers meet their statutory obligations (e.g. health and safety). As part of the reform of vocational qualifications set out in chapter 3, public funds from the Learning and Skills Council (LSC) will increasingly be focused on those qualifications identified by SSCs as promoting economically valuable skills.
- 1.10 In January 2007, the LSC and the former Department for Education and Skills (DfES) published proposals for a new demand-led funding system. Colleges and providers would receive an indicative funding allocation which would be informed by light-touch planning and their achievements against a set of key performance indicators. Delivery, performance and responsiveness would be reviewed during the year and adjustments made accordingly. The LSC's Statement of Priorities for 2008/09, to be published in the autumn, will set out the detail of our response to the consultation and how we will implement the demand-led system.
- 1.11 Lord Leitch recommended that all adult vocational skills funding in England should flow through demand-led routes by 2010. We endorse this direction of travel. However, given budget constraints, we believe doing so by 2010 would create unacceptable risks to the performance and stability of colleges and training providers, which in turn would damage the quality of education and training offered to learners. We will put our own goals in jeopardy if we destabilise the network of colleges and training providers, which between them represent a valuable community resource whose capacity we need to sustain and improve.
- 1.12 In light of this, and following those parts of the spending review settlement relevant to DIUS which were announced in Budget 2007, we are increasing substantially the proportion of public funding for adult training that is demand-led. Train to Gain employer training funds will be around £440 million in 2007/08, and over £650 million in 2008/09. We project that it will rise to over £900 million in 2010/11. Taking account of other work-based employer training programmes, we estimate that total employer-focussed funding will reach around £1.3 billion by 2010/11. Over this period we intend to begin rolling out the new Skills Accounts reflecting our commitment to an FE system that is also responsive to individual learner choice. This will mean that even more funding will be truly demand-led by 2010/11.

- 4.21 Research carried out by the University of Sheffield on behalf of the DfES showed that Apprentices deliver substantial wage returns to individuals and that the net present value is £16 for Apprentices and £17 for Advanced Apprenticeships for every £1 of public expenditure. Research carried out by leading employers on behalf of the Apprenticeship Task Force has shown that apprentices are up to 14 per cent more productive than other comparable employees who have not completed an Apprenticeship.

Reforming Investors in People

- 4.22 Investors in People has made a significant impact since its launch 15 years ago. Working with Investors in People can help employers to improve the performance of their businesses by investing in and making the most of the skills of their employees. In the context of our stretching new ambition on skills, it is now timely, working with the Devolved Administrations, to review Investors in People UK's remit. The review will consider how we can build on its success to date and develop the Investors in People Standard and services to help employers to develop their businesses to rise to the challenges they face by investing in their people.
- 4.23 We will commission a review to run until December 2007. Subject to the outcome of the review and any subsequent consultation, we will implement the agreed recommendations from April 2008.

Investing in leadership and management

- 4.24 Leadership and management skills have a vital role to play in increasing productivity and prosperity across the economy. They help employers to shape and maximise the impact of their investment in skills.
- 4.25 We will ask the Leadership and Management Advisory Panel to work with SSCs to develop continuing professional development modules at a range of qualification levels that equip employers and their employees with the leadership and management skills they need, and which they are prepared to invest in.
- 4.26 Within the available budget, we will continue to support the development of leadership and management skills in small and medium sized enterprises through the Train to Gain service.

Supporting voluntary action within the workplace

- 4.26 There are already many good examples of employers and employees working together on voluntary initiatives to improve skills in their workplace. Union Learning Representatives play a vital role in helping employees to develop their skills and gain new qualifications. They have been a feature of the majority of good practice case studies of Skills for Life in the workplace. We want to develop their role to focus more on numeracy and level 2. We

services will work even more closely together to provide an effective joined-up for business²⁵.

- 4.15** Train to Gain employer training fund will be around £440 million in 2007/08, and over £650 million in 2008/09. We project that it will rise to over £900 million in 2010/11. By October 2007, we will publish a detailed delivery plan for these improvements, including how we will enable new providers to deliver the service more easily.

Apprenticeships for adults aged over 19

- 4.16** Apprenticeships are an important part of the skills brokerage offer to employers. The Apprenticeships model of training is well-understood, highly regarded, and effective. There is a lot of potential to extend its availability, as resources allow, for adults as well as young people, building towards the our world class ambition for Apprenticeship places in England.
- 4.17** In the 2006 White Paper on FE Reform, we announced the introduction of a new entitlement for those aged 19-25 to free training to achieve their first full level 3 qualifications. For many of that age group, an Advanced Apprenticeship will be the most appropriate programme – to which Government will contribute two thirds of the cost. That will address one of our skills weaknesses compared with other European countries, where it is more common for people to gain valuable skills through training as Apprentices into their early twenties. Funding will therefore be prioritised for those in the 19-25 age group who wish to benefit from an Apprenticeship to ensure that the needs of both learners and employers are met.
- 4.18** Apprenticeships in England have been transformed over the past 5 years. They provide a breadth of training that equips successful Apprentices with the competence they and their employers need, and with the transferable skills that will allow them to adapt to changing employment circumstances. They provide proven wage advantages for employees and, for employers, an excellent means to increase the productivity of new entrants and the existing workforce.
- 4.19** The number of Apprentices has risen to 250,000 in 2007 and the achievement rate now stands at 60 per cent, comparing well with other European countries. Last year over 98,000 apprentices completed their Apprenticeships and took their place in the workforce.
- 4.20** The Apprenticeship programme is the preferred programme for young people up to the age of 25. Recent research undertaken by the SSDA in conjunction with the SSCs reported that demand for Apprenticeships in this age cohort will increase as will the demand from employers. As more young people aged 16-18 complete an Apprenticeship the number seeking to progress onto an Advanced Apprenticeship will also increase, further supporting both employers' and learners' skill requirements. In many sectors employers look to recruit Apprentices only when they are aged 19 and over due to age restrictions applied in the sector for legal reasons.

²⁵ See also paragraphs 6.122 to 6.125 of the *Review of sub-national economic development and regeneration*, HMT, July 2007.

- 1.13** This rate of growth in the proportion of demand-led funding is extremely ambitious. It entails a radical shift in the pattern of provision, towards those colleges and providers that seize the opportunities to serve learners and employers in new ways. We will review progress each year, assessing with colleges and training providers the impact, the benefits and any unintended consequences, so that we can keep re-assessing each year the sustainable pace of change that will best serve learner and employer needs.

Equality and diversity

- 1.14** Our strategy on skills and employment will improve outcomes of equality and diversity. Gaining new skills and qualifications, learning and training are – alongside finding work – the most powerful ways individuals can transform their life chances and those of their families. The skills deficits in England are heavily differentiated by age, disability, ethnicity, and gender, but also by geography and socio-economic group. We will ensure that our policies, collectively and individually, act to narrow gaps in attainment and participation where these gaps are detrimental to social justice and economic success.
- 1.15** We have already had some success in reducing these inequalities. The proportion of working age adults with no qualifications or with highest qualifications below level 2 reduced from 41 per cent in 1997 to 32 per cent in 2006. Within that, the proportion of non-white ethnic groups with low or no qualifications fell from 46 per cent to 37 per cent. Disparities between regions have also decreased. In 1997 23 per cent of the working age population in the North East had no qualifications, compared to 14 per cent in the South East. By 2006 these proportions were 14 per cent and 10 per cent respectively. Overall success rates for students on further education courses have improved from 68 per cent in 2002/03 to 76 per cent in 2005/06. Within that, the gap between the best performing community (White) and the worst (Black-Caribbean) has narrowed from 11 per cent to 8 per cent.
- 1.16** As part of the Government's commitment to equality and narrowing gaps, this plan will be thoroughly reviewed to assess its impact, and to ensure we maximise its benefits for those groups experiencing the largest skills gaps. We will work closely with the new UK Commission for Employment and Skills, and with SSCs, to pursue sector-specific approaches and solutions, as these issues vary considerably between sectors. In taking forward this important agenda, and in ensuring that action on skills helps tackle the wide range of current labour market inequalities, we will work closely with the new Commission for Equality and Human Rights. We will also review the set of data DIUS publishes on participation and attainment, to ensure that we are leading the public debate on equality and social justice.
- 1.17** In February 2007 the former DfES and the LSC consulted on a draft equality impact assessment (EQIA) for all existing adult skills policies. It took account of the known implications of Lord Leitch's recommendations. The outcome of that assessment,

published in June 2007, has provided evidence on the likely impact of many of the actions set out in this plan in respect of race, disability, gender and age. The full EQIA is available at <http://www.dius.gov.uk/publications>. The overall outcome was positive.

- 1.18 We will continue to monitor the impact of our policies, to ensure that the reform programme has a positive impact on all of society and to help us adapt it in light of that ongoing impact assessment.
- 1.19 Any policy areas in this plan not now fully covered by the EQIA will be subject to further impact assessment. We plan to publish a consolidated action plan encompassing all adult skills policies by the end of 2007, with a further full review of equality and diversity across adult skills policies by autumn 2010.

Sustainability

- 1.20 Sustainable development – meeting the needs of the present without compromising the ability of future generations to meet their own needs – is a defining challenge of the twenty-first century. If the nation is to play its full part in challenging global poverty and combating environmental problems like climate change it is imperative that everyone in this country develops the skills of sustainable living and working. That means placing sustainable development at the heart of skills provision, ensuring that it is a fundamental goal of our economic and social progress.

also support discrete Skills for Life programmes as well as those embedded within level 2 programmes for those who do not already have a level 2 qualification.

- 4.11 Skills Brokers will also give employers access to Apprenticeships, support for leadership and management, and a wide range of other skills solutions offered by key partners, including Jobcentre Plus and Investors in People.
- 4.12 The LSC and Jobcentre Plus will continue to work together to strengthen the links between Train to Gain mechanisms and support for employers' recruitment, so that employers are able to address the skills needs of their future and current employees. Through 'skills for jobs' (see Chapter 2), we will increase the pull of Train to Gain by linking it to Local Employment Partnerships. These will design pre-employment and work experience route-ways for employers, recruiting Jobcentre Plus customers who are committed to find work with training and who have the potential to progress.
- 4.13 To date, skills brokerage has been mainly focused on small and hard to reach employers. We will ensure that the skills brokerage offer is available to any employer in England who wants to access it. The brokerage service will be the first point of contact for employers making the Skills Pledge. Following a review of Train to Gain, we will support the expansion of the service by:
 - a. Expanding the current skills brokerage offer to ensure that it can support employers of all sizes and in all sectors, private, public and voluntary.
 - b. Asking the LSC to expand the remit and capacity of the National Employer Service so that it can work with a greater number of employers with more than 5,000 employees.
 - c. Whilst retaining the integrity of the independent skills brokerage offer, working with colleges and training providers to introduce greater flexibility into the way they can work directly with employers.
 - d. Working with the Institute of Business Consulting (IBC) to develop the capability of the brokerage service to ensure they are able to provide a wide range of support to employers.
 - e. Working with the QIA, IBC and LSC to develop a major programme of capacity building for providers and, in particular, their staff who work with employers, building on the improvement programme led by the QIA. The new standard for employer responsiveness and vocational excellence, and the existing brokerage standards, will provide the framework for this activity.
 - f. Opening up Train to Gain to those in the voluntary sector.
- 4.14 Following consultation on Business Support Simplification, we will consider in the autumn whether skills brokerage and business support brokerage should be merged to provide a seamless service. Any change would be made from April 2009. In the meantime, the two

will encourage General Secretaries, officials, representatives and members to promote and advocate the Skills Pledge.

