Institute of Directors Business Comment

Introduction

In May 2000, the IoD surveyed its members on the content of the Learning and Skills Bill. Then, 57% of respondents to the survey supported the Government's plan to create the Learning and Skills Council for England (LSC). Over a year after the LSC became operational (April 2001), it seemed an opportune moment to take stock of the Council's progress. Consequently, a postal questionnaire on skills issues was included in the May 2002 edition of *IoD News*, the results of which are presented below.

Profile of respondents to our survey

The vast majority (90%) of the 302 members who took part in the survey were directors of small or medium-sized enterprises (SMEs).[1] Just 10% of respondents' organisations employed more than 250 staff. 22% employed 50-249 employees, 39% employed 10-49 employees and 29% employed 0-9 employees.

A significant proportion of the members who responded to our survey was based in the service sector. A quarter (25%) provided business or financial services and 28% were involved in other services. 16% were engaged in manufacturing and 13% in public administration, education, health, defence or social work. 6% of respondents were involved in construction, mining or quarrying, a further 6% in transport or communication, and 5% in the distribution, hotel or restaurant sector. Of the remainder of our respondents, 2% were involved in the energy and water industries, and 1% in agriculture, forestry or fishing.

Directors responding to the survey were most likely to be based in the South East of England (27%) or in London (23%). 8% were situated in the West Midlands, a further 8% in the South West, 7% in each of the North West, the East Midlands and Yorkshire and the Humber, while 4% were located in the Eastern region and 3% in the North East. 4% of respondents were based in Scotland, 3% in Wales and 1% in Northern Ireland.

The Learning and Skills Council

The LSC was established by the Learning and Skills Act 2000 and came fully into effect from 2 April 2001. The creation of the LSC and its 47 local councils integrated the planning and funding of all post-compulsory learning in England other than higher education, bringing together the work undertaken previously by the Training and Enterprise Councils, the Further Education Funding Council, the National Advisory Council for Education and Training Targets and parts of the (then) Department for Education and Employment. It has a budget in excess of £7.3 billion in 2002-03.

Members' involvement in local Learning and Skills Councils (LLSCs)

40% of the LSC should be representative of business, comprising those with either recent or current business experience.[2] In the member survey conducted in 2000, half (50%) of the 230 respondents declared that they would be prepared to help manage a local Learning and Skills Council. Despite this, just 4% (13 directors) of respondents to our latest survey could state that either they themselves, or another representative of their organisation, was an active participant in a local LSC. Of these participants, one respondent was an Executive Director, three were Chairmen and nine were Council members.

That such a small proportion of IoD members was actively participating in LLSCs is probably attributable to a shortage of time available to devote to such a responsibility. In the IoD's 2000 survey on the Learning and Skills Bill, of those directors who were not prepared to assist in the running of an LLSC, nearly half (46%) explained that a lack of time would prevent them from becoming involved. This barrier has been recognised by the chairman of the LSC, Bryan Sanderson, in evidence to the Education and Skills Select Committee.[3]

Members' contact with the LSC

The remit letter sent by the then Secretary of State for Education and Employment to the Learning and Skills Council in November 2000 indicated that the LSC, in its first full year, should regard one of its priorities as building relationships with key partners. Indeed, the Secretary of State specifically requested that the LSC "engage employers in new ways, and for Council members, at both national and sub-regional level, to make strong links with employers, their representative bodies and their sector-based National Training Organisations".[4] In the event, just 13% of respondents to our survey reported that their organisations had been contacted by the national LSC or by a local LSC between April 2001 and March 2002. 72% stated that their firms had not been contacted and 15% either did not know or did not respond.[5]

The survey also prompted those members whose organisations had had contact[6] with the national LSC or a local LSC at any time since their inception to assess the quality of the information, advice, funding or other service received. The results were somewhat mixed. 51% of respondents (64 directors) did not feel able to rate the LSC's performance. Of the remainder, 1% (1) declared that they were very satisfied and 28% (35) professed themselves satisfied. Conversely, 14% (18) stated that they were dissatisfied and 6% (8) very dissatisfied. Thus, while on balance the LSC narrowly emerges with a positive chit, the fact that a fifth of those members who had had contact with the LSC were left feeling dissatisfied with the services proffered is a cause for concern.

