



INSTITUTE OF DIRECTORS

The Government's skills strategy for the nation:

strengths, weaknesses
and future priorities

IoD POLICY PAPER




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December 2003

ISBN 1 904520 14 6

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Published by the Institute of Directors
116 Pall Mall, London SW1Y 5ED.

COPIES AVAILABLE FROM:

Book Sales
Membership Department
116 Pall Mall
London
SW1Y 5ED

Tel: 020 7766 8866

Fax: 020 7766 8833

Price £5.00

Contents

1	Executive summary	6
2	Skills and economic performance	8
2.1	The UK's economic performance since 1992	8
2.2	Productivity and skills	9
2.3	Skill shortages and skill gaps	9
3	Skills shortages, skill gaps and training in IoD members' firms	11
3.1	IoD members' experience of skill shortages	11
3.2	IoD members' experience of skill gaps	12
3.3	Other recruitment difficulties	13
3.4	IoD members' provision of training	13
3.5	The skill level required by IoD members	13
4	Positive aspects of the Skills White Paper	15
4.1	Introduction	15
4.2	Measures to improve qualification levels	15
4.3	Help for small firms to provide training	16
4.4	Encouraging training amongst the low skilled	17
5	Deficiencies in the White Paper	19
5.1	Introduction	19
5.2	Poor levels of educational achievement	19
5.3	Weaknesses with Modern Apprenticeships	20
5.4	Government support for training – a bureaucratic, wasteful and confusing system	22
6	Future priorities	25
7	Conclusion	28

Foreword

International competition in many markets has intensified in recent years. The collapse of Communism in Eastern Europe, the spread of market capitalism throughout the world and the promotion of freer trade via the World Trade Organisation has had the effect of increasing trade flows and economic integration between countries. These developments have greatly enhanced international competition. Newly developing industrialised countries in Asia, particularly China and India, are driving up the competitive pressures in many markets still more. These two countries are no longer simply competing on the basis of low wages; they are increasingly competing on a high level of skills.

In these circumstances, it is increasingly urgent for UK businesses to have an educated and skilled workforce in order to enhance their productivity, quality of service and overall competitiveness.

Encouragingly, the Government's White Paper on skills recognises the importance of training and education. Additionally, some of the commitments contained in the Paper, such as the provision of free study for a Level 2 qualification, are valuable measures that should help to improve the quality of the UK's human capital.

However, the IoD believes that the Government's White Paper on skills contains missed opportunities. It fails to place sufficient weight on the importance of education and it fails to indicate how standards in education are to be improved. It continues to emphasise the importance of Modern Apprenticeships but fails to address the programme's deficiencies. It adds to an already heavy superstructure of state funded agencies for training instead of cutting a path through the jungle of institutions.

The central priority for the future must be to improve levels of achievement in schools. Unless pupils leave school with a good grounding in basic skills and qualifications to at least Level 2, there is insufficient on which to build and skill shortages and skill gaps will persist.

1: Executive summary

Productivity and skills

Productivity is crucial to economic success, but productivity in turn is partly dependent on the skills of the workforce. The Achilles' heel of the UK economy is the quality of its human capital. Just 53% of the UK workforce hold a Level 2 qualification and a mere 38% hold a Level 3 qualification.¹

Skill shortages and skill gaps

As a consequence of the fact that only a relatively small proportion of the UK workforce is qualified to Levels 2 and 3, many businesses experience skill shortages and skill gaps. It was estimated in 2002 that 8% of all organisations in England have skill shortages and that 23% suffer from skill gaps.²

Skill shortages and skill gaps amongst IoD members' firms

A survey of 500 IoD members in March 2003 showed that 37% had experienced skill shortages whilst recruiting in the previous six months. Vacancies for associated professional and technical staff, sales staff and middle managers were reported to be hard to fill. The same survey revealed that 41% of members believed that there was a gap between the skills of some of their current employees and the skills that were needed to meet their organisation's objectives. Of those members reporting skill gaps, 28% said the gap related to managerial skills, 25% said that the gap referred to IT or software skills and 24% said that it existed in respect of engineering or technical skills.

IoD members' provision of training

A survey of 501 IoD members in September 2002 indicated that 89% of them provided training to all categories of their staff.

The skill level required by IoD members

The September 2002 survey of directors also showed that the average (mean) proportion of jobs in the 501 members' firms requiring employees to be qualified to Level 4 (first degree, PGCE, NVQ Level 4, or equivalent qualification) was 45%.

Positive aspects of the Government's White Paper on skills

The Government published a White Paper on skills in July 2003 to address the problem of skill shortages and skill gaps.³ It has three principal features that the IoD applauds:

- measures to improve qualification levels, including a commitment to provide free tuition for any adult without a Level 2 qualification.

- help for small firms to provide training, including a promise to develop Employer Training Pilots (whereby employers are assisted in meeting the costs of giving staff time off to train).
- steps to encourage the low skilled to embark on training courses, including a proposal to provide an adult learning grant of up to £30 per week for adults studying full time for their first full Level 2 qualification.

Deficiencies in the White Paper

The White Paper suffers from three principal weaknesses:

- it fails to address problems of poor educational achievement in schools. It is because the education system fails to equip school leavers with basic skills that much of the White Paper's focus on training is necessarily remedial in nature.
- the Government wants 28% of all young people to embark on an MA programme before the age of 22 by 2004, but its flagship training programme suffers from a number of weaknesses. For example, the quality of training is all too often unsatisfactory – the Adult Learning Inspectorate has described 46% of work based training providers as unsatisfactory.⁴ The IoD supports the idea of Modern Apprenticeships and George Cox, Director General of the IoD, is a member of the Modern Apprenticeship Task Force. However, Modern Apprenticeships need to be improved.
- the system of Government support for training is bureaucratic, wasteful and confusing. Too many Government backed organisations will be involved in its skills strategy. There is the Learning and Skills Council for England, 47 local Learning and Skills Councils, eight Regional Development Agencies, plus the London Development Agency, the Small Business Service, 45 Business Links, Jobcentre Plus, the Sector Skills Development Agency and approximately 25 Sector Skills Councils. Government Offices of the Regions, local authorities and Government departments such as the Department for Education and Skills, the Department of Trade and Industry and the Department for Work and Pensions also have a role to play.

Future priorities

The IoD believes that the principal priority for Government should be to drive up standards of literacy and numeracy at school and increase the proportion of people qualified to Levels 2 and 3. Additionally, the Government needs to overhaul the system of academic qualifications. At present, the GCSE examination does not adequately cater for the needs of different pupils, whilst at A Level the high proportion of students achieving 'A' grades means that it is becoming difficult for employers and universities to differentiate between competent students and the elite. Vocational education – particularly the system of Modern Apprenticeships – needs to be improved. The option of studying for vocational qualifications such as BTECs in school should be encouraged.