Making the Skills Pledge in the Public Sector

The Public Services Forum set up a Learning and Skills Task Group to pull together Government, Trade Unions, employers and skills agencies to improve public services through action on skills.

The Task Group assessed the long-term skills priorities for public services and developed a plan of action. A major element is a joint commitment across public services to deliver the Skills Pledge, adapting it so that the core offer is available to employees as soon as possible, with a wider, sector-specific offer building on this in the long term.

The Group also recommended developing new skills pathways for young people entering employment in the public services, and using Train to Gain to develop training partnerships in different public services. They will also undertake a case study in the adult social care sector to test the effectiveness of this approach.

Expanding and improving the Train to Gain service

- 4.7 Following several years of piloting, Train to Gain was rolled out nationally in 2006. Skills brokerage offers employers free independent and impartial advice on skills and helping them to access high quality, flexible training that meets their needs.
- 4.8 Performance to date has been good. The brokerage service has been effective in targeting key employer groups, with more than 95 per cent of those engaged being small companies with fewer than 50 employees, and more than two thirds of employers classified as 'hard to reach'²⁴. This is important to ensure we do not incur massive deadweight, but use public funds to support training that would not otherwise have happened. Employer satisfaction with Skills Brokers is high (90 per cent). Of the 40,000 employers that have already engaged with the service, some 26,000 have supported 154,000 employees to begin learning programmes.
- 4.9 We will build on this early success to expand the service and ensure that it can address employers' skills needs at all levels. Skills brokerage must become a much broader service, helping employers of all sizes and in all sectors to invest in their businesses by improving the skills of their employees. It must help employers and employees in disadvantaged communities, as well as those in more prosperous areas.
- 4.10 From 2008/09, employers will be able to access matched funding for level 3 programmes as part of the package they put together with skills brokers, and we will continue to develop the higher level skills offer in the light of the current Higher Level Skills Pathfinders. We will

²⁴ 'Hard to reach' is defined as an employer who is not a recognised Investor in People and who has not provided training leading to a qualification for their staff in the last 12 months.

2. Supporting individuals to improve their skills and progress in work

Chapter summary

This chapter describes how in England we will support people at all levels to develop their skills throughout their lives and careers. A phased but ambitious programme of transformation will secure closer integration between employment and skills services, in support of our aspirations for an 80 per cent employment rate and the eradication of child poverty by 2020. Progressively, this will involve:

- a new joined-up system of support for adults who want to progress in their lives; whether that be moving from worklessness into sustained employment or from a low-skilled, low-prospects job onto a new and better career path;
- greater ownership and choice for individuals over their training, through Skills Accounts, backed by new joined-up services providing information and advice on jobs, skills and training;
- an ambitious new framework of joined-up partnership working, performance management and targets for Jobcentre Plus, the LSC and a new adult careers service;
- Jobcentre Plus playing a pivotal role, so that its customers can access skills training before and during employment as appropriate, in tandem with the careers service and Train to Gain;
- LSC ensuring its budget is progressively spent on more responsive and flexible employer-focused training – with funds increasingly focused on tackling low skills to improve employability and progression;
- a new communications campaign to get across the value of skills and foster a new culture of learning; and
- new legislation to strengthen the current funding entitlement for adults to free training in basic literacy and numeracy skills, and to achieve their first full level 2 qualifications.

Lord Leitch's recommendations

Lord Leitch recommended that we should:

- adopt a new integrated objective for employment and skills services which provides measures of sustainable employment and progression;
- create a new universal adult careers service, providing labour-market focused careers advice for all adults;
- develop a new programme of support to address key employability needs for all benefit claimants;
- offer a greater role for basic skills training through Jobcentre Plus, encouraging benefit claimants to improve their basic skills;
- create a more transparent system of learner support through a Skills Development Fund;
- ask the UK Commission for Employment and Skills to advise in 2010 on whether there should be further institutional change to secure better integrated employment and skills systems; and
- create a culture of learning.

The power of skills to change lives

- 2.1 We must create a new culture of learning at all stages of a person's career and skills development. Too many people, even in today's environment of high employment and rising skills levels, are left behind. We must do more for those who face the biggest challenges in breaking out of poverty, worklessness, or a low-pay, low-skilled job without prospects. This is especially important given the demographic challenges we face: an aging population and inward flows of young skilled migrants. Every adult must understand the link between gaining economically valuable skills and achieving their personal ambitions, at work and more broadly. They should be certain about the support available to help them achieve career goals. They should be confident about the choices they make to improve their skills, and their position in the labour market.
- 2.2 There is a specific and urgent priority to tackle skills and employment needs for people who are out of work or who have low skills. Overall, around half of those who have very low skill levels – around 2.5 million people – are unemployed or economically inactive. Too many people still find it difficult to find a job or progress in work. They are trapped in a cycle of low-skilled, poorly-paid, often short-term employment with few training opportunities and dependence on public support. Many of those who are registered as unemployed frequently move between work and claiming benefits, and lone parents need more help to acquire the skills they need to get into and get on in work.

- 4.4 A question and answer brief for employers on the Skills Pledge is available at www.traintogain.gov.uk.

What happens if an employer makes the Skills Pledge?

Every employer who makes the Skills Pledge will be given access to support from a Skills Broker through the Train to Gain service. The Broker will be available, free of charge, to work with the employer to understand their business needs, conduct an organisational needs analysis where needed, and identify training priorities at all skill levels. The Broker will help the employer to draw up a fully costed action plan for that training programme that will set out the financial contributions from the state and the employer.

The employer will be offered a choice of providers that are best able to respond to their needs, including in relation to higher level skills. Should the employer wish to proceed, the Broker will link the employer up with the chosen training provider, assuming that relationship does not already exist. It will then be for the employer and the provider to agree how best to realise the action plan. The Broker will remain on call should the employer want advice at any stage of the process.

There is a dedicated helpline and website that will act as the point of information and registration for all employers. This can be accessed through the existing Train to Gain number 0800 015 55 45 and www.traintogain.gov.uk. This will allow callers to register for both Train to Gain and the Skills Pledge should they wish.

Through the helpline we will collect some very basic information (such as contact details, region, number of employees and sector) to enable those administering the Skills Pledge to ensure that the most appropriate Skills Broker makes contact. For large employers with 5,000 employees and above this will usually be the LSC's National Employer Service. For other employers it will tend to be a Train to Gain Skills Broker.

- 4.5 More than 150 employers have already made the Skills Pledge, including all Central Government Departments, the armed forces, the police force, Ford Motor Company, McDonalds and Sainsbury's. That means more than 1.7 million employees are now covered by the Pledge.
- 4.6 This is a good start, but it is only a start. We will continue to develop the programme to encourage take up of the Pledge by working with and through a wide range of bodies that can act as advocates and champions, including employer organisations, local authorities and others. We hope that some employers who make the Skills Pledge will become 'Skills Pledge Champions', sharing their experience of the benefits of investing in skills and encouraging other employers in their supply chain or sector to make the Skills Pledge. SSCs, particularly through the development of SSAs, will play a key role in championing the Skills Pledge and working with employers in their sector to make the Skills Pledge work for them. The TUC has committed its support for the Skills Pledge and

Employers making the Skills Pledge

- 4.1 The Skills Pledge encapsulates the new partnership we need to forge between employers, employees and Government to drive up skills in the workplace, with each taking responsibility for increasing their action and investment. The Skills Pledge gives employers in England an opportunity to demonstrate their commitment to investing in the skills of their employees. By making and delivering the Skills Pledge, employers are investing in their employees and in their business; supporting their employees to increase their skills will also support increased productivity and profitability for their business.
- 4.2 Through the Skills Pledge employers will commit to support their employees and new recruits to improve their skills and become better qualified. As a minimum, that means supporting all employees who need them to gain literacy and numeracy qualifications, and work towards achieving first full level 2 qualifications. The wording of the Skills Pledge is set out in the box below. In return for their commitment, employers making the Pledge will have access to Train to Gain, including the support of the brokerage service and literacy, numeracy and first full level 2 training for their staff. This is subject to the funding limits set out in paragraph 15 below, under which we project Train to Gain employer funding will increase to over £900 million by 2010/11.

Making the Skills Pledge

On behalf of [company/organisation name], I, as Chief Executive/Chief Operating Officer [or other board member], make a commitment that we shall:

- actively encourage and support our employees to gain the skills and qualifications that will support their future employability and meet the needs of our business/organisation;
- actively encourage and support all our employees to acquire basic literacy and numeracy skills, and with Government support work towards their first level 2 qualification in an area that is relevant to our business/organisation; and
- demonstrably raise our employees' skills and competencies to improve company/organisation performance through investing in economically valuable training and development.

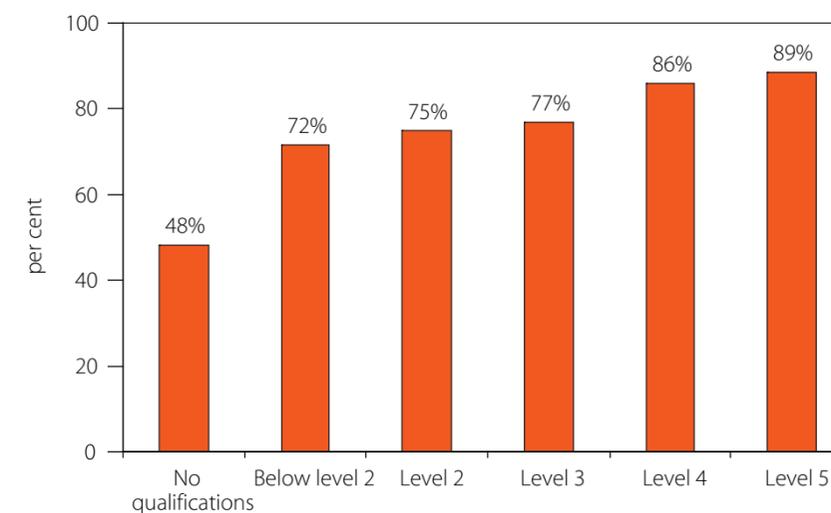
- 4.3 Each employer should specify the scale, scope and timetable for delivering their Skills Pledge. Every Skills Pledge should include a commitment to support employees to gain literacy and numeracy skills and to work towards their first full level 2 qualification in an area that will be valuable for the employer. Where their business needs are at higher skills levels, many employers will want to extend their commitment beyond this 'core' Pledge to support employees to gain higher level qualifications relevant to their business. Each employer's Skills Pledge should be backed up by an action plan, which can be as short or as detailed as the employer wants, depending on the needs of their own particular business. There will be no requirement for action plans to be shared outside of the organisation.