The LSC and workforce development

The LSC has a statutory duty to encourage employers to participate in the provision of post-16 education and training, and to contribute financially.[7] Increasing the engagement of employers in workforce development[8] forms one of the LSC's key objectives and interim targets for 2004.[9] Consequently, we asked members for their perception of how successful the LSC had been thus far in achieving this goal. Almost half of respondents (49%) were either undecided or did not offer a response. However, of the remaining respondents, only a diminutive proportion felt that the LSC had performed well in this area. No director judged that the LSC had been very successful in encouraging more employers to engage in workforce development, whilst a meagre 4% thought the LSC had been successful. By contrast, 24% rated the LSC's performance as unsuccessful and 23% as very unsuccessful. The LSC will expect to improve this record when it implements its workforce development strategy upon which consultation recently concluded. By developing a "framework of indicators for local workforce development activity", the extent of employer engagement in workforce development should also become easier for the LSC to measure.[10]

The survey also prompted members to identify the bodies that their organisations had approached for information or advice about workforce development since April 2001. The results are presented in Table 1 below, with the number of respondents in brackets.

Table 1: Has your organisation approached any of the following bodies for information or advice (including funding, where appropriate) about workforce development since April 2001?

	Yes	No	Don't know/No reply
Private consultant/private training provider	58% (174)	28% (84)	15% (44)
Business Link/Small Business Service	49% (147)	39% (119)	12% (36)
Business representative body (e.g. IoD)	36% (109)	44% (134)	20% (59)
Investors in People UK	27% (81)	53% (160)	20% (61)
University for Industry/learndirect	23% (68)	59% (179)	18% (55)
Learning and Skills Council	22% (67)	60% (182)	18% (53)
Department of Trade and Industry	20% (61)	60% (182)	20% (59)
Department for Education and Skills	13% (40)	67% (203)	20% (59)
Regional Development Agency	12% (37)	66% (199)	22% (66)
Other[11]	11% (32)	-	-

As can be seen above, respondents were more likely to have approached private consultants/training providers for guidance on workforce development than any other category listed (58%). Other private sector sources of advice, in the form of business representative bodies, also scored relatively highly, with approaches recorded by over a third of respondents (36%).

Respondents also proved willing to approach various Government departments and their respective agencies for information and advice. Indeed, nearly half (49%) of respondents had approached the Small Business Service or a Business Link. This is probably due to the fact that the Business Link network is the principal means of providing publicly funded business advice and guidance to SMEs, and that 90% of members responding to the survey were from the SME sector.[12] The web-based initiative, learndirect, which provides workforce development and training information on-line, had been approached by 23% of respondents.

Investors in People UK had been contacted by over a quarter (27%) of directors responding to the survey. However, respondents from larger firms were significantly more likely to have approached Investors in People UK for information or advice on workforce development than were directors from smaller organisations. 73% (16) of respondents from companies employing 250 or more employees had approached Investors in People UK, compared to just 15% (10) of directors responding on behalf of organisations employing fewer than 10 employees.

The LSC's vision

David Blunkett described the creation of the Learning and Skills Council as "the most significant and far-reaching reform ever enacted to post-16 learning in this country".[13] Nevertheless, it is advisable to recognise at this juncture that a critical appraisal of the LSC's impact is perhaps premature: as stated previously, the Council has only been operational since April 2001. Respondents were therefore invited to take a longer-term view and assess the likelihood of the LSC realising its vision that, "by 2010, young people and adults in England will have knowledge and productive skills matching the best in the world".[14] Only 3% of respondents to our survey believed that the LSC would achieve its target, whereas 61% thought the LSC would be unsuccessful. A third (33%) were undecided and 4% did not respond.

The Adult Learning Inspectorate

Created under the Learning and Skills Act 2000, the Adult Learning Inspectorate (ALI) is responsible for inspecting all publicly funded work-based training for people over 16 and learning for post-19s. ALI inspectors are also responsible for inspecting learning in prisons, all adult and community education, area inspections of provision for 16-19 year olds in support of OfSTED, and e-learning via learndirect.[15]

Most of the inspections carried out by the ALI cover training providers; employers are only inspected where they contract directly with the LSC, and then only when they have ten or more trainees. However, the ALI expects increasingly to inspect private training provision, at the invitation and expense of the employer. Although the ALI has not yet carried out any such commercial inspections, a small number are planned for early 2003.[16]

19% of respondents to our survey indicated that, in principle, they would be prepared to pay for the inspection of their training provision by the ALI. 63% were opposed to the idea and 18% were undecided or did not answer. Although support for the proposal did not fluctuate considerably according to firm size, there was noticeably less outright opposition from respondents representing larger organisations. Amongst respondents from companies with 0-9 employees, 13% (11) were favourable to the proposition, 73% (63) were opposed with 14% (12) undecided or not offering a response. By contrast, 23% (7) of directors from organisations employing 250 or more employees were in favour, 42% (13) were opposed and 35% (11) were either undecided or did not respond.