2: Skills and economic performance

2.1 The UK's economic performance since 1992

Since sterling escaped from the straightjacket of the Exchange Rate Mechanism on September 16th 1992, the UK economy has performed comparatively well: inflation has remained quiescent, unemployment has fallen to low levels and economic growth has been steady. Inflation in the UK, as measured on the European Union's (EU) Harmonised Index of Consumer Prices (HICP), was amongst the lowest in the EU in 2002 and it should be below the EU's average again in 2003.⁵ Unemployment, as measured by the International Labour Organisation (ILO), stood at just 5% in the UK in May 2003, compared to an EU average of 8% and a G7 average of 6.8%.⁶ The UK's labour force participation rate in 2002 stood at 76%, compared to the eurozone average of 69%.⁷ Finally, over the period 1997-2001, the UK's Gross Domestic Product (GDP) grew on average by 2.7% per annum, compared to a figure of 2.3% for the eurozone.⁸ In the difficult economic circumstances of 2002, the UK's GDP grew by just 1.9%, but this was still one of the best performances amongst the G7 countries.⁹

Although GDP per head grew faster in the UK than in any other G7 country in the 1990s, on this measure the UK is only about average in comparison to both the EU and the Organisation for Economic Co-operation and Development (OECD) countries.¹⁰ The rate of increase in GDP per head is important because it facilitates increases in pay, profits and expenditure on public services. GDP per head is dependent upon two factors: the proportion of people employed in the economy and the productivity of the workforce. In the 1990s, the growth in GDP per head in the UK was primarily driven by an increase in employment. Total employment has risen by three million since 1992.¹¹ However, while the proportion of people in work in the UK has increased in recent years, broadly speaking those in employment produce less per person and less per hour worked in comparison to some of our major foreign competitors. In general terms, the evidence does seem to suggest that since the mid-70s, productivity levels in France, Germany and the USA have exceeded those in the UK and despite an improvement in the UK's productivity performance in the 1980s and early 1990s,¹² the gap remains.¹³ GDP per worker is currently estimated to be 38% higher in the USA, 15% higher in France and 9% higher in Germany in comparison to the UK.¹⁴ On the measure of GDP per hour worked, the UK is less productive than the USA, Germany, France, the Netherlands, Ireland, Denmark and Switzerland, but more productive than Austria, Canada, Sweden, Finland, Spain and Japan.¹⁵ Significantly, the UK's lower productivity performance in relation to the USA, France and Germany is common to both the manufacturing and service sectors of the economy.¹⁶ It could be argued that the official figures under-estimate the UK's productivity record.¹⁷ Certainly, official economic data should not necessarily be treated as the Gospel truth; not only are economic forecasts regularly revised, but also our past economic 'facts'.¹⁸ Having said that, on balance it is generally accepted that there is little sign that the gap in productivity is narrowing decisively,¹⁹ despite a plethora of Government measures to encourage greater productivity (for example, two Competition Acts, Research and Development tax credits and changes to Capital Gains Tax). Indeed, productivity in the public sector appears to be deteriorating.²⁰ Consequently, although the UK economy has performed comparatively well over the last decade, in life there is always a fly in the ointment and in the case of the UK economy it is in respect of productivity.

2.2 Productivity and skills

Productivity levels are determined by a variety of factors, including investment in plant and machinery, innovation, technological change, the skills of employees, and perhaps most importantly of all, competition. The UK's record in respect of investment and innovation is hardly immune from criticism, but the Achilles' heel of the UK economy is surely the quality of its human capital. A fifth of the adult population is functionally illiterate and innumerate.²¹ Over a third of the working age population in the UK have either no qualifications or qualifications below level 2.²² Just 53% of the UK workforce holds a Level 2 qualification (five or more GCSEs at A*-C, an intermediate GNVQ, NVQ Level 2 or an equivalent qualification), whereas 82% of the German workforce and 71% of the French workforce hold a similar qualification.²³ Similarly, only 38% of the UK workforce has a Level 3 qualification (two or more GCE A Levels, an advanced GNVQ, NVQ Level 3 or similar qualification), while 73% of the German workforce possesses an equivalent qualification.²⁴ At the same time, the UK has a relatively small proportion of people holding vocational qualifications. In 2000, it was reported that just 27% of the UK workforce had vocational qualifications at Level 2 compared to 58% of the German workforce, while at Level 3 the figures were 17% and 52% respectively.²⁵

2.3 Skill shortages and skill gaps

As a consequence of the fact that only a relatively small proportion of the UK workforce is qualified to Levels 2 and 3, many businesses experience skill shortages or skill gaps. A skills shortage exists where there is "...a genuine lack of adequately skilled individuals available in the accessible labour market."²⁶ Conversely, a skills gap pertains "where employers feel that their existing workforce have lower skill levels than are necessary to meet their business objectives; or where new entrants to the labour market are apparently trained and qualified for occupations but still lack a variety of the skills required."²⁷ It was estimated in 2002 that 8% of all organisations in England have skill shortages and that a quarter of all those establishments which have vacancies find them hard to fill because of a paucity of skills.²⁸ This equates to 110,000 skill shortage vacancies. At the same time, 23% of organisations in England suffer from skill gaps, which amounts to approximately 6% of all employees, or 1,070,000 people.²⁹

Skill shortages and skill gaps are likely to inhibit improvements in a firm's productivity levels, stymie innovation and possibly have a negative effect on profitability.³⁰ With respect to productivity, for example, the National Institute of Economic and Social Research (NIESR) estimate that approximately 20% of the UK's productivity gap with Germany is due to the UK workforce's lower level of skills.³¹

Skill shortages and skill gaps are a serious problem, therefore, but some businesses may not even be aware of them or if they are, they may downplay the extent of the problem. In some cases this is because managers and employers may not be adequately qualified themselves to recognise skill shortages or skill gaps. Alternatively, managers and employers may simply adopt strategies that enable their businesses to get by in the face of skill shortages and skill gaps, without attempting to resolve the fundamental problem. In these circumstances, latent skill shortages and skill gaps may contribute to the development of a 'low skills equilibrium' whereby weak demand on the part of employers for well qualified staff may in turn diminish the incentive for employees to acquire a high level of skills. Entire sectors or regions may then languish in a low skills equilibrium.³²

Consequently, the relatively low level of skills held by many people in the UK economy means that their employment prospects and level of remuneration is probably lower than it otherwise might be. Additionally, the existence of skill shortages and skill gaps arising from the comparatively poor stock of skills held by the UK workforce inhibits productivity improvements in many businesses. This in turn limits growth in the rate of GDP per head.

3: Skill shortages, skill gaps and training in IoD members' firms

3.1 IoD members' experience of skill shortages

The Institute of Directors (IoD) commissioned NOP to conduct two surveys of IoD members on the subject of skills over the sixteen months. 501 members were interviewed in September 2002 and 500 were interviewed in March 2003. The surveys were designed to reflect the composition of the IoD's membership in terms of firm size, economic sector and geographical location. Briefly, the overwhelming majority of directors interviewed were from small and medium-sized enterprises (SMEs)³³ and from the service sector of the economy (about a fifth were from manufacturing).

49% (244) of IoD members surveyed in 2002 reported that, whilst recruiting over the previous twelve months, their organisation had found it hard to fill vacancies. Our March 2003 survey of 500 directors showed that skill shortages were still a problem, but not quite so acute. 37% (185) of the IoD members interviewed said that whilst attempting to recruit over the previous six months they had found it difficult to fill vacancies. In both surveys, then, skill shortages amongst IoD members' businesses are more acute than in England as a whole (see Section 2.3).

In both surveys, larger businesses were more likely to experience skill shortages. In our September 2002 survey, just 32% (57) of firms with 1-20 employees experienced skill shortages whilst recruiting over the previous twelve months, whereas the figures for firms with 21-100 employees, 101-200 employees and 201 or more employees were 58% (94), 56% (28) and 59% (65), respectively. In our March 2003 survey, only 19% (34) of firms with 1-20 employees reported skill shortages whilst attempting to recruit over the previous six months. By way of contrast, 44% (71) of firms with 21-100 employees, 51% (26) of firms with 101-200 employees and 50% (55) of firms with 201 or more employees said that they found it difficult to fill vacancies when recruiting over the last six months. Evidently, employers with larger workforces have more positions to fill and so incidences of skill shortages are more likely to arise in comparison with employers with a smaller number of employees.

Of the 244 members in our September 2002 survey who reported skill shortages, 28% (69) said that they found it hard to fill vacancies for staff at the level of associate professional or technical positions, such as nurses, teachers, computer programmers and driving instructors. 25% (61) of directors reporting skill shortages stated that they found it difficult to recruit craft and related skill positions, such as those in the construction trade and skilled manual workers. 22% (53) faced problems when trying to fill vacancies for professional positions, including doctors, accountants and lawyers. 20% (48) found it difficult to find clerical and secretarial staff, 16% (39) cited difficulties filling sales positions, 13% (32) had problems recruiting senior managerial positions, such as those at board level and heads of department and 13% (31) had problems finding engineers.