- 2.3 The evidence shows that gaining new skills and qualifications can help people improve their lives in a number of ways – for example, better wages, improved employability, and progression to further learning. And by helping low skilled adults achieve new skills and qualifications we enable them to provide better support for their children to learn and develop as well. Thus skills are a powerful lever for social mobility, both for individuals and between the generations.

Wages and employability

- 2.4 There is a strong positive relationship between qualifications and wages. In particular, acquiring vocational qualifications and economically valuable skills gives people a second chance to improve their labour market value if they did not succeed at school. People who leave school with low or no qualifications and then achieve level 2 vocational qualifications can earn substantially more than those who do not undertake further learning. For example BTEC First Diplomas carry a 7 per cent wage premium, City and Guilds Craft qualifications around 14 per cent (men only), and RSA First Diplomas 18 per cent (women only)⁹. There is also an impact on employability: people who leave school with poor GCSEs (or equivalents) and later go on to achieve level 2 vocational qualifications in their twenties improve their employment chances by 11-17 percentage points¹⁰.
- 2.5 Those without qualifications are far more likely to be out of the labour market. As figure 1 below shows, 75 per cent of those with a level 2 qualification are in employment compared with under half of those with no qualifications. The worklessness rate for people with no qualifications is twice as high as for those with level 2 qualifications.

Figure 1: Employment rate by highest level of qualification



Source: Labour Force Survey Quarter 4, 2006

9 Dearden, L., McGranahan, M. and Sianesi, B. (2004) 'An In-depth Analysis of the Returns to National Qualifications Obtained at Level 2', CEE Discussion Paper No 46.

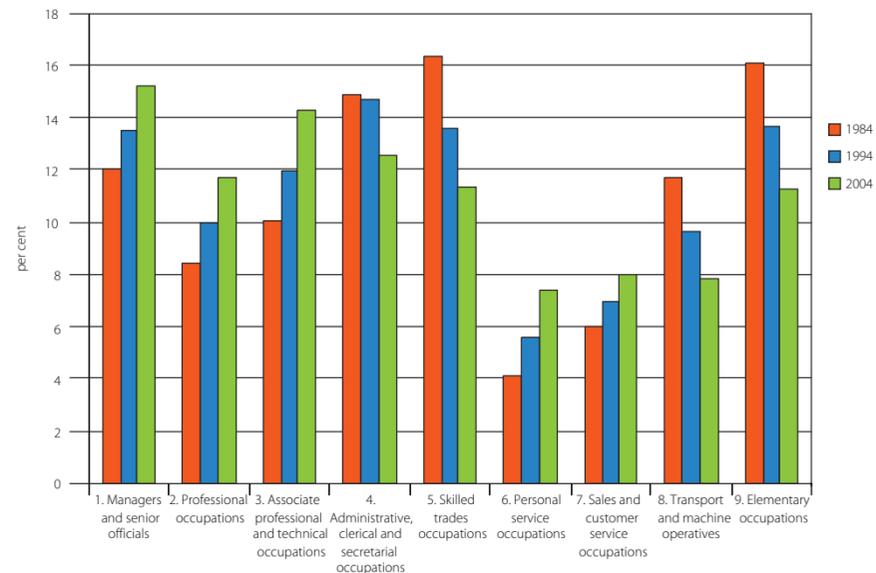
10 McIntosh, S. (2004) 'The Impact of Vocational Qualifications on the Labour Market Outcomes of Low-Achieving School-Leavers', CEP Discussion Paper No 621.

2.6 For adults who did not do well in initial education, skills and qualifications have the potential to improve their chances of progressing in work. Higher-level jobs are more likely to be performed by better qualified individuals. The majority of people in professional and managerial occupations have level 4 qualifications or higher, whereas over one in five people in elementary occupations have no qualifications.

Social mobility

2.7 The economic growth of the UK, the changing skills composition of the labour force and the associated increase in real incomes has led to changes in the socio-economic composition of the population. As figure 2 below shows, over the past twenty years, the number of jobs in managerial, professional and associate professional occupations has grown, whereas the number in elementary occupations has fallen.

Figure 2: Percentage of employees in occupational groups 1984-2004



Source: *Working Futures 2004-2014 National Report*, Wilson et al. (2005)

2.8 We expect these trends in the occupational structure of the economy to continue, with a growth in professional and managerial occupations and a decline in routine and elementary occupations. Past trends have also shown a continuing increase in the skills demanded in the economy:

- 3.2 million unqualified adults were in work in 2004, but by 2020 there will, on current trends, be only 600,000; and
- the number of adults employed in elementary occupations is set to fall by 2020 to 2.5 million, from 3.5 million in 2004¹¹.

¹¹ *Alternative skills scenarios for the UK economy: report to the Leitch Review of Skills*, Cambridge Econometrics and Institute for Employment Research, 2005.

4. A new partnership for the workplace

Chapter summary

This chapter sets out how we will support employers to improve workplace skills in England by:

- encouraging employers in England to take responsibility for the skills of their workforce by making a Skills Pledge, to support their employees to become more skilled and better qualified, with Government support;
- improving the Train to Gain brokerage service to support employers to address all of their training needs;
- with the Devolved Administrations, instituting a fundamental review of Investors in People;
- supporting the Trade Union Congress Unionlearn and union learning representatives; and
- reviewing, in 2010, whether Government should introduce an entitlement to workplace training for employees lacking a full level 2 qualification.

Lord Leitch's recommendations

Lord Leitch argued that Government and employers should forge a new 'something for something' deal to increase the skills of the workforce. In particular, he recommended that we should:

- support and encourage all employers in the UK to make a Skills Pledge – a promise to the workforce that every eligible employee will be helped to gain basic skills and a first full level 2 qualification;
- review the remit of Investors in People, to consider how Investors in People UK and its products should be reshaped to support delivery of our ambition;
- extend the leadership and management programme for small and medium sized enterprises (SMEs) to firms with between 10 and 20 employees; and
- in 2010, undertake with the UK Commission a review of progress. If progress towards our skills ambitions is insufficient, we should introduce a legal entitlement to workplace training for employees lacking a first full level 2 qualification supported through Train to Gain.

HE institutions and SSCs working together

e-Skills UK has worked with HE institutions to develop an employer-supported Information Technology Management for Business (ITMB) degree programme. The degree was designed with input from business to provide employers with IT staff with the business, technology and communication skills needed in today's IT workplaces. 13 universities are committed to running an endorsed ITMB degree by this October.

Skillset are developing a network of Skillset Academies, to help the audio-visual industries partner with HE institutions in training and recruiting the innovative, skilled and entrepreneurial individuals they need. The centres of excellence will set new standards in the design and delivery of practice-based education and training.

- 3.59 But this activity is still underdeveloped compared to its potential, both for SSCs and for higher education. Several of the SSCs cover sectors where employers' main concern is higher level skills, and all of them will have an interest in subjects such as leadership, where universities and business schools have much to contribute. To achieve our world class skills ambitions we need more, and more ambitious, models of collaboration between relevant SSCs and HE institutions, and we will support the speedier development and growth of such models.
- 3.60 Where appropriate, professional bodies will need to collaborate with SSCs and HE institutions to influence higher level provision. Working with the Higher Education Regulation Review Group and the Gateways to Professions Collaborative Forum we will look to strengthen the partnerships between these stakeholders, including holding an event by the end of 2007.

- 2.9 We also expect the skill levels in low level occupations to rise. Elementary jobs today do not represent the same level of skill as an elementary job 13 years ago and this type of change is expected to continue.
- 2.10 Social mobility also has an intergenerational aspect – that is, between adults and their children. There is a striking correlation between child achievement and family deprivation. Key Stage 4 attainment for pupils entitled to Free School Meals (FSM) is disappointingly low – less than 20 per cent get 5 or more GCSEs at A* to C or equivalent including English and Maths. Almost half of non-FSM pupils achieve this standard¹². By enabling adults to gain the skills and qualifications for well-paid, sustainable jobs, we can powerfully improve their children's prospects as well.
- 2.11 Beyond the economic benefits of education, there are also wider benefits associated with higher qualification levels. These are often harder to isolate, quantify and attribute to specific qualification levels than financial benefits. But research suggests that they include benefits in the form of better health, reductions in criminality, and improvements in civic and community participation.
- 2.12 Level 2 qualifications also provide a platform for progression to further learning. People qualified to level 2 are more likely to engage in further learning and three times more likely to receive employer-provided training than those with no qualifications¹³.
- 2.13 For low-skilled individuals, the evidence suggests that the best improvement in earnings and productivity occurs when qualifications are gained in the workplace¹⁴. However, the evidence is clear that low-qualified and low-skilled people are much less likely to receive training from their employers. This must change, and it will, through the Skills Pledge, through Train to Gain brokerage and training support and increased engagement by employers in skills.

A new offer for individuals

- 2.14 The DIUS and DWP are committed to ensuring that the skills and employment systems work together more effectively for the benefit of the customer. That will be reflected in the priorities for Jobcentre Plus, the LSC and the new universal adult careers service, within the resources available. Our aim is that in future customers of the employment and skills service will face no discontinuities. There will be no point where 'job-search' ends and 'up-skilling' begins. Instead there will be a single customer journey, from poor skills or worklessness to sustainable employment and the skills to progress. Support for the individual – both financial and human – will be accessible and sustained.

12 DfES SFR 07/2007, National Curriculum Assessment, GCSE and equivalent attainment and post 16 attainment by pupil characteristics in England 2005/6.

13 Snape, Dawn et al, *National Adult Learning Survey*, 2005; DfES Research Report 815, 2006; and, Labour Force Survey.

14 Dearden, L, McGranahan, L, and Sianesi, B, *An in-depth analysis of returns to National Vocation Qualifications obtained at Level 2*, Centre for the Economics of Education, 2004.

2.15 Our Skills Accounts proposals (described below) will offer new support for those needing to improve their skills. In addition, for the low paid and low skilled, we will reform the system to allow smooth movement between benefits and meaningful work. There will be a renewed focus on entry level and employability skills. We will provide flexible skills support alongside job search, and prior to finding a job where that is required, to enable customers to gain employment, combined with access to in-work training to help them progress.