Investors in People

The 2002 Budget made available £30 million over two years to encourage take-up of the Investors in People (IiP) Standard by small organisations. The survey asked members whether or not they thought it a good use of public money to persuade small firms to work towards Investors in People status. 56% respondents did, 33% did not and 11% either did not know or did not respond.[17]

Significantly, directors from larger organisations were considerably more likely to regard the Budget funds earmarked for encouraging the take-up of IiP among small organisations as a wise use of public money than were respondents from smaller firms themselves. 81% (25) of respondents from organisations employing over 250 employees were in favour, compared to 68% (45) of respondents employing 50-249, 50% (60) of directors employing 10-49 and 45% (39) of respondents employing 0-9 employees.

Conclusion

Access to a well trained and skilled workforce is critical for the competitiveness of British industry. However, as the Performance and Innovation Unit noted in its recent report, "Aspects of the performance of the education system have led to a relatively poorly qualified workforce, and a disproportionate number of employees lacking basic skills".[18] The LSC has a pivotal role to play in raising the nation's performance. Unfortunately, a veil of pessimism appears to have fallen over members' expectations of the Council's ability to effect change. A disappointingly small proportion of the directors surveyed considered the LSC to have engaged more employers in workforce development. Few believed that the LSC would achieve its demanding vision of an internationally competitive workforce by 2010. Of course, the Council is a relatively new agency, with a broad agenda that is unlikely to be delivered quickly. Nevertheless, on the basis of this survey, IoD members feel that the LSC has made a slow start. Much of the LSC's first year was consumed by transition, transfer and planning; its second year will see scrutiny of its performance increase.

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1. Percentages are rounded throughout this paper and therefore may not total 100. Following the Department of Trade and Industry's definition, an SME is defined here as an enterprise employing 249 or fewer employees.
2. The then Secretary of State for Education and Employment, David Blunkett, said that, "two fifths of the council, nationally and sub-regionally, will contain those with recent or current business experience" *(House of Commons Official Report. Parliamentary Debates (Hansard) Thursday 30 March 2000*, The Stationery Office, Volume 347, No. 75, col. 515).
3. 'Further Education: Follow-up' (House of Commons Education and Skills Select Committee, Minutes of Evidence for Monday 12 November 2001, Mr Bryan Sanderson, Chairman, and Mr John Harwood, Chief Executive, Learning and Skills Council, The Stationery Office, 2001), p. 68.
4. Remit letter sent by the Secretary of State for Education and Employment to the Learning and Skills Council on 9 November 2000, paragraph 9. The letter is available at http://www.lsc.gov.uk/news_docs/Remit_letter.pdf.
5. This contrasts with members' proactivity in approaching a number of bodies for information and guidance on workforce development. See the following section.
6. In other words, including both those contacted by the LSC and those respondents who initiated contact.
7. *Learning and Skills Act 2000* (The Stationery Office, 2000), section 4 (b) and (c).
8. "Workforce development consists of activities which increase the capacity of individuals to participate effectively in the workforce, thereby improving their productivity and employability" (*In Demand: Adult skills in the 21st century* (Performance and Innovation Unit report, December 2001), p. 6).
9. *Learning and Skills Council Strategic Framework to 2004. Corporate Plan* (LSC, 2001), p. 9.
10. *LSC Draft Workforce Development Strategy to 2005. A policy statement and guide for national and local LSCs and their partners* (LSC, May 2002), p. 19 and pp. 26-27.
11. 'Other' responses included national training organisations, institutions of further/higher education and professional bodies. Other Government agencies named included the Sector Skills Development Agency, the Learning and Skills Development Agency and the Higher Education Funding Council for England.
12. Business Links have also been explicitly identified by the LSC as a "key source of information, advice and guidance on workforce development to employers" (*LSC Draft Workforce Development Strategy to 2005. A policy statement and guide for national and local LSCs and their partners* (LSC, May 2002), pp. 11-12).
13. LSC Remit letter, paragraph 2, available at http://www.lsc.gov.uk/news_docs/Remit_letter.pdf.
14. *Learning and Skills Council Strategic Framework to 2004. Corporate Plan* (LSC, 2001), p. 1.
15. Adult Learning Inspectorate website (http://www.ali.gov.uk).
16. Communication with a member of the ALI's Data and Research unit, April 2002.
17. In an IoD survey in 2001, 90% of directors whose organisations were either IiP recognised or committed to obtaining recognition stated that their involvement with IiP had improved their employees' ability to do their jobs. The impact of IiP on a business's bottom line was much less significant. See M. Harris, *Investors in People: Its Impact on Business Performance* (IoD, 2001).
18. *In Demand: Adult skills in the 21st century* (Performance and Innovation Unit report, December 2001), p. 44.