Of the 185 IoD members in our March survey who faced skill shortages whilst recruiting over the previous six months, 22% (41) said that they had problems filling vacancies at the level of associate professional or technical staff. 17% (32) had difficulties recruiting sales staff, as did 17% (31) of directors trying to recruit middle management positions. 16% (29) had problems finding people

with craft and related skills, 14% (27) found it hard to recruit clerical and secretarial staff and 13% (25) faced difficulties filling vacancies for engineers. Additionally, 13% (24) found it difficult to fill vacancies for professional positions and 13% (24) had problems finding people for senior managerial positions.

3.2 IoD members' experience of skill gaps

41% (207) of IoD members in our September 2002 survey and 41% (204) of members in our March 2003 survey said that there was a gap between the skills of some of their current employees and the skills that were needed to meet their organisation's objectives. Again, therefore, a greater proportion of IoD members' businesses in our surveys experienced skill gaps in comparison to businesses throughout England (see Section 2.3). On average, in both surveys just under a fifth of the workforce was considered to lack the skills that were necessary to meet their organisation's objectives. The average (mean) skills gap in the September 2002 survey was 17%, while in the March 2003 survey, the average (mean) skills gap was 19% of an organisation's workforce. In both surveys, the mean was greater for smaller enterprises. Whereas the average (mean) skills gap for firms with 1-20 employees in the September 2002 survey was 27%, for firms with 101-200 employees and companies with 201 or more employees the average (mean) skills gap was a more respectable 12%. Similarly, in the March 2003 survey, while the average (mean) skills gap for enterprises with 1-20 employees was 36% of the workforce, for firms with 101-200 employees and for companies with 201 or more employees the average (mean) was 13% of the workforce in both cases. Possibly, employers from smaller firms suffered from a higher incidence of skills gaps than employers from larger firms because they could not afford to be so selective when recruiting because of the costs involved. Additionally, employers from smaller enterprises typically have fewer resources to expend on upgrading skills and tackling skills shortages than their counterparts from larger companies.

Of the 207 IoD members reporting the existence of skills gaps amongst their staff in the September 2002 survey, 32% (66) said that the gap related to IT or software skills, while 29% (60) and 26% (54) pointed to deficiencies in engineering or technical skills and managerial skills, respectively. Additionally, 17% (35) referred to a gap in sales/marketing skills and 11% (22) reported a weakness in craft skills.

Of the 204 IoD members who acknowledged the existence of skills gaps in their organisation in the March 2003 survey, 28% (57) said that the gap related to managerial skills. Additionally, 25% (51) and 24% (50) of directors reported that the gap referred to IT or software skills and engineering or technical skills, respectively. Finally, 18% (36) of IoD members said that the gap related to sales/marketing skills and 9% (18) said that the gap existed in respect of administrative or clerical skills.

In the September 2002 survey the reasons for the existence of skill gaps amongst members' workforces were examined. 29% (61) of members admitted that the main explanation for the existence of skills gaps amongst their employees was because they provided an insufficient amount of training. 22% (45) said that the prevalence of skill gaps in their business was due to staff not being able to learn new skills because of educational weaknesses or simply because they were incapable of learning. 13% (27) suggested that skill gaps were due to the introduction of new methods of working, with the result that new skills were required of their workforce. 11% (24) put the phenomenon down to a shortage of suitably skilled labour in their area, with the result that insufficiently qualified staff had to be used instead. 11% (22) said that skills gaps in their organisation were caused by the introduction of new technology, with the consequence that

existing employees needed to upgrade their skills and 10% (20) explained that the problem was due to staff turnover and the loss of suitably qualified employees.

3.3 Other recruitment difficulties

The same survey revealed that significant proportions of IoD members had experienced a variety of recruitment difficulties whilst looking for staff in the twelve months to September 2002. 29% (143) said that they had been unable to attract employees to where their business was located. 25% (124) said that the poor image of their industry made recruitment difficult (interestingly, 32% (18) of respondents from the sector embracing construction, mining and transport cited this as a difficulty, compared to just 16% (25) of directors from the business and professional services sector). 24% (121) of IoD members said that the cost of recruiting had been a problem for their organisation and 24% (119) said that an inability to offer sufficiently attractive rates of pay had caused them recruitment difficulties.

3.4 IoD members' provision of training

89% (446) of the IoD members in the September 2002 NOP survey provided training to all categories of staff in their business. Members provided a variety of forms of training for their employees. 58% (290) of members gave their employees on the job or ad hoc training, 56% (278) provided formal in-house training, such as courses or seminars and 52% (262) ensured that staff benefited from external courses (but not leading to qualifications). 33% (167) of directors provided their staff with vocational training that led to qualifications, such as NVQs, Modern Apprenticeships, City and Guilds, BTECs, HNDs and HNCs. 25% (124) of members also enabled their staff to train and study for professional qualifications, such as accountancy examinations and IPD qualifications. Moreover, 53% (268) of members also provided day release for their employees for study purposes or to take qualifications such as GCSEs, A Levels or degrees. However, only 30% (54) of firms with 1-20 employees were prepared to do this in comparison to 80% (88) of organisations with 201 or more staff. Other training provided by IoD members to their employees included technical training, health and safety courses and managerial training.

Employers in England alone spend £23 billion per annum on training³⁴ and IoD members also commit sizeable sums to this activity. The average (mean) annual cost of training to the IoD members interviewed in September 2002 was £119,275. 33% (167) of members said that their annual training costs were up to £10,000, while 26% (130) reported spending between £10,001-£50,000 and 9% (46) spent between £50,001-£100,000. 7% (34) of members said that their annual training costs were £100,001-£250,000, 4% (20) said that they spent £250,001-£500,000 and 2% (11) spent £500,001-£1,000,000 (£1 million). 4% (20) of members allocated over £1 million on training each year.

3.5 The skill level required by IoD members

IoD members provide extensive training opportunities and invest large sums on training purposes because they typically require a highly qualified workforce. An NOP survey of 483 IoD members in September 2000³⁵ showed that the average (mean) proportion of jobs in the members' businesses that needed employees to be qualified to at least Level 3 (two A-Levels, an NVQ Level 3 or

equivalent qualification) was 57%.³⁶ Moreover, 23% of IoD members said that they needed between 91% and 100% of their employees to be qualified to Level 3.

The September 2002 survey of directors referred to earlier showed that the average (mean) proportion of jobs in the 501 members' firms requiring employees to be qualified to Level 4 (first degree, PGCE, NVQ Level 4, or equivalent qualification) was 45%. A higher proportion of employees in smaller firms apparently need to be qualified to at least Level 3 or Level 4 in comparison to larger firms. For instance, whereas for firms with 1-20 employees the average (mean) proportion of employees that needed to be qualified to at least Level 3 was 77%, for organisations with 201 or more employees the figure was just 48%. Similarly, whereas for firms with 1-20 employees the average/mean proportion of employees that were required to be qualified to Level 4 was 59%, for organisations with 201 or more employees, the figure was 35%. Larger firms typically have a greater proportion of unskilled or semi-skilled staff employed in-house working in respect of, for example, cleaning and catering, in comparison to smaller firms.

The proportion of employees needing to be qualified to at least Level 3 or Level 4 also varied amongst the different economic sectors in our surveys. For example, on the one hand the average/mean proportion of employees in the business and professional services sector that needed to hold at least Level 3 qualifications was 72%. On the other hand, the average/mean proportion of employees that needed to be qualified to at Level 3 was just 36% for both the distribution and the manufacturing sectors. Likewise, while the proportion of employees in the business and professional services sector that was required to be qualified to Level 4 was 58%, for manufacturing the proportion was just 36% and for distribution the proportion was a mere 28%. All sectors need to enhance the productivity of their employees and higher skill levels, as noted previously, are one way of achieving this objective. Perhaps manufacturing industry in particular, though, needs to focus on higher skill levels, in order to maintain its competitiveness, not least in export markets. 60% of the UK's trade in goods and services in 2001 were either semi-manufactured goods or finished manufactured goods.³⁷ The fact that IoD members from the manufacturing sector deemed it necessary for not much more than one third (36%) of their employees to be qualified to at least Level 3 may be a cause for concern.