2.16 We will ensure a strong partnership between Jobcentre Plus, the LSC and the new careers service. It will offer:

- adult skills, employment and employer services that are integrated and demand-led;
- more opportunity for those both in and out of work to gain the skills and qualifications they need to get jobs and stay and progress in employment;
- clearer financial support for those with the lowest skills and qualifications and those inactive in the labour market;
- professional and seamless customer service, underpinned by consistent employment and skills information, advice and guidance for individuals and employers; and
- measures to stimulate demand and to overcome low levels of individual and employer engagement, with active referral of people needing most help.

A single shared objective

2.17 As Lord Leitch recommended, DWP and DIUS are working together to develop a shared objective of sustainable employment and progression and a set of performance measures to underpin it. Although invisible to the customer this matters because the system must be incentivised to deliver employment and skills services in a joined up way at local level. A new set of cross-Government PSAs, alongside strategic objectives for each department, will be announced in the autumn with the final CSR settlement. Our current thinking is that they will contain measures of employment retention and progression, and we are exploring how the operational targets and business plans of Jobcentre Plus and the LSC will set out how they will deliver integration.

2.18 Through its independent advice to the Government, the new UK Commission for Employment and Skills will ensure that DIUS and DWP are making a reality of their commitment to close working, so that the employment and skills system better meets employer needs and the needs of individuals. The Commission will also advise in 2010 on whether there should be further institutional change to secure better integrated employment and skills services.

c. We will continue to develop the higher level skills offer within Train to Gain so that the service can respond to employers' skills needs at higher levels. In addition to the three regional Higher Level Skills Pathfinders (in the North West, North East and South West Regions), HEFCE is encouraging partnerships between institutions and employers in other regions and will consider how to build on these approaches. An early review of the pathfinders will report in December 2007.

Higher Education institutions engaging with employers

The University of Hertfordshire has taken a strategic decision to be a business-facing organisation, illustrated by its incorporation of the local Business Link. It is being supported through the HEFCE Strategic Development Fund for two projects to secure sustainable relationships which address the skills needs of employers. Outputs will include a long-term strategy for HE/employer engagement, an account management model, the capability to diagnose latent demand, and a new approach to delivering programmes that combines university-based and work-based training.

The University of Durham is developing its relationship with employers through its involvement in the HEFCE-funded North East Higher Level Skills Pathfinder. Durham has developed strong links with Newcastle Airport, HBOS and other local companies.

Cambridge-based *Anglia Ruskin University* has established a joint venture company, Anglia Distance Learning, with major high-street opticians, Specsavers. This enables Specsavers' staff to join a learning programme which can lead to employment as a clinical assistant, progress to accreditation as a dispensing optician, and to qualification as an optometrist. More than 3000 Specsavers' staff and staff from other companies have benefited from the programme.

3.58 As the HE sector's focus on working closely with employers enters a new phase, there will also need to be stronger interaction between HE institutions and SSCs. There are already good examples of HE institutions and SSCs working together:

- a. the Higher Education Academy has established a special interest group of more than 60 Pro Vice-Chancellors to develop best practice guidance on employer collaboration;
- b. through the Higher Education Academy HEFCE has provided additional funding of £500,000 for the network of 24 HE Subject Centres, which work with SSCs in the development of Sector Skills Agreements and Qualification Strategies; and
- c. the SSDA and HEFCE are encouraging SSCs to work with HE institutions to develop joint proposals on workforce development.

work closely together to ensure financial stability for those colleges that will be jointly funded through the LSC and Local Authorities. We will take the opportunity to review how the funding and accountability framework can best support initiative and high performance both at institutional level and across the FE sector as a whole.

Building on the Jobcentre Plus employer network

3.54 Employers need to be assured that, when they create vacancies, individuals with the right skills are available to fill them. Through its extensive contacts with employers at local and national level, Jobcentre Plus is ideally placed to offer a reliable source of information on employer needs. Local employment engagement plans are designed to identify those employers with key recruitment needs which are accessible to workless people. Working in conjunction with the activities of Skills Brokers, these plans can be used to foster a joined up offering on employment and skills, and vital labour market knowledge.

Delivering higher level skills for the workforce

3.55 In creating the new Department for Innovation, Universities and Skills, we recognised that the UK needs to foster greater and more sustained engagement between universities, colleges and employers in training, skill development and innovation. This implies a culture change within HE as well as FE.

3.56 Many HE institutions have already built up excellent working relationships with employers through their research and enterprise programmes, and the increasing impact of lifelong learning networks. A growing number are developing models for delivering higher level skills in a way that meet the needs of employers and employees. But all HE institutions need to grow their capacity to engage on a large scale with employers, in ways adapted to their different profiles and missions. Those activities should share equal status with research and academic activities. 'Business facing' should be a description with which any higher education institution feels comfortable.

3.57 Moving in this direction will be a long-term process and we will want, with the sector, to explore its implications more fully in the coming months. Initial action is already underway:

- a. We have asked HEFCE to develop a new funding model that is co-financed with employers, achieves sustained growth in employer-based student places and introduces the principle of employer demand-led funding.
- b. We have asked HEFCE to support an additional 5,000 employer co-funded student places in 2008-09, and to deliver further growth of at least 5,000 additional entrants year-on-year in each year up to 2010-11. In allocating funding for these places, HEFCE will prioritise support for programmes of work-based learning and those designed or delivered in conjunction with employers and SSCs. This three-year period will provide a crucial testing ground for establishing good practice and exploring how best to stimulate demand for HE in a range of new markets.

Universal Skills Accounts

2.19 Lord Leitch rightly proposed the reform of information, advice and guidance, the creation of a new adult careers service, and the introduction of learner accounts as the means by which adult learners would access their entitlements to funds covering all or part of their course fees. We will pilot a new concept – Skills Accounts – as a way of bringing all these proposals together. And we will introduce new legislation to strengthen the current funding entitlement for adults to free training in basic literacy and numeracy skills, and to achieve their first full level 2 qualification.

2.20 Skills Accounts will give individuals greater ownership and choice over their learning, motivating them to gain skills and achieve qualifications, enter work and progress in employment. Through Skills Accounts individual learners, including the workless, will have access to a wide range of support and advice that will help them to navigate their way through the system and help them to access the right training.

2.21 For those who are not being supported to train in the workplace, Skills Accounts will become the way into learning and up-skilling for all those aged 19 or over, other than in relation to HE. And it will be important that every part of the employment and skills system – including Jobcentre Plus, colleges and training providers and the new careers service – are all able to help individuals get on the ladder in terms of opening an Account.

How Skills Accounts will work

Skills Accounts will enable learners to access the full range of adult information, advice and guidance services in the new universal adult careers service. Having sought and received advice to help them decide on the content and type of learning that best suits their needs, learners will be guided through the process of enrolment, with an induction pack and a personalised learning and career plan. The induction pack will also set out information about what an account gives them, what they should expect from a high quality provider, what they will need to commit to, and where to go for further advice.

An account number and account card will help people to understand the levels of investment going into their training, whether their own, or from the state or their employer. The account number will be the unique learner number, assigned by the Learner Registration Service, being developed under the Managing Information Across Partners (MIAP) project. This part of the service will begin to be rolled out later this year.

Skills Account holders will have access to their own learner record, giving them the ability to make this available to others, such as prospective employers. When they have completed their learning, Skills Account holders will have the opportunity to log customer feedback on the course they have just finished.

2.22 In designing and piloting the programme we will build on what emerges from the Learner Accounts pilot that will run in 2007/08. We must also learn from the experience of

Individual Learning Accounts – both what worked, and what went wrong. At no time will there be any flow of public funding out of the system, giving a strong protection of the public purse from possible fraud. But we will ensure that the funds follow the learning, giving individuals maximum incentive to learn, and providers the maximum incentive to offer what learners need. This will be based on the LSC's new Adult Learner Responsive Model.

- 2.23** Skills Account holders will have a wide choice of providers. We will ensure that the market is managed effectively, quality assuring the list of colleges and training providers at which learners may use their accounts. We will encourage the entry of new providers who can respond to demand from account holders, opening up the FE market to innovative, high quality providers, with no drop in current standards.
- 2.24** To encourage low-skilled adults to take up learning, we propose to introduce legislation to support adults accessing basic literacy and numeracy programmes and training leading to their first full level 2 qualification. This would give statutory backing to the existing entitlements which we have created administratively since 2003. This arrangement would not create any new obligations on employers, since the case for new legislation around workplace training will be reviewed in 2010.

A new adult careers service

- 2.25** Good information, advice and guidance can be vital for finding the right training and the right work. But this is part of a larger goal: to help people make the most of their lives and take in their own hands their future and that of their families and communities. Our long term ambition behind creating a universal adult careers service, working with Jobcentre Plus, is to ensure that everyone is able to access the help they need to take stock of where they are in achieving their goals and ambitions, and to get the support they need to advance themselves and achieve their full potential.
- 2.26** That service has to recognise that many people face multiple barriers to gaining new skills and better jobs. So it is not enough to provide single solutions within the silos of each service, and leave the customer to make sense of joining it all up. We have to make the links for them, between jobs, training, childcare, living costs, with signposting to wider services such as health and transport, or advice on employment law, helping each individual put together the package that best helps them.
- 2.27** We will merge the information and advice services of learndirect and nextstep providers into a new universal adult careers service in England, working in partnership with Jobcentre Plus. It will promote individuals' management of their own learning, skills and career progression and support learners to get the most out of their learning and encourage progression. We will ensure that the information and advice services of all FE colleges and training providers are aligned with the objectives and quality standards of the adult careers service.

- 3.48** These new challenges call for a renewed and refreshed focus from central Government. The new Department for Children, Schools and Families (DCSF) will, for the first time, bring together all key aspects of policy affecting children and young people and deliver a step change in providing the excellent education and the integrated support to all children and their families and communities to which the Government is committed.
- 3.49** Seizing new, global opportunities will also require a world-class skills base – both through the expansion of high-end graduate skills and by raising the skills of the wider adult workforce, including those currently unskilled. The new Department for Innovation, Universities and Skills (DIUS) will lead work to deliver the Government's long-term vision to make Britain one of the best places in the world for science, research and innovation. It will also lead work to ensure that the nation has the skilled workforce it needs to compete in the global economy.
- 3.50** Sponsorship of the further education service as a whole, its post-19 funding, and sponsorship and funding of Apprenticeships and work-based training providers, will sit with the new Department for Innovation, Universities and Skills. To provide strong strategic leadership for the 14-19 phase overall planning responsibilities for that phase will transfer to DCSF as will all funding for 14-19 learners with the exception of that for Apprenticeships. Subject to consultation on the details and timing, to ensure there is no disruption to schools, colleges and training providers and the introduction of new diplomas, and the need to pass the necessary legislation, funding for school sixth forms, sixth form colleges and the contribution of FE colleges to the 14-19 phase will transfer from the Learning and Skills Council (LSC) to Local Authorities' ring-fenced education budgets.
- 3.51** To implement these changes for 14-19 policy and funding, we will need new legislation. There will be consultation on the details and timing of the changes. In the short term, the LSC therefore remains responsible in law for the allocation of funds to all forms of post-16 education and training outside of higher education. The LSC has demonstrated in recent years a powerful focus on delivery and an excellent record in the management of public funds. In the interests of learners, schools and colleges, continuing that high performance will remain essential as we work through the new organisational arrangements. The LSC will have a central role to play in managing the transition successfully.
- 3.52** In relation to post-19 education and training, we will consider, and consult on, the best way of delivering all of those functions and services that are necessary to support the FE sector and to achieve our skills ambitions. That will build on and sustain the progress made with the LSC over recent years in developing a demand-led approach that meets the needs of employers and learners, particularly through the successful Train to Gain programme.
- 3.53** In taking forward these changes, we will work closely with the LSC and other national partners along with schools, colleges and training providers, to ensure the changes are well managed and sustain institutional autonomy and stability. And DIUS and DCSF will

Government, its agencies and FE system providers is developing. Many of the changes that are taking place are leading towards a more self-regulating system. Proposals for further self-regulation in the sector are being developed by the sector's own Self-Regulation Implementation Group chaired by Sir George Sweeney of Knowsley Community College.

- 3.43** A radical programme of reform is already underway to deliver the commitments announced last year in the FE White Paper²¹. In tandem with this plan, we are publishing an 'Update: July 2007' report, showing what progress we have made in taking that reform programme forward (see www.dius.gov.uk/publications).
- 3.44** In support of these reforms, the Quality Improvement Agency (QIA) published a National Improvement Strategy in January 2007²² setting out how we will support self-improvement across the FE sector. The QIA and National Improvement Partnership²³ will now work with colleges and training providers to develop their capacity to thrive and succeed in the new demand-led environment.
- 3.45** The FE system reform programme includes the development of a balanced scorecard of performance indicators, known as the Framework for Excellence, which will provide a comprehensive performance management information system for the FE system. It will give learners and employers clear information about provider performance, and will support providers' own improvement programmes. In support of our wider agenda, it will include indicators of provider success in terms of employer satisfaction and employer engagement, and progression of students into employment and further learning. The Framework will also incorporate the new standard (see above) as one of the indicators of employer responsiveness.
- 3.46** By 2010/11 we will link the Framework for Excellence to national and local front-line information and advice services, such as those to be provided by the new adult careers service. This will help employers and learners access relevant, easy to understand and reliable information about quality and performance as they look for learning opportunities.

Re-shaping the role of the Learning and Skills Council

- 3.47** The Machinery of Government changes announced in June are designed to sharpen the Government's focus on the new and very different challenges that Britain will face in the years ahead. Great strides have been made in all aspects of education and skills over the past few years. But the significant challenges posed by the future demand new approaches.

²¹ *Further Education: Raising Skills, Improving Life Chances*, DfES, 2006.

²² *Pursuing Excellence*, QIA, 2007.

²³ The National Improvement Partnership Board includes: DIUS, QIA, LSC, Ofsted, Centre for Excellence in Leadership, Jobcentre Plus/DWP, Lifelong Learning UK, Skills for Business Network, QCA, awarding bodies and the British Educational Communications and Technology Agency.

2.28 Key features of the new adult careers service will include:

- a. Access through a variety of channels according to individual circumstances and preferences – face to face, online, by telephone and by a combination of these.
- b. A 'no wrong door' approach – the quality and appropriateness of the support should be the same, irrespective of whether the initial contact is with a jobcentre, a learning provider or the careers service itself.
- c. A menu of services comprising personalised assessment through a skills health check, advice on skills and employment, Skills Accounts and continuing support for progression.
- d. Ongoing support and follow-up for individuals. For people who are out of work and have low skills, the service will play a crucial role in helping them get the right balance of job search and training to help them into sustained employment and to progress in their career. The service will also signpost individuals to other services, where they have other needs than those related to skills alone, for example child care or advice on employment rights.
- e. Strong links between Jobcentre Plus and Train to Gain brokerage and employer training funds. Employers who take on workless people through Jobcentre Plus should be clear what support they can get through Train to Gain mechanisms. And Jobcentre Plus customers who undertake skills training prior to finding a job should be clear that they can carry on with appropriate training once they are in work.
- f. A reformed system for reaching out to those who are low skilled, in financial need and who do not see learning as relevant to them. We need to reform and increase the ways in which people can take the first steps towards learning. We will work through libraries, voluntary and community organisations and learning centres. We will utilise Union Learning Representatives and continue to foster networks of learning champions or learning ambassadors, particularly in deprived areas, to promote the service and to help it reach hard to reach groups.

2.29 Within the resources available for the universal adult careers service, more intensive support provided face-to-face will be targeted on particular groups such as benefit recipients, the low-skilled, those cycling between welfare and work, and others at key transition points in their careers.

2.30 The service will increasingly provide advice on financial support, such as Adult Learning Grants and Career Development Loans. It will ensure access to a new Skills Development Fund, replacing existing Learner Support Funds, in order to ensure potential learners are able to make well-informed decisions about training, with up-front information about the availability of funding.

2.31 The new service will focus on sustainable employment and progression, working closely with Jobcentre Plus. Advice will be underpinned by high quality labour market and occupational information developed and maintained by SSCs, Jobcentre Plus and other partners. Funding arrangements will involve incentives to increase the take up of services by low-skilled and harder-to-reach groups, users entering jobs or training, and users progressing in employment.

The role of Jobcentre Plus

2.32 Jobcentre Plus performs the key role in matching supply and demand in local labour markets. Of its 5.1 million customers, 38 per cent lack functional literacy and 45 per cent lack functional numeracy. Many more lack the basic employability skills that employers need. Jobcentre Plus works with 400,000 employers every year, supporting them in their recruitment with local labour market intelligence, advice on building a diverse workforce and in building training solutions with the LSC to meet employer needs. In its dealings with individuals and employers, Jobcentre Plus is well positioned to be the lead partner with LSC and the new careers service in integrating employment and skills services, ensuring employers' needs are met within the local labour market and identifying customers with job-related skills needs.

2.33 Jobcentre Plus will provide tailored and personal back to work support. Jobcentre Plus will help customers navigate their way around the welfare system, providing advice and signposting on benefits, tax credits, childcare, housing and health. Jobcentre Plus advisers will increasingly support individuals in getting help across their multiple needs, acting as their advocate with other agencies, bundling solutions together, which together will position them better to be ready to find employment. That will include appropriate skills training, alongside job search and prior to finding a job where appropriate, and also once in work. Jobcentre Plus will identify new jobseekers requiring skills-related help to increase their employability. Screening early in the new claims process will identify those jobseekers that require immediate support to gain the skills they need to secure sustainable employment and progress once in work, or address other specific barriers to employment.

Creating a new higher standard for employer responsive provision

3.37 The Centres of Vocational Excellence (CoVE) programme has successfully enabled colleges and training providers to develop, and gain recognition for, excellence in defined vocational areas. Since the programme was launched in 2001 some 400 CoVEs have been designated.

3.38 We will build on the success of the CoVE programme by raising the bar for excellence in meeting employers' training needs. Drawing on the CoVE experience we will introduce a new standard for employer responsiveness and vocational excellence which will be open to colleges and training providers, both publicly and privately funded. Over time we expect that it will be owned and assessed by an independent organisation. The criteria for the new standard have been tested with over 70 providers, and will be more stretching than those for current CoVE status. To secure the new standard, providers will have to show that they can achieve excellence in the delivery of high quality, responsive provision that meets the needs of employers, and that they have the systems in place to consistently deliver excellence in the future.

3.39 Existing CoVEs will be phased out, so that no CoVEs will remain badged with the current status as of summer 2010. We will roll out the new higher standard immediately, with a full launch in spring 2008.

A world class FE system to meet employer and learner needs

3.40 Our further education system is good and improving. Many colleges and providers already offer excellent provision to employers and learners, and we know many more want to improve the way they meet learners' needs and work more effectively with employers. The creation of the new Department for Innovation, Universities and Skills will provide a strong and integrated voice across Government for effective investment in skills and will break down the barriers between universities, colleges and employers.

3.41 We have increased public investment in the service by a record 48 per cent in real terms between 1997/98 and 2005/06. Success rates in work-based learning have increased substantially. There was an increase of 13 percentage points in one year from 40 per cent in 2004/05 to 53 per cent in 2005/06 in the proportion of learners successfully completing their full apprenticeship framework. We are on track to reach the 2007/08 target of 59 per cent. 92 per cent of colleges were judged satisfactory or better by Office for Standards Education (OFSTED) in 2005/06. The percentage of learners who successfully complete their FE college courses has risen from 59 per cent in 2000/01 to 77 per cent in 2005/06. Building on these achievements, we have set a target of 80 per cent success rates by 2010/11 for FE colleges.

3.42 The changes signalled in this plan usher in a new era for colleges and training providers. An era where even greater responsiveness will bring them huge new opportunities. If colleges and training providers are to meet the new challenge of our world class ambition, they must have the space and freedom to do so. A new relationship between

London Skills and Employment Board

In July 2006, the Secretary of State for Education and Skills announced that the Mayor of London will lead a new Skills and Employment Board to drive forward the adult skills agenda for the capital.

The Board first met in December 2006. It includes top London business leaders, large employers, education specialists and union representation. The Mayor chairs the Board and Harvey McGrath, Chair of the Man Group and Chair of London business organisation London First, is vice chair. This year the London Employers Coalition will be integrated into the Board's operation.

The Board's role is to champion skills in London, to set priorities and produce a strategy for adult skills training in London. The strategy will drive the way the LSC allocates funds and operates programmes in London in line with national priorities. It will tackle London's unique skills and employment challenge, making a strong link to jobs and tackling worklessness – higher in London than in the rest of the country – by ensuring that people without jobs are helped through training to gain access to good jobs.

The Board expects to launch a consultation on its strategy in the autumn.

Employers investing in National Skills Academies

- 3.34** Investing in National Skills Academies (NSA) offers employers an opportunity to directly influence the content and delivery of skills training for their sector, through further and higher education.
- 3.35** We aim to have 12 NSAs in place by 2008. Longer term, our aspiration is to have at least one NSA for each major sector of the economy as resources allow. We are making good progress. In addition to the pathfinder Fashion Retail Academy, NSAs in construction, manufacturing, financial services, and food and drink manufacture have been approved, and are in various stages of roll out. A further four, in nuclear, chemical processing, hospitality, and creative and cultural skills are expected to complete their business planning for approval by the autumn of 2007.
- 3.36** We have also selected four new NSAs from Round 3 in the sectors of print and process manufacturing; sport and active leisure; fashion, textiles and jewellery; and retail. These have been invited to produce detailed business plans for consideration by the LSC. As resources allow, we will hold a fourth selection round for NSAs to keep building the NSA network. As we roll out the new standard for employer responsiveness and vocational excellence for colleges and training providers (see below), we expect NSAs to use this national standard, set by employers, to identify their network of providers. This will ensure there are specialist networks of providers at both regional and sectoral levels that share good practice and are better able to deliver workforce development solutions.