Consequently, skill shortages and skill gaps are a problem for many IoD members' businesses and for many businesses in the UK at large. In response to this, the Government set out a strategy to improve the nation's skills in the summer of this year and it is to an analysis of this approach that we now turn.

4: Positive aspects of the Skills White Paper

4.1 Introduction

The Government launched its skills strategy in a White Paper in July 2003 with an announcement that key Government departments and agencies would form a 'skills alliance' with the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) to ensure that the UK's skill needs are satisfied. The 'skills alliance' will meet regularly under the leadership of the Secretary of State for Education and Skills and the Secretary of State for Trade and Industry. The 'alliance' will monitor progress and report annually on the performance of the strategy.³⁸

In essence, the White Paper has three principal strengths. It sets out measures to raise the proportion of people qualified at Levels 2 and 3; it provides assistance to help small firms engage in training; and it aims to promote training amongst the particularly low skilled. These are all positive developments, although some of the detailed aspects of policy in these areas could be improved.

4.2 Measures to improve qualification levels

The commitment to provide free tuition for any adult without a Level 2 qualification is sensible, given the fact that seven million adults in the workforce are not qualified to this level.³⁹ Adults qualified to Level 2 will typically improve both their employment and training opportunities. However, it might be sensible if the guarantee of free tuition to Level 2 was specifically for certain courses. In particular, the priority should be to ensure that individuals are qualified to Level 2 in English and mathematics. Basic literacy and numeracy skills are crucial to many forms of employment and are vital for further progression in education and training. It is questionable whether the Government is making best use of public money in giving a commitment to fund any course of study to Level 2 for adults unqualified at this level. The Government should be cautious about funding any course of study up to Level 2. As the White Paper notes, "...the numbers [of people] involved potentially are huge."⁴⁰ Surprisingly, the Regulatory Impact Assessment accompanying the consultation paper does not spell out in any detail the cost of this entitlement to free learning to Level 2 to the taxpayer.

The Government's intention to help adults gain Information and Communication Technology (ICT) skills as a third basic skill alongside literacy and numeracy in the *Skills for Life* programme is also entirely welcome. The *Skills for Life* programme is already helping to address deficiencies in basic skills amongst adults and an extension of this programme is sensible.⁴¹ ICT skills are increasingly important in many different aspects of life, including employment.

As noted earlier, a relatively small proportion of the UK workforce is qualified to Level 3 in comparison with some of our competitors, for example, Germany. This gap needs to be narrowed if skill shortages and skill gaps are to be ameliorated. The Government pledge to increase support for individuals to get a Level 3 qualification at technician, higher craft or associate professional level

in areas of sectoral or regional skill priority is a positive development.⁴² However, adults who are already qualified to Level 3 and who are interested in studying for further qualifications at or below this level will be expected to pay higher fees at Further Education Colleges. This is reasonable. Adults in the UK contribute comparatively little to the expense of their own learning. According to the Organisation for Economic Co-operation and Development (OECD), just 19% of British people undertook education and training that they paid for themselves, compared with 29% in the USA and 37% across 11 OECD countries.⁴³ Additionally, with resources scarce, the priority has to be to increase the stock of individuals qualified to Level 3, rather than use public funds to enable individuals who are already qualified to this level to build up their stock of qualifications.

The crucial issue will be determining the priority areas at Level 3. It is extremely difficult to predict future skill needs. Unexpected developments in technology and changes in consumer preferences can alter the level of demand in the economy for particular types of skills. Consequently, the courses that are deemed priority areas and that are funded at Level 3 should contain some transferable skills that are of use to a range of employers. It follows from this that training programmes that are highly occupation specific in their content, such as NVQs may not be the most sensible schemes to support. Conversely, it makes more sense to support qualifications such as BTECs, the courses for which impart both specific and general skills.

Finally, the Government is right to recognise the importance of improving skill levels amongst managers. 4.5 million people in the UK have significant management responsibilities, but less than a quarter hold a management related qualification.⁴⁴ There are already a variety of organisations working towards improving the capability of management. For example, the Institute of Leadership and Management supports training of over 60,000 people ever year,⁴⁵ while the IoD typically provides training on open courses for 3,500 directors every year.⁴⁶ The Government should publicise the work of such organisations amongst businesses. The commitment by the Government to work with Investors in People UK, the Sector Skills Development Agency, the Chartered Management Institute and Ufi/learnirect to introduce a leadership and management programme for SMEs could also be beneficial.⁴⁷

4.3 Help for small firms to provide training

Broadly speaking, small firms are less likely than large companies to invest in formal accredited training programmes. According to a survey conducted in 2002 for the DfES, 48% of firms with 5-24 employees offered off-the-job training leading to formal qualifications, compared to 88% of firms with 500 or more employees.⁴⁸ There are a variety of reasons for this divergence in practices. In the first instance, large companies are typically in a stronger financial position than many of their smaller counterparts and so they are in a comparatively better position to finance accredited training schemes. Additionally, because the life expectancy of large companies is generally greater than that of small firms, big companies have the luxury of knowing that they are likely to be in a position to reap the future benefits of any investments that they make in developing their human capital. The same situation does not obtain with small firms because their life expectancy is decisively shorter.⁴⁹ In other words, the relatively short time horizon of many small business owners militates against their investment in training. Moreover, a small business owner may not be able to capture the benefits of the investment which he makes in his employees' skills because the limited opportunities for internal promotion within a small firm means that over time his employees will tend to look elsewhere to advance their careers.⁵⁰ Furthermore, many small and micro-firms are not growth firms and so the necessity of investment in training is arguably less imperative.⁵¹ Finally, many small business owners may conclude that the survival of their firm does not depend on investing in their human capital and so they will avoid committing scarce resources to this area.⁵²

Consequently, it is at least understandable why small firms engage in less off-the-job training leading to accredited qualifications than their larger counterparts.

However, it would be a mistake to conclude from the preceding discussion that small firms eschew training altogether. In a survey of SMEs conducted by the Government funded agency, the Small Business Service (SBS), 53% of firms reported offering training to their staff.⁵³ The same report showed that those businesses with 10-249 employees spent £5.8 billion per annum on training and that the majority of this sum (£3.4 billion) was spent on off-the job training.⁵⁴ Similarly, a survey carried out for the DfES in 2002 showed that 57% of firms with 5-24 employees provided off-the-job training for their employees, while 79% offered on-the-job training to their staff.⁵⁵ Consequently, many small businesses do recognise the importance of training. To repeat the point made earlier, though, as a generalisation, small firms are less likely to provide their employees with accredited training programmes. This is because they tend to lack both the resources to spend on accredited training schemes and find it more difficult to release their staff to participate in off-the-job training courses.

Accordingly, the Government's plan to develop the Employer Training Pilots (ETPs) into a national programme is encouraging. The Government introduced ETPs in September 2002 in six local Learning and Skills Council (LSC) areas to expand the demand for training. They have already been extended to cover another six local LSCs. Amongst other things, ETPs provide free training programmes up to Level 2 qualifications and provide support for employers to meet the costs of giving staff paid time off to train, which is particularly valuable for SMEs. Over 2,000 employers and 10,000 learners have taken part in the pilots and a high proportion of participating firms have been enterprises with less than 50 employees.⁵⁶ It is firms of this size that typically face problems providing accredited training programmes to their employees.