Skills training for workless people

We envisage that jobseekers identified by their Jobcentre Plus Personal Adviser as requiring further skills support will be referred to a careers adviser for a skills health check. This will help careers advisers make a detailed assessment of customer need, building confidence by identifying existing skills as part of the process of identifying areas for further development, and ensuring that realistic goals are set. This would be followed by personal careers advice on labour market conditions, employers' requirements, skills and earnings potential, future skills needs, availability of publicly funded programmes and courses, child care provision and so on.

Following the skills health check, the careers service and Jobcentre Plus advisers will work collaboratively to agree an appropriate course of action with the jobseeker and acknowledge training activity within the Jobseeker's Agreement. In line with Lord Leitch's recommendations, jobseekers with literacy and numeracy skills needs preventing them gaining work will be supported to undertake training as part of their action plan.

We also want to give people the support they need to progress in work if they have experienced repeated spells of low-skilled work and unemployment. To address the high level of repeat claimants with low skills, those Jobseekers may be fast-tracked to a skills health check or suitable provision. This will depend on their work history and what action they have taken to address skills needs in previous benefit claims.

Customers who are not identified as having a specific skills need at the start of their claim may be referred for a skills health check at a later point. Jobseekers who are still out of work after 6 months of unemployment may be directed to attend a skills health check to identify any skills issues preventing them from gaining employment. Those with literacy and numeracy needs will be actively referred to suitable training.

- 2.34** Many other people are out of the labour market for a range of reasons, such as incapacity, or undertaking caring responsibilities, and may be claiming benefits. Jobcentre Plus is increasingly helping these customers to move closer to the labour market. We will progressively, and as resources allow, extend skills advice to these groups. Attendance at work-focused interviews by lone parents in receipt of income support, and individuals receiving incapacity benefits, will offer an opportunity to ensure those claimants not active in the labour market are aware of the skills and employment advice available to them through the careers service. For inactive customers the work-focused interview provides the opportunity for a discussion of skills needs. Our long term vision is of a range of highly professional cost effective services based on close working between Jobcentre Plus and the careers service.

Towards a common service

2.35 As set out above, Skills Accounts, Jobcentre Plus and the new adult careers service will all play vital roles, working together in a mutually supportive way to deliver seamless customer service. In the longer-term the most important building blocks will be the national network of Jobcentre Plus offices, working in close partnership with the LSC to secure high quality, employment-focused training in each local area, plus the new adult careers service. Our most important mechanism for engaging customers will be Skills Accounts.

Flexible, responsive and employment-focused skills training

2.36 This partnership between Jobcentre Plus, the LSC and the adult careers service will offer early assessment of needs combined with better advice and guidance to engage and motivate more people to improve their skills and job prospects. But this alone will not be enough: better identification of need must be matched by training that is flexible and relevant to employment outcomes.

2.37 The skills offer must provide individuals and employers with the development they need for both the short and long term. It must ensure low-skilled individuals improve their employability skills and gain nationally recognised qualifications that have currency with future employers and support progression in work and learning. We want to enable low-skilled adults who do not have a job to gain one, to stay in employment, to get qualified and to progress, moving further away from the risk of becoming unemployed again.

2.38 In achieving these ambitions, the LSC and Jobcentre Plus will work in close partnership. Within the national framework of shared objectives, agreed local plans will set out priorities to help customers access services that prepare them for employment and skills progression.

2.39 We set out elsewhere in this plan the ways in which we will ensure that the training which is funded through the LSC delivers economically valuable skills, by strengthening the employer voice, reforming vocational qualifications, and ensuring that the delivery of skills training is responsive to employer and learner needs. The Framework for Excellence will identify the performance of colleges and training providers in supporting their learners to progress into employment or further training.

2.40 We will continue to focus Government funding on the skills individuals need to secure sustained employment, covering all key employability needs including literacy, numeracy, ESOL and vocational training up to first full level 2 qualifications. Jobcentre Plus customers are disproportionately represented at these levels. We will not achieve our world class ambitions for literacy and numeracy or level 2 unless the workless and those who cycle between jobs and unemployment are brought into skills training.

individuals and communities gain access to good local jobs. That can be especially powerful where major, long term regeneration projects create opportunities to train local people with the skills and qualifications that will equip them for the jobs that will result – the Olympics being the most obvious example. This is not about manpower planning. It is about building partnerships to realise the mutual gain that comes from helping employers recruit the people they need, helping individuals gain good jobs, and helping the civic community achieve a better quality of life.

3.31 There is more than one way to tackle the challenge of joining up employment and skills at the local level. Different arrangements, including the leadership of ESBs, will suit different areas, and it will be up to local partners to determine how joining up is best achieved in their area. We do not intend to prescribe one standard model for an ESB. While we do not think it would be right to give the UK Commission a role in licensing such local Boards, as Lord Leitch suggested, we will ask it to promote local employer participation and to help share best practice as it develops. It will remain a matter for local partners to judge whether they wish to set up such a Board.

3.32 Where Boards exist, one goal should be to simplify the range of existing local bodies. We expect, for example, that local partners and employers will want to consolidate existing employer engagement activity – such as Employer Coalitions or *Fair Cities* Boards – within ESBs. Some areas may choose to use a local area agreement or multi-area agreement to promote partnership working and greater local flexibility for their ESB. Where there is overlap, there will also need to be a close relationship and alignment of objectives between ESBs and City Strategy pathfinders. In all cases any new ESBs should build on what already exists.

3.33 We will seek to identify and share good practice emerging from the work of different ESBs, such as the one in London (see box over). Early lessons from the City Strategy pathfinders should also be valuable in helping to shape the development of ESBs. Some of the characteristics of good practice are: joining employment and training programmes into an integrated local system; ensuring that the system is responsive to the needs of local employers, increasing employer engagement and investment; supporting disadvantaged and low skilled people to enter work and progress to better jobs; and contributing to economic development and community regeneration.

- *The LSC will:* determine, in the light of advice from SSCs, which vocational qualifications should have priority for public funding; decide the rates of funding for qualifications; and determine which providers and learners should qualify for public funding.

Employers taking collective action to improve skills in their sector

- 3.27 We want employers to feel that they are empowered in the new skills system. As we reform and empower SSCs, we will consider whether it would be beneficial to introduce new enabling legislation to streamline the current levy arrangements. That would make it easier for them, working with employers, to introduce levy schemes where they could demonstrably drive up skill levels. It is vital that we avoid introducing anti-competitive measures. So a number of key safeguards would need to be in place. SSCs would, as a minimum, need to demonstrate that levy schemes would help improve skills and productivity in their sector; be endorsed by a regulatory impact assessment; and carry the support of the majority of employers in the relevant sector. We will consult on this issue, and will work with the Devolved Administrations to consider how schemes might apply across the UK.
- 3.28 There are other collective measures that employers might deploy, such as membership schemes and skills passports which do not require legislation. We will support sectors to consider and implement these. We will also carry out research to establish whether there are any circumstances in which an extended use of 'licence to practise' schemes could drive up skills and productivity, without creating competitive barriers and with advantages that outweigh the drawbacks.

Improving skills and productivity at sub-national levels

- 3.29 In the English regions, Regional Development Agencies (RDAs) work with a range of partners to develop regional economic strategies, which provide a framework for action within the region, including on skills, to support economic development. As Lord Leitch noted, below national level in England there are numerous bodies involved in delivering employment and skills services to individuals and employers. To integrate these services better, he recommended that the UK Commission should support a new network of local employer-led Employment and Skills Boards (ESBs).
- 3.30 We need to simplify this landscape where we can, and make it easier for employers to engage with and influence. Some local partners in the major cities have already started forming ESBs following their announcement in the Local Government White Paper²⁰. We welcome that as a locally-led initiative. We agree that it can be valuable, especially in the major cities, to bring the partners together in a locality to ensure good integration of employment and training services, and to support economic development within the framework of the regional economic strategy, particularly in ways that help workless

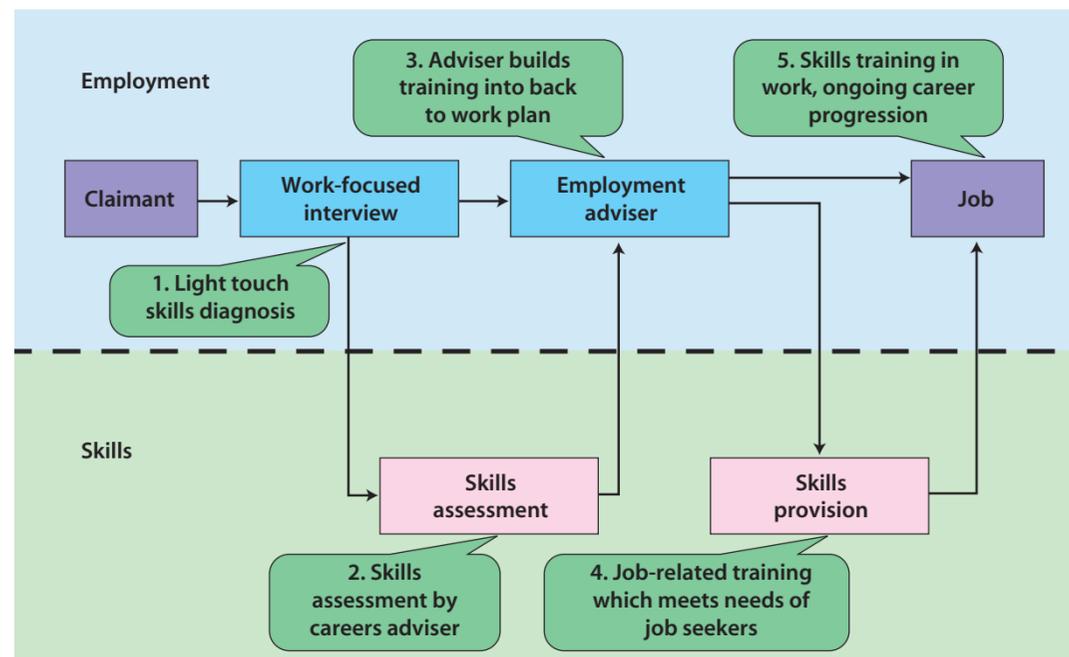
- 2.41 Action already in hand that will benefit Jobcentre Plus customers includes new ESOL for Work qualifications to support those who need English language for work. More widely, we will roll out a new Employability Skills Programme from August 2007, developed jointly between Jobcentre Plus and LSC. This will give individuals the opportunity to gain a nationally-recognised Skills for Life literacy, language and numeracy qualification, plus an employability certificate. Jobcentre Plus personal advisors will refer individuals to the programme.
- 2.42 Individuals will be signposted to a learning programme tailored to their personal needs and circumstances. Providers will offer a range of progression opportunities, including through employers engaged in Train to Gain, and will work with Jobcentre Plus to secure employment outcomes wherever possible.
- 2.43 Where appropriate, benefit claimants will be able to access the new programme before they have been on benefit for six months or more, removing a significant barrier to them increasing their functional skills and improving their employability. Eligibility for the programme will include Jobcentre Plus clients on incapacity benefit and income support, to help those who have been away from learning and the labour market for some time. We expect the programme to support 15,000 learners in 2007/08.
- 2.44 Many low-skilled Jobcentre Plus customers initially gain jobs in entry level occupations. It is important that we enable these individuals to gain the skills they need to move into sustained employment. To meet this need the LSC, in partnership with Jobcentre Plus, will develop a 'skills for jobs' offer focused on providing training and support to help move low-skilled unemployed adults into work.
- 2.45 Skills for jobs will provide training focused on the needs of local employers with vacancies and the support individuals need to get a job. Training providers will be expected to shape provision to support return to employment. The offer will reflect local need – both in terms of the labour market and the skills barriers faced by unemployed local people.
- 2.46 The skills for jobs approach will build on existing activity like the literacy, language and numeracy programmes for Jobcentre Plus clients, skills coaching pilots and adult learning option pilots. It will provide a link between training to help prepare low-skilled adults to be job ready and the in-work training offered through the Train to Gain service. The objective will be to address the problems of those who find themselves moving repeatedly between jobs and benefits.
- 2.47 This approach will help low-skilled individuals move from worklessness into employment. It will offer employers a wider recruitment pool. Those who enter employment will have continued support through Train to Gain to improve their skills and productivity in work, and achieve their first full level 2.