The Government also promises to build on the £30 million Small Firms Initiative that is designed to encourage more SMEs to work towards Investor in People (IiP) status. The Government claims that IiP has been a success story, with nearly 28,000 organisations employing one third of the workforce in England having IiP status and another 16,000 organisations committed to working towards the standard. By 2007, the Government aims to have 45% of the workforce employed in organisations that have either achieved or are aiming to secure IiP status. The IiP programme has been of some benefit to some businesses. A survey of IoD members in 2001 showed that 73% of the directors using IiP believed that the programme had helped to link training more effectively to the needs of their business.⁵⁷ However, two-thirds of the IoD members in the survey who used IiP acknowledged that the improvements to training that the scheme brought about could just as easily have been achieved by other means.⁵⁸ Moreover, only 15% of the IoD members using IiP concluded that the scheme had increased their business's profits.⁵⁹ The fact is that the IiP scheme may be more suitable for some organisations than for others. The Government, therefore, should refrain from promoting IiP at the expense of other approaches to improving training and should confine itself to ironing out any weaknesses in the programme. Moreover, the Government should be neutral in its approach to different strategies for improving training and leave it to the judgement of individual business owners and managers as to whether or not they should seek IiP status.

4.4 Encouraging training amongst the low skilled

The better qualified the individual the greater is their propensity to receive further training. Conversely, the less well qualified an individual is, the more likely it is that he/she will not engage in additional training.⁶⁰ To its credit, the Government is trying to tackle this regrettable situation in two principal ways. Firstly, the Government promises to pilot the delivery of a new learning grant for

adults in further education. This grant will be based on the existing Education Maintenance Allowance (EMA) for 16-19 year olds. EMAs supply young people in post-compulsory education with regular means tested payments, provided that they keep to the terms of a learning agreement signed with their school or college. The Government claims that evidence from the pilot EMAs that have been running since 1999 demonstrates that fewer students drop out of courses and that the behaviour of young men has improved.⁶¹ The proposed adult learning grant of up to £30 per week will be aimed at adults studying full time for their first full Level 2 qualification and for young adults studying for their first full Level 3 qualification.⁶² The learning grant could help to increase participation in education and training and encourage those with relatively poor skills to work towards higher qualifications.

Secondly, the Government is committed to increasing the network of Union Learning Representatives in order to encourage the low skilled to take part in training programmes. The Government has already strengthened the position of Union Learning Representatives through the Employment Act 2002 that gave them statutory rights in those workplaces where independent trade unions are recognised by their employer for collective bargaining purposes. Briefly, the statutory rights provided for Union Learning Representatives under the legislation include reasonable paid time off for carrying out duties such as analysing training needs, providing information and advice about learning or training issues and arranging learning or training.⁶³ The Government now intends to increase funding for the Union Learning Fund from £11 million in 2003/04 to £14 million over the next two years.⁶⁴ Trade Union Learning Representatives could have a useful role to play in encouraging training amongst the relatively poorly skilled. This is because some employees may be reluctant to approach their employer to confess that they are deficient in basic skill needs, whereas they may be more comfortable with a Union Learning Representative. If Union Learning Representatives can encourage individuals who lack basic skills to overcome their deficiencies by participating in the appropriate training programmes, then employers should welcome them.

5: Deficiencies in the White Paper

5.1 Introduction

Although there are positive aspects to the Government's strategy for skills, on balance there are missed opportunities in the White Paper. The document fails to set out a fresh approach to addressing the UK's deficiencies with respect to skills. The Government rather lamely states that "The strategy is not predominantly about new initiatives. It is about making more sense of what is already there, integrating what already exists and focusing it more effectively."⁶⁵ This is disappointing because the severity of the UK's weakness in respect of skills necessitates much more urgent action on the part of Government. However, the Government's strategy for skills suffers from three cardinal weaknesses. It fails to address the problem of poor educational achievement in schools, it fails to spell out how the Modern Apprenticeship (MA) system will be improved and it fails to cut a path through the jungle of state funded institutions that exist to improve skills and training in the UK.

5.2 Poor levels of educational achievement

One of the principal reasons why the UK economy suffers from skill shortages and skill gaps is because the state education system allows too many young people to leave school without a mastery of the 3Rs and without being qualified to at least Level 2. This reduces the pool of skilled labour available for recruitment. Additionally, individuals who have weak literacy and numeracy skills are typically more difficult for employers to train in comparison with individuals who possess these skills. Extraordinarily, the White Paper barely refers to standards in education. Yet it is because the education system fails to equip school leavers with basic skills that much of the White Paper's focus on training is necessarily remedial in nature.⁶⁶ The commitment of free tuition for any adult without a Level 2 qualification is welcome (although see Section 4.2). However, it is only necessary because too many young people currently leave compulsory education without qualifications at this level in the first place. Regrettably, it does not appear that the proportion of young people qualified to Level 2 at the age of 16 is going to improve dramatically in the near future.

Although there have been notable improvements in the proportion of 11 year olds achieving Level 4⁶⁷ in the Key Stage 2 tests in English and mathematics since 1998, the bulk of this enhanced performance was recorded in the years to 2000⁶⁸ and the rate of progress has subsequently slowed.⁶⁹ Indeed, provisional statistics for 2003 indicate that the percentage achieving Level 4 or above in English and mathematics was the same as in 2002, at 75% and 73% respectively.⁷⁰ With a quarter of all 11 year olds failing to achieve the expected standard for their age, the Government missed its 2002 target that 80% should attain Level 4 in English and 75% in mathematics. This failure contributed to the resignation of Estelle Morris as Secretary of State for Education and Skills in 2002. The likelihood of the Department for Education and Skills (DfES) meeting the 2004 Public Service Agreement that 85% of 11 year olds will separately reach Level 4 in these two subjects appears extremely remote.⁷¹

Similarly, whilst there has been a steep and relentless upward curve in public examination pass rates in recent years at GCE A Level, a disappointingly large proportion of young people continues to perform poorly at GCSE examinations. In 2000/01, 5.5% of pupils in their last year of compulsory schooling failed to achieve a single GCSE, 19.4% of pupils only managed to obtain one or more GCSE at grades D-G and 24.1% of pupils secured one to four passes at grades A* to C.⁷² Moreover, despite 11 years of compulsory schooling, only 39% of pupils managed to obtain at least a grade C in each of the 'core' subjects English, mathematics and science.⁷³ Significantly, the provisional figures for 2002-03 showed that the situation was deteriorating further, with only 38% of pupils managing to achieve grades A*-C in GCSE English, mathematics and science, a decline of one percentage point on the previous year.⁷⁴ In other words, three fifths of 16 year olds are failing to achieve Level 2 in literacy and numeracy.

The spiral of poor educational achievement continues at Level 3. Poor performance at Level 2 contributes to the UK's high drop out rate following the conclusion of mandatory learning. A league table of participation rates for 17 year olds compiled by the OECD rated the country a lowly equal 25th out of 29, ahead of just Greece, Mexico and Turkey.⁷⁵ Indeed, as many as one in four of those aged 16 to 18 had abandoned education and training in this country at the end of 2000, a record significantly inferior to the OECD and EU averages.⁷⁶ Admittedly this does represent an improvement on past performance. In 1978, 56% of 17-18 year olds in the UK were not participating in either education or training, compared to just 21% in West Germany.⁷⁷ However, the high drop out rate from education and training post-16 reduces the supply of young people studying for qualifications at Level 3, which in turn exacerbates the problems of skill shortages and skill gaps. The Government's White Paper states that, amongst other things, "Education must equip young people with the skills, knowledge and competences employers need".⁷⁸ In practice, for too many young people this remains an aspiration rather than reality.

The Government's skills strategy should focus on improving standards of literacy and numeracy in schools and on raising the proportion of pupils and students qualified at Levels 2 and 3, without undermining standards. Unfortunately, the Government's White Paper fails to show how these objectives are to be achieved. Consequently, even if the measures that the White Paper contains do help to increase the proportion of adults qualified to Levels 2 and 3, the 'victory' in the war on skills shortages and skill gaps will be a Pyrrhic one. Individuals should obtain their basic educational qualifications - particularly Level 2 - in schools, not after they have left compulsory education.

5.3 Weaknesses with Modern Apprenticeships

The second major weakness in the Government's White Paper relates to the system of Modern Apprenticeships (MA). There are two principal weaknesses with the Government's approach. Firstly, the MA system is treated as the default vocational training programme. The Government has a target for 28% of all young people to begin an MA before the age of 22 by 2004. Additionally, the Government expects Sector Skills Councils (see Section 5.4) to review with employers and the QCA how they would like to design and implement an MA programme in their particular sector.⁷⁹ In other words, it is regarded as a given that anyone who is interested in acquiring a vocational education should typically embark on an MA programme. It is also accepted without question that MAs are appropriate and necessary to all sectors. However, this may not be the case. Significantly, in a recent survey of 500 IoD members, only 13% of the directors actually used the MA programme to train their employees.⁸⁰ Although the majority of the directors who made use of MAs held the scheme in high regard, evidently many others preferred to recruit

qualified staff, possibly with other qualifications, or to train their employees in a different way.⁸¹ This is perfectly reasonable. After all, there is more than one way to skin a cat.

In truth, the MA programme may be appropriate for some young people, but not necessarily for over one quarter of an age cohort, as the Government suggests. Additionally, while MAs may be suitable in some sectors, such as the motor industry and engineering manufacture, they may be less apposite for others.⁸² Significantly, although there were 234,100 young people studying for an MA in November 2002,⁸³ there are nearly 500,000 students registered on vocational BTEC courses studying for over 6,000 different qualifications.⁸⁴ Likewise, City and Guilds offers over 400 different vocational qualifications⁸⁵ and in 2001/02 the City and Guilds Group (which includes Pitman Qualifications, The Institute of Leadership and Management and the Construction Industry Training Board) awarded approximately 880,000 certificates in the UK.⁸⁶ Both BTEC and City and Guilds qualifications are highly respected and used internationally. There is every reason to believe that courses and qualifications in both BTECs and City and Guilds meet the needs of many employers and students. It is hubristic to imply, as the White Paper does, that an MA programme should invariably be regarded as the preferred vocational course and qualification. Rather than attempting to promote MAs above all other qualifications, the Government should simply ensure that standards in MAs are high and then allow individual students and employers in the market to decide which qualifications they wish to study for. The Government should be neutral in its attitude towards the type of qualifications that students work towards. The Government cannot know what is the most relevant course or qualification for students or businesses.

The second major deficiency with the Government's approach towards MAs concerns the quality of the programme itself. Firstly, the quality of training is all too often unsatisfactory – in 2002 the Adult Learning Inspectorate (ALI) described 58% of work-based training providers as inadequate.⁸⁷ To be fair, the quality of work based learning providers has improved over the last year, but in its most recent report the ALI still concluded that 46% of providers remained inadequate.⁸⁸ This is simply not good enough. Secondly, achievement rates within MAs are appalling - only 24% of Modern Apprentices complete all the requirements of their training framework.⁸⁹ Thirdly, the MA programme has a 'one-size-fits-all' approach that inhibits flexibility. The delivery of one of the MA's central aspects, Key Skills⁹⁰, is a particular cause for concern because learners and employers lack commitment towards it, while providers struggle to deliver this aspect of the programme.⁹¹ In 2001-02, Key Skills was cited as a weakness or in need of development in nearly half of the providers inspected by the ALI and as a strength in a mere 6%.⁹² Despite this, the White Paper promises that Key Skill units will be integrated into MA programmes by adding them to NVQs and to external tests in technical certificates!⁹³ Fourthly, the MA system is failing to provide a true vocational pathway. Rates of progression from Foundation Modern Apprenticeships (FMA) to Advanced Modern Apprenticeships (AMA) and then onto higher education, are disappointing: for instance, only 10% of FMAs transfer to AMAs.⁹⁴ Finally, MAs are supply, rather than demand, driven. As remarked earlier, the Government has set a target for 28% of young people to be entering MAs before they are 22 by 2004. This objective contradicts one of the principles of the White Paper, namely that publicly funded training provision for adults should "Be led by the needs of employers and learners."⁹⁵ More importantly, targets can distort behaviour, have unintended consequences and create perverse incentives. For example, the Government's emphasis on pumping thousands of young people through the MA system could give local LSCs a perverse incentive to encourage young people to embark on inappropriate MAs with the easiest entry requirements.⁹⁶ Similarly, a mass expansion of the MA programme might have deleterious effects on standards. It is conceivable that the stringency of training frameworks might be weakened in order to attract and retain greater numbers of MA students. As a consequence, quality would be sacrificed for quantity.⁹⁷

The IoD supports the MA system because research amongst IoD members suggests that those directors who actually use the programme regard it as a good way of equipping their employees with the skills that they need to do their jobs successfully. Additionally, directors involved in the MA system believe that it has been beneficial to their businesses.⁹⁸ Concomitantly, the intention stated in the White Paper to lift the age limit on MAs so older workers can participate in the scheme is sensible.⁹⁹ However, the fact remains that the MA programme is far from perfect – a point highlighted by the fact that the Government has already initiated three reviews of the scheme over the last four years.¹⁰⁰ Generally speaking, the quality of the MA system overall is not satisfactory (which is a further argument against the Government’s proposed expansion of the scheme). Important changes to the MA system are essential if the Government’s skills strategy is to be successful (see Section 6).

5.4 Government support for training – a bureaucratic, wasteful and confusing system

As noted earlier, the Government is committed to funding training programmes for individuals working towards their first Level 2 qualification, funding priority training schemes for Level 3 qualifications and funding the *Skills for Life* programme. The Government could in theory finance these commitments directly from departments in Whitehall. However, the Government has eschewed this approach and has instead spawned a plethora of state financed agencies to deliver its various skills programmes.

In 1999 the Government established eight Regional Development Agencies (RDAs), plus the London Development Agency in 2000, giving them responsibility for developing Regional Economic Strategies, which include addressing skill needs. Then, as a consequence of the Learning and Skills Act 2000, the Government abolished the existing 72 Training and Enterprise Councils (TECs) and the Further Education Funding Council and replaced them with the Learning and Skills Council for England (LSC). The LSC for England is funded by the DfES and is responsible for developing, planning, funding and managing all post-16 education and training (with the exception of higher education) in England and it implements its decisions via 47 local Learning and Skills Councils. However, the RDAs and LSCs are not the only Government funded organisations to support training in England. The SBS and the 45 Business Links also play a part in delivering Government funded training, helping businesses to access the appropriate Government scheme.¹⁰¹ At the same time, Jobcentre Plus pays the cost of training courses for those people claiming unemployment benefit in order to improve their skills to enhance their employability.¹⁰²

As if this were not enough, a new Sector Skills Development Agency (SSDA) was established in July 2002 to support the development of the Skills for Business network of Sector Skill Councils (SSCs). The SSDA is responsible for establishing the network of SSCs, monitoring their performance and acting as ambassador for their work.¹⁰³ The SSDA will spend £138.5 million of Government money to develop the network.¹⁰⁴ According to the Government, the SSCs will define the occupational standards for skills in each of their respective sectors in order to provide a basis for designing qualifications and courses, help identify skill needs in their particular areas and work with the LSC on designing national skills programmes. The Government anticipates that there will be approximately 25 SSCs in existence by the summer of 2004,¹⁰⁵ replacing the former 73 National Training Organisations (NTOs). The SSDA hopes that by the end of the first year of its strategic plan, 75% of the working population will be covered by one of the SSCs,¹⁰⁶ rising to 81% by May 2004.¹⁰⁷

The system of Government support for training suffers from three principal weaknesses. Firstly, there is an inherent tendency towards bureaucracy in the system. Since July 2001, RDAs have been obliged to produce Frameworks for Regional Employment and Skills Action (FRESA). These plans are drawn up by RDAs after negotiations with local LSCs, Jobcentre Plus, local authorities, Government Offices of the Regions, the TUC and employer representatives.¹⁰⁸ As a result of the skills White Paper the Government additionally wants each RDA to draw up its own particular Regional Economic Strategy, which will include its approach towards improving skill levels in its particular vicinity.¹⁰⁹ Accordingly, each RDA will be obliged to secure agreement on its objectives for skills in its Regional Economic Strategy with local LSCs, the SBS, Jobcentre Plus, the SSDA,¹¹⁰ the relevant Government Office in the region, Connexions [sic], local authorities, University for Industry/learnirect and representatives of employers and employees. This bureaucratic process will inevitably entail meetings, paper chasing and expense.¹¹¹