20 *Strong and Prosperous Communities – The Local Government White Paper*, DCLG, 2006

2.48 In order to make early progress we will develop a pilot in England. The pilot will examine how individuals can progress from worklessness to being in sustainable jobs, with on-going skills and training support through Train to Gain once they have found work.

2.49 Figure 3 below summarises how employment and skills services will be integrated in the future for claimants whose first point of contact is with Jobcentre Plus. The expertise of the careers service will however be available to people who wish to build on existing skills and who may not form part of the Jobcentre Plus clientele. Some of those people will have wider problems which are holding back their career progression. The new careers service will provide a package which helps people address the barriers they face, covering skills and wider social issues: how skills and qualifications link to career options; how help with childcare and care of other dependants can support part-time and full-time employment options; and planning for retirement and old age. Further work will be done between DIUS and DWP to define a clear prospectus for Jobcentre Plus and the careers service which acknowledges the range and nature of the problems people face, and which recognises the different customer journeys which will be undertaken according to need.

Figure 3: Integrated employment and skills services: the customer journey for benefit claimants



Local Employment Partnerships

2.50 We will, with DWP and other partners, continue to develop the Local Employment Partnerships announced in the Budget to support the Government’s skills and welfare to work objectives, within the resources available. These partnerships involve large employers making a commitment to work with Government to help long term benefit claimants back into employment. They do this by encouraging local managers to work with Jobcentre Plus, the LSC and others to provide specific help including guaranteeing

Accrediting employer training through the Qualifications and Credit Framework

De Vere Hotels & Leisure Ltd is working with City and Guilds to review and map their in-company training programmes to relevant qualifications. They are developing additional customer service units to be included in the qualifications, to ensure their in-house training meets the company’s needs.

Wickes (DIY stores) is leading a project working with Edexcel to re-develop their training provision to meet QCF criteria. They believe doing this will help up-skill their workforce and motivate their learners to continue learning up to level 2.

Stirling Group and *BMB International* (manufacturers in the textile sector) are working with ABC Awards and Skillfast-UK SSC to formalise their in-house training so it can be recognised in the QCF. Both companies offer in-house training as part of their induction and continuing professional development programmes. The aim is to up-skill the company’s workforce as part of expansion plans and the implementation of lean manufacturing strategies.

The *Ministry of Defence* will use the QCF to reform their qualifications offer. They want to develop one qualification for each area of the armed services that will include common transferable units. The MoD wants to explore the potential of credit accumulation and transfer within and outside their sector.

3.26 As a result of these reforms, the roles of the key partners in England in developing vocational qualifications for adults would be:

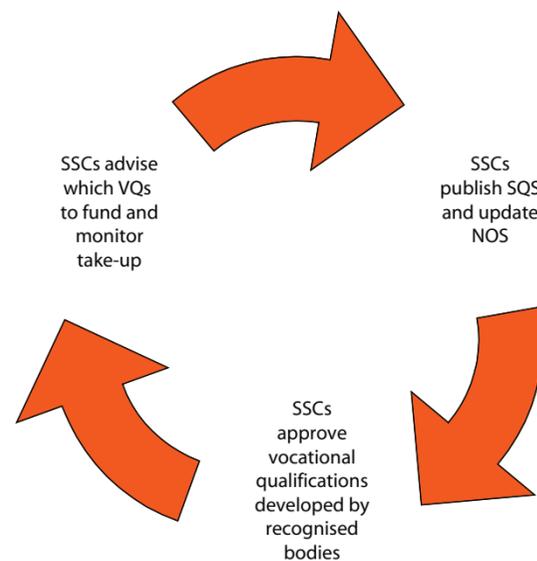
- *SSCs will:* draw up Sector Qualification Strategies based on their Sector Skills Agreements using robust labour market intelligence; develop and update National Occupational Standards; approve proposed vocational qualifications which are needed by their sectors and withdraw approval of any which are not; and advise the LSC which qualifications are priorities for public funding.
- *Awarding bodies, including employers and providers recognised to award qualifications, will:* develop vocational qualifications and units reflecting SQS and NOS; put those qualifications to SSCs for approval so that they can be placed onto the QCF.
- *The QCA will:* establish and maintain the QCF; determine criteria for recognising awarding bodies (including employers and providers) as organisations authorised to place qualifications and units onto the QCF; make available information on their quality and monitor performance; enter onto the QCF qualifications approved by SSCs which meet the QCF requirements. QCA will also monitor the take-up of qualifications and advise SSCs on low take-up. It will ensure there is a definitive database of accredited qualifications and units that is publicly available.

qualifications offered by providers and employers will also need to be approved by an SSC as being consistent with their SQS and NOS to ensure they have wider market value.

3.23 The funding of qualifications is determined by each UK country. For England, starting in autumn 2007 for implementation from August 2008, the LSC will work with selected SSCs to trial the process whereby SSCs will advise each year on which qualifications should have priority to support the skill needs of their sectors, with a presumption that funding will be allocated accordingly to those qualifications.

3.24 Figure 4 summarises the new process which puts employers at the heart of the design, approval and funding of vocational qualifications in England:

Figure 4: The design, approval and funding of vocational qualifications in England



3.25 Employers, working with their SSCs, should articulate their priorities for high level skills and influence the development of HE programmes to meet their needs. Foundation Degrees already provide an excellent example of collaborative working between universities, FE colleges, employers and SSCs. We will encourage SSCs and HE institutions to extend their collaborations, while recognising that HE institutions are autonomous awarding institutions. The Framework for Higher Education Qualifications, and funding mechanisms for qualifications within that framework, will continue to operate as now. We will support the work done by the Burgess Group and Universities UK to develop a common approach to credit for HE in England, so that it can encourage learner progression from FE to HE.

interviews or jobs to local benefit claimants who complete pre-employment training. Other forms of help might include short Work Trials, one to one mentoring by existing staff for potential new recruits, and subsidised employment places as part of the New Deal. Such Local Employment Partnerships will be operated within the framework of national policy priorities for employment and skills. An example of this approach is already in operation for offenders, where important roles are being played by the Reducing Re-offending Corporate Alliance and the LSC, and the National Grid Transco's Young Offender Training Programme.

2.51 The approach we have in mind is set out more fully in the Welfare Reform Green Paper, *In work better off*, which is published in tandem with *World Class Skills*.

Creating a culture of learning

2.52 We must create a culture of learning amongst adults, to match that which we need for our children and young people. All learning is to be valued. But first and foremost we must support people to take responsibility for their own skills development, to gain economically valuable skills. Each one of us has personal responsibility for achieving our potential and our ability to contribute, taking the opportunities available to make the most of our own lives. We want to create a nation where all adults, whether employees, employers, self-employed or non-employed, understand that training is the only reliable route to sustained employability, progression and success over a lifetime. For those both in and outside the labour market, we want to create a culture where everyone knows and understands that what people can do is not set for life, it is 'in our hands' and all of us can, through up-skilling, take control and change our lives for the better.

2.53 In July 2007 we launched a new awareness raising campaign, planned to run for many years, to promote the benefits of learning (www.inourhands.lsc.gov.uk). A culture of learning must grow from a strong and widely shared understanding of the benefits of learning and skills for work and life; and a good joined-up system of accessible support for adults wanting to improve their skills. The marketing will be geared to the different needs and preferences of different client groups, taking account of age, ethnicity, gender, and other relevant variations. The programme will also align activity and amplify the messages from existing campaigns across a range of organisations, within a single skills umbrella.

2.54 Our work to embed a culture of learning must celebrate excellence and achievement by individuals, employers and providers. The UK is hosting the Worldskills Competition in 2011. This will form another part of our plans to change behaviour and build awareness of the benefits of investing in skills. Worldskills 2011 is being led by UK Skills supported by a UK-wide coalition of partners.

3. Employers leading the way on skills

Chapter summary

This chapter describes how we will give employers greater leadership of the skills and employment system to ensure it is responsive to their needs, and to support increased investment in skills from employers.

We will work with the Devolved Administrations on proposals:

- to create a new UK Commission for Employment and Skills to operate across the UK and strengthen the employer voice at the heart of the system;
- to reform SSCs, with a new remit focused on raising employer ambition and investment in skills; ensuring the supply of skills and qualifications is driven by employers; and articulating the future skills needs of their sector; and
- to reform vocational qualifications, giving employers a leading role through their SSCs to ensure they have full confidence in publicly funded qualifications, and making it easier for employers to have their own training programmes accredited.

In England we will:

- consider whether it would be beneficial to introduce new enabling legislation to make it easier for SSCs to introduce levy schemes where they consider that these would help improve skills and productivity in their sector, where a clear majority of employers in the sector support them, and where impact assessments are positive;
- extend the network of National Skills Academies, giving employers who invest in them the opportunity to influence the content and delivery of skills training in their sector;
- roll out a new higher standard for employer responsiveness and vocational excellence for colleges and training providers, helping employers to identify the provision that will best meet their needs, and building the capacity of providers to deliver high quality training; and
- increase the higher education (HE) sector's focus on workforce development, and encourage HE institutions to collaborate with employers in delivering training that meets employers' needs.