Secondly, the system of Government support for training is inefficient. Many of the Government funded organisations duplicate the work of others. For example, both local LSCs and RDA partnerships have budgets for adult learning and they are currently experimenting with ways of pooling their budgets. However, this begs the question why both local LSCs and RDA partnerships need to have budgets for the same activities.¹¹² Likewise, both local LSCs and RDAs are expected to identify regional training priorities.¹¹³ Similarly, although local LSCs play an important part in developing Centres of Vocational Excellence – FE colleges specialising in a particular subject area – RDAs, SSCs and the SSDA will also be involved.¹¹⁴ Again, the White Paper promises that each local LSC will publish an *Employer Guide to Good Training* to offer information about the quality of local learning providers.¹¹⁵ However, in view of the fact that the ALI already publishes inspection reports and statistics on its website, the need for each LSC to produce guides on good training seems unnecessary.

Rather than relying on a small number of institutions to deliver funding for skills programmes, the Government has scattered money for training across a range of organisations. For the financial year 2003-04, the LSC for England has a budget of over £8 billion,¹¹⁶ the RDAs have a budget of almost £1.8 billion,¹¹⁷ and the SBS has a budget of approximately £388 million.¹¹⁸ Additionally, Jobcentre Plus has a budget of £500 million for training purposes¹¹⁹ and the SSDA has £138.5 million to develop the Skills for Business network.¹²⁰ Of course, only a fraction of the SBS's budget is devoted to skills and the RDAs do not spend anything like all of their resources on training purposes. For example, of the RDA One NorthEast's [sic] budget of almost £210 million for 2003-04, £22.5 million will be spent on skills.¹²¹ However, the fact remains that the Government has dispersed public money for training purposes amongst a variety of quangos, with the result that activities are duplicated and co-ordination is made unnecessarily complicated. The Government appears to have forgotten an old adage – too many cooks spoil the broth.

Thirdly, the system of Government support for training could fail to serve the needs of business. In the first instance, because of the sheer plethora of organisations involved in delivering the Government's skills strategy, many businesses will be unsure which organisation they should contact when looking for assistance in respect of training. As a consequence, they may avoid contacting any of the organisations involved altogether. Secondly, it is not obvious that the Government backed system of business support for training will genuinely reflect the interests of the UK's 3.7 million firms. Business representatives account for only 40% of the boards of local LSCs and the LSC for England, whereas under their predecessors, the TECs, business representatives held 75% of the available positions. Similarly, the boards of RDAs include representatives from local government, trades unions and the voluntary sector, in addition to those from business.¹²² The Government claims that "the network of Sector Skills Councils will be a new voice for business..."¹²³ and the SSDA says, "SSCs are the authoritative voice of employers on

skills issues and skills needs.”¹²⁴ However, the voice of business may well be muffled because the Government also intends that the SSCs and the SSDA should have trade union representatives on their boards, just as they do on the boards of local LSCs and the RDAs.¹²⁵ Above all, the LSC for England, local LSCs, RDAs, SSCs and the SSDA will all have difficulty representing the views of owners and managers from SMEs because these individuals lack the time to participate in organisations of this kind.¹²⁶

It follows from this that the Government may not be able to fulfil its objective of achieving sector skills agreements in differing sectors. The Government envisages that sector skills agreements would cover an assessment of the current state of skills in a particular sector, skill needs and scope for collaborative action by employers in the sector to tackle skill shortages. Collaborative action might include adopting practices such as establishing sector training academies, developing licenses to practice and taking action through the supply chain to improve skills. The Government states that, through the local LSCs and the SSDA, it will financially support sector skills agreements. The Government also states that it is prepared to use the powers under the 1964 Industrial Training Act to introduce training levies to pool the costs of training across employers, in cases where employers and unions support such an approach.¹²⁷ In practice, it may be difficult to achieve sector skill agreements that genuinely reflect the views of SMEs. In reality, the parties to a sector skills agreement are likely to be large businesses that have the time to spare the necessary personnel to engage in negotiations with other parties. Sector skill agreements, therefore, may fail to serve the interests of businesses.

Consequently, the system of Government support for training is bureaucratic, wasteful and confusing. The skills White Paper fails to cut a path through the jungle of state funded organisations that ostensibly exist to improve training in the country. Indeed, it exacerbates the problem by creating new institutions (SSCs and the SSDA) that partly duplicate the work of existing bodies (the LSCs and the RDAs).

6: Future priorities

There are six principal steps that the Government needs to take in order to improve its strategy for skills. Most importantly, standards of literacy and numeracy in schools have to be driven up and the proportion of pupils and students qualified at Levels 2 and 3 must be increased. Pupils and students need to be qualified to these Levels in order to provide a sound platform for further progression. Unless standards in education improve, skill shortages and skill gaps will remain a problem for UK businesses. Crucially, we need to increase the proportion of pupils qualified to Levels 2 and 3 before they leave school or college. Unless this is achieved, valuable public resources will have to be spent on providing young people and adults with the education and qualifications that they should have received in school and further skill progression will be delayed. The fact that 29% of the workforce lacks a Level 2 qualification is a damning indictment of the UK's record in education.¹²⁸

Secondly, the system of academic qualifications needs improvement. The Government has asked Mike Tomlinson, the former head of Her Majesty's Office for Standards in Education (OFSTED), to conduct a review of the qualifications system. Regrettably, Tomlinson appears to be moving towards recommending the establishment of an English Baccalaureate.¹²⁹ This would be a mistake, partly because of the disruption that this would cause for schools and partly because there is a danger that an English Baccalaureate would fail to meet the different needs of pupils. Instead, both GCSEs and A Levels should be retained. GCSEs give pupils an end goal for their studies and provide pupils with a set of qualifications to show potential employers and higher educational establishments. However, for those pupils who find GCSEs unchallenging, the Government should allow schools to offer such pupils an opportunity to work towards a more demanding qualification – possibly the International GCSE.¹³⁰ AS Levels should be abolished in order to lighten the burden of examinations. A Levels should be retained, but now that a fifth of students are achieving an 'A' grade at A Level, the Government and the examination boards need to consider ways to help employers and universities differentiate between the very good performers at A Level and the elite. It would be preferable for a smaller proportion of pupils to achieve an 'A' grade at A Level, otherwise the grade loses distinction. A return to the traditional A Level that existed prior to the introduction of the Curriculum 2000 reforms would reduce the burden of examinations and would probably result in a smaller proportion of students achieving an 'A' grade at A Level. Additionally, the Government should allow schools to be able to offer their students the International Baccalaureate in place of A Levels if they wish to do so.¹³¹ The IB is an academically demanding, well established and internationally respected qualification.¹³²

Thirdly, while the IoD supports the MA programme in principle, it is imperative that the Government rectifies its deficiencies. Five key reforms are required. To begin with, in order to improve the quality of training provision for Modern Apprentices, the Learning and Skills Council should terminate the funding of those providers who fail to improve their service following a critical inspection report. Additionally, in order to raise the achievement rate, a minimum entry requirement of GCSEs at A*-C in English and Mathematics should be introduced for both Foundation Modern Apprenticeships (FMA) and Advanced Modern Apprenticeships (AMA). This would filter out unsuitable individuals from embarking on the MA programme, assure employers that the MA training programme was of high quality and permit the removal of key skills qualifications in communication and application of number as mandatory elements of all MA frameworks, thereby

shortening training times. At the same time, to improve standards, Technical Certificates should be incorporated into all FMA and AMA frameworks. Moreover, to enhance the attraction and relevance of the programme to employers, other industry standard qualifications could be used as alternatives to the NVQ, which currently features in all MA frameworks. Finally, the Government should abandon its arbitrary target 2004 participation target; this merely serves to aggravate the supply-led orientation of the MA.