3.18 We agree with Lord Leitch's recommendations that qualifications will be more likely to deliver the skills employers need if SSCs, on behalf of employers, decide which vocational qualifications should be recognised within the new QCF in England. SSCs will approve qualifications if they fit the requirements of their SQS, meet the standards set by their NOS, and are needed by their sectors. This has the potential to simplify radically the qualifications structures within sectors.

3.19 SSCs will have to develop rapidly their capacity to carry out this role well. They will need to demonstrate that their SQS and NOS reliably express employers' needs, with the flexibility to recognise differences between employers. They will need to develop light-touch, streamlined methods for approving vocational qualifications in their sector, and for working with other SSCs in approving cross-sectoral qualifications. Where new units or qualifications are developed to meet gaps and future priorities, strong collaborative partnerships will be needed between SSCs and bodies designing units and qualifications to bring them rapidly to market.

3.20 These changes will allow the Qualifications and Curriculum Authority (QCA) to focus its regulatory activity at the level of the overall system and the awarding organisation, rather than the individual qualification. They will intervene only if there is cause for concern, to sustain high standards and protect the interests of learners.

3.21 Some of our major companies offer outstanding training. We agree with Lord Leitch's recommendation that more needs to be done to recognise the best of employers' own training. This will allow individuals to gain credit for what they achieve through their company's training schemes, and put that towards a nationally-recognised qualification. Many employers already collaborate with awarding bodies. In this way, high quality employer training can gain wider market value by being recognised beyond the individual employer, where it promotes transferable skills which have currency in a range of jobs. We will encourage this practice. We will also pilot a scheme to enable employers to award their own accredited units and qualifications. We will ensure that the procedures for this are as straightforward as possible, so that employers feel that the system is working with them, not against them, in marrying their specific skills requirements with widely recognised, portable qualifications held by individuals.

3.22 We will also pilot a scheme in England to extend qualification awarding powers to colleges and training providers. This will build upon the proposals in the Further Education and Training Bill currently before Parliament that would allow colleges in England to apply for powers to award their own Foundation Degrees. It is part of the drive for self-regulation in the FE sector. We would expect such qualification awarding powers to be used to focus on gaps in the market where there is clear evidence of unfilled demand. The criteria set by the QCA for entering qualifications in the QCF will continue to guarantee that national qualifications meet robust and consistent standards. Vocational

3.12 Our aim is to re-license all SSCs by the end of 2009. In the light of advice from the UK Commission, Ministers of the UK Government and the Devolved Administrations will decide on the criteria for re-licensing and the method of assessment. The new licences will be awarded by Ministers, and will set out clear performance standards and requirements that Councils must meet. The re-licensing process will provide an opportunity for employers in each sector to confirm whether the footprint of each SSC is still right. We are not looking either to reduce or increase the number of SSCs unless there is an objective reason for changing the current footprints.

Sector Skills Councils and the reform of vocational qualifications

3.13 We want to create a future where employers say, clearly and consistently, that our workforce now have the skills that are needed for productive employment and business success. To do this we must ensure that employers have confidence in the qualifications that are available, by giving them a leading role in the reform and development of qualifications for their sector.

3.14 Alongside reforms to A levels and GCSEs and the introduction of the new Diplomas for 14-19 year olds, work is well underway in England, Wales and Northern Ireland to establish a new Qualifications and Credit Framework (QCF). This will ensure adult vocational qualifications meet the needs of individuals and employers, and focus on economically valuable skills.

3.15 Lord Leitch's recommendations on vocational qualifications go with the grain of the current vocational qualifications reform programme sponsored by all of the UK education departments. The regulation of qualifications in England is managed on a joint basis between England, Wales and Northern Ireland, and in dialogue with Scotland. Discussions will take place over the next few months between the respective Governments on all the matters below.

3.16 A key principle in both the Leitch Report and DIUS's agenda is that vocational qualifications should reflect the skill needs of employers as determined by SSCs¹⁹. This reform process is already underway. A pilot group of 6 SSCs has published Sector Qualification Strategies which set out the key qualifications that each sector needs. They are updating the relevant National Occupational Standards (NOS) to ensure they reflect the realities of today's employers.

3.17 The first reformed qualifications will be submitted for accreditation in January 2008. All remaining sectors, including cross-sectoral disciplines like management and leadership, will have reformed qualifications by 2010. To give SSCs a reliable source of income for their work on qualifications we propose, subject to discussion with Devolved Administrations, to replace the current statutory levy on National Vocational Qualifications with a direct grant to SSCs from Autumn 2008.

¹⁹ References to SSCs include the 4 Sector Skills Bodies which the Sector Skills Development Agency has determined should produce Qualification Strategies relating to cross-sectoral disciplines.

Lord Leitch's recommendations

Lord Leitch made a number of recommendations on how we should make the skills system more demand-led, with a strong voice for employers:

- strengthen the employer voice through the creation of a powerful, employer-led UK Commission for Employment and Skills;
- increase employer engagement and investment in skills through reformed, re-licensed and empowered SSCs;
- SSCs should be placed in charge of a simplified process of approving vocational qualifications focused on economically valuable skills;
- the UK Commission should license a network of local, employer-led Employment and Skills Boards;
- there should be a further significant streamlining of the LSC;
- re-balance the priorities of HE institutions to make available relevant, flexible and responsive provision that meets the high skills needs of employers;
- deliver a portion of HE funding through a similar demand-led mechanism as Train to Gain in England; and
- the UK Commission should monitor the relationship between HE and employers to make sure that the reforms recommended by the Leitch review lead to a step change in collaboration.

3.1 Employers already invest very substantial time and resources in the skills of their employees. In 2005 employers reported that they spent around £33 billion on training (including the wage costs of trainees)¹⁵. Compared with the rest of Europe, UK firms have a good record of providing training. One survey found that the UK ranked fourth in terms of the proportion of firms offering training to their employees. But evidence suggests that the training programmes of UK adults tend to be shorter than in other European countries, and we rank among the lowest in Europe in terms of average hours spent in training per participant¹⁶.

3.2 According to survey evidence, some 35 per cent of employers offer no training to employees, covering more than one-quarter of the workforce; a further 6 per cent only offer induction or health and safety training¹⁷. The main barrier cited is that employers do not see a need for more skills. And the pattern of training remains concentrated on the already qualified: just over 10 per cent of employees with no qualifications received job-related training in the last 13 weeks, compared with over 40 per cent of graduates¹⁸.

¹⁵ *National Employers Skills Survey*, LSC, 2005

¹⁶ *Continuing training in enterprises in Europe- results from the second European Continuing Vocational Training Survey in enterprises*, Eurostat, 2002

¹⁷ *National Employers Skills Survey*, LSC, 2005

¹⁸ *Labour Force Survey*, spring, 2006

3.3 The Government recognises that many employers have an outstanding record in training, understand the importance of investment in skills, and are making a major contribution to helping to raise the quality of our education and skills services. But others are some way off the pace. Meanwhile, the rest of the world is continuing to raise their skills game. In order to achieve a national skills base of the quality that employers need in order to remain competitive, employers themselves will need to increase their investment and target it better. In return, we must be able to assure employers that qualifications are economically valuable, that they will be able to access high quality training that meets their needs, and that available public funds are being well spent.

Creating a new UK Commission for Employment and Skills

3.4 To strengthen the employer voice at the heart of the employment and skills system we are working with the Devolved Administrations to establish a new UK Commission for Employment and Skills. The Commission will be a UK-wide body with responsibilities across each of the four nations, and for skills at all levels. It will not have significant executive or operational functions, but will be primarily advisory, shaping strategy to achieve our world class ambitions, challenging all parties to raise their game on skills, and helping to shift the national culture. Sir Michael Rake has been appointed as Chair. He will work with the four nations to recruit the members of the UK Commission and help make the UK Commission fully operational in 2008.

3.5 For our part, and subject to explicit agreement on the Commission's UK remit with the Devolved Administrations, we envisage that the main functions of the Commission will be to:

- a. advise Ministers on the strategy, targets and policies needed to increase employment and skills rates;
- b. assess progress towards our world class ambition in England;
- c. monitor the contribution that each part of the employment and skills system makes to sustained employment and career progression, challenging performance and recommending improvements in policy and delivery;
- d. ensure that employment and skills services in England are integrated, and are meeting the needs of individuals and employers, and advise Government on whether further institutional change is required;
- e. promote employer investment in people and the better use of their skills at all levels including employability skills and workforce development; and
- f. have responsibility for the performance of SSCs, advising Ministers on re-licensing.

3.6 It will commission research, request evidence, identify emerging issues and promote new approaches that may influence the UK Government's aspiration of an 80 per cent employment rate and our world class skills ambition.

3.7 Subject to agreement with the Devolved Administrations, we envisage that the UK Commission will report formally twice a year to the highest levels of Government. We also expect the UK Commission will publish an annual report on the state of the UK employment and skills system, at all levels from basic literacy and numeracy skills to the highest level skills delivered in higher education.

3.8 Given its pivotal position in the organisational landscape, the UK Commission will need to develop strong relationships with employers, Trade Unions, Jobcentre Plus, the LSC and HEFCE, Regional Development Agencies, Local Authorities, and equivalent organisations in Wales, Scotland and Northern Ireland. The Sector Skills Development Agency (SSDA) and National Employment Panel (NEP) will cease to exist once the UK Commission is fully operational.

Employers working through reformed Sector Skills Councils

3.9 We want to re-focus the remit of SSCs, and will work with the Devolved Administrations to do this. For our part, we envisage a remit focused on three strategic objectives:

- ensuring that the supply of skills and vocational qualifications is driven by employers: having the key role in reform and development of vocational qualifications, approving such qualifications and, for England, advising the LSC on which vocational qualifications to fund;
- raising employer ambition and investment in skills: engaging with employers to increase their demand for and investment in skills; and considering whether there is support within their sectors for the introduction of levy schemes (in England, with the potential to apply in any of the Devolved Administrations if they conclude this is desirable); and
- articulating the future skill needs of their sector: being the lead authorities on collating and communicating up-to-date labour market information, which is consistent and comparable between sectors; and being the authoritative voice about the skill needs of their sector.

3.10 We envisage Sector Skills Agreements (SSAs) and Sector Qualification Strategies (SQS) being central to the delivery of this new SSC remit. As we reshape this SSC remit, we will consider how, as Lord Leitch recommended, SSCs might adopt targets for increasing employer investment in skills in their sector.

3.11 Some SSCs have achieved substantial impact in a short time, and are well regarded by employers in their sector. In other cases, SSC capacity and performance is not yet at the standard required for them to deliver the remit we envisage. Action is in hand to drive up performance. SSCs will themselves, acting individually and collectively, have many of the answers as to how to improve capacity and capability. But the UK Commission will performance manage SSCs overall, and will advise the relevant Secretaries of State and Devolved Administrations in licensing them.