Fourthly the Government should refrain from promoting a particular type of vocational qualification like MAs or approach to training, such as liP, at the expense of other vocational qualifications or strategies for training. Instead, the Government should confine itself to rectifying any deficiencies in the MA system or any failings that exist in the liP system and then leave it to individual businesses to decide whether to use them or not. As noted in Section 5.2, both BTEC and City & Guilds provide a variety of vocational qualifications that are respected by employers and popular with students. The existence of a market in vocational qualifications is beneficial because it should result in examination boards competing to develop courses and qualifications that meet the needs of employers. A market in vocational qualifications consequently enables employers and learners to pick and choose those courses and qualifications that are of most use to them. It is perfectly reasonable for the Government to publicise different vocational qualifications and approaches amongst students and businesses to ensure that they are capable of making an informed choice. However, the Government should not try and corral businesses and individuals into adopting particular training programmes. This is because the Government is unlikely to know what particular training scheme is most appropriate for the 3.7 million businesses that operate in the UK or for the hundreds of thousands of individuals studying to improve their skills and qualifications.

Fifthly, the Government can help to ameliorate skill shortages by aiming to keep the regulatory and tax burden on business relatively light so that they have more resources available for investment in training programmes. Unfortunately, the burden of regulation has increased in recent years. Alan Johnson, when Minister of State for the Regions and Employment Relations, admitted that the annual costs to business of employment legislation alone implemented by the DTI since 1997 amounts to £5 billion per annum.¹³³ On another occasion Alan Johnson remarked that there is "...a list of employment rights [introduced since 1997] that stretch from here [the DTI in London] to the Winter Gardens in Blackpool...".¹³⁴ At the same time, the burden of taxation has grown. PricewaterhouseCoopers have estimated that the tax burden under New Labour increased by £8 billion between 1997 and 2002, with business footing 80% of the bill.¹³⁵ The Government must avoid adding to the regulatory and tax burden on British firms. Training programmes cost money and the Government needs to leave businesses with the wherewithal to finance them.

Sixthly, to an extent the Government can ease skill shortages through a flexible immigration policy. If British industry cannot find the skilled personnel that it needs amongst the British labour force, there is a case for attracting more skilled individuals into the UK from abroad to ease skill shortages. However, a policy of importing overseas workers to solve UK skill shortages must be kept within limits. In the first instance, a policy of seeking to attract skilled immigrants could denude developing countries of skilled labour.¹³⁶ It would be wrong for the UK to ease its problem of skill shortages at the expense of some of the poorest countries in the world. Additionally, large and ongoing increases in immigration must be avoided because they are likely to have an environmental impact. For example, significant increases in immigration could result in extensive additional urban development, particularly in London and the South East, the economic power house of the UK. Arguably, the housing development planned for this part of the country is already excessive. Also, there may not be sufficient public support for extensive immigration into the UK. Consequently, attracting skilled migrant workers into the UK to ameliorate skill shortages should be limited. Certainly, the Government should not rely entirely on the immigration of low skilled workers

to help address the UK's skill problems. A report published by the DfES in 2002 noted that there were 6.5 million jobs for which no qualification was required.¹³⁷ As the UK has 2.9 million economically inactive people aged 20-60 who possess no qualifications it would be rational to encourage these people back into the labour market before looking for a fresh supply of unskilled labour from abroad. Ultimately, while a flexible immigration policy can help to offset skill shortages, it cannot provide a long term solution to the UK's skill problems. In the final analysis, the UK Government and businesses need to make better use of its indigenous workforce.

7: Conclusion

Training is important for individuals, businesses and the UK economy and society as a whole. Individuals typically benefit from training through higher rates of pay, improved employment prospects and enhanced status. Other things being equal, businesses that have a suitably skilled workforce are likely to enhance their productivity. Businesses that invest in training may also improve staff morale and reduce staff absenteeism and staff turnover. The UK economy benefits from having a trained workforce in a variety of ways. A plentiful supply of skilled people may serve to act as a magnet to foreign investment. Additionally, an adequate supply of suitably skilled workers should enable the economy to avoid bottlenecks and prolong its capacity for growth. More generally, UK society benefits from improvements in skills and training because generally speaking individuals with few skills are more likely to engage in crime or suffer from poor health.¹³⁸

Skill shortages and skill gaps have historically been the bane of the UK economy. The Government's White Paper on skills is a welcome development insofar as it recognises the importance of the problem. Moreover, some of the commitments contained in the Paper, such as the provision of free study for a Level 2 qualification, are serious measures that should help to ease the problems associated with skill levels in the UK.

However, overall the White Paper misses a number of important opportunities. It does not place sufficient weight on the importance of education and fails to indicate how standards in education are to be improved. It continues to emphasise the importance of MAs, but fails to address the programme's deficiencies. It adds to a bloated superstructure of state funded agencies for training.

The central priority for the future must be to improve levels of achievement in schools. Unless pupils leave school with a good grounding in basic skills and qualifications to at least Level 2, skill shortages and skill gaps will persist.

- ¹ Cited in *14-19: Extending Opportunities, Raising Standards* (Department for Education and Skills, February 2002, Cm 5342), p. 9. A Level 2 qualification is equivalent to five or more GCSEs at A* - C, an intermediate GNVQ, NVQ Level 2 or a similar qualification. A Level 3 qualification equates to two or more GCE A Levels, an advanced GNVQ, NVQ Level 3 or similar qualification.
- ² *The Skills and Productivity Challenge. A Summary of the Evidence Base for the SSDA's Strategic Plan 2003-2006* (Sector Skills Development Agency, 2003), p. 8.
- ³ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation* (The Stationery Office, Cm 5810, July 2003).
- ⁴ *Annual Report of the Chief Inspector 2002-03* (November 2003), p. 5.
- ⁵ *United Kingdom, Country Profile, 2003* (Economist Intelligence Unit, 2003), p. 34 and *United Kingdom, Country Report July 2003* (Economist Intelligence Unit, 2003), p. 11.
- ⁶ *Labour Market Trends, Volume 111, No. 9, September 2003* (The Stationery Office, National Statistics, 2003), Table C.5, S40.
- ⁷ *United Kingdom, Country Forecast, May 2003* (Economist Intelligence Unit, 2003), p. 25.
- ⁸ *United Kingdom, Country Profile, 2003*, p. 34.
- ⁹ *United Kingdom, Country Report July 2003*, p. 10.
- ¹⁰ *The Skills and Productivity Challenge. A Summary of the Evidence Base for the SSDA's Strategic Plan 2003-2006* (Sector Skills Development Agency, 2003), p. 2.
- ¹¹ *United Kingdom, Country Forecast, May 2003*, p. 25.
- ¹² N. Crafts, *Britain's Relative Economic Performance 1870-1999* (Institute for Economic Affairs, 2002).
- ¹³ *The Skills and Productivity Challenge. A Summary of the Evidence Base for the SSDA's Strategic Plan 2003-2006*, p. 2.
- ¹⁴ *Ibid.*, pp. 2-3.
- ¹⁵ *The Skills and Productivity Challenge. A Summary of the Evidence Base for the SSDA's Strategic Plan 2003-2006*, p. 3. On the measure of output per hour worked, the UK is about 25% less productive than both the USA and Germany and about 30% less productive than France (*21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 12).
- ¹⁶ *Prosperity For All. DTI. The Strategy: Analysis* (Department of Trade and Industry, 2003), pp. 9-11.
- ¹⁷ A recent study by Proudfoot Consulting does suggest that the UK's productivity performance is improving. See *Missing Millions. How Companies Mismanage Their Most Valuable Resource. International Labour Productivity Study, October 2003* (Proudfoot Consulting, 2003), especially pp. 22-23. Additionally, Britain's record on productivity growth may look worse than it actually is because the statistics are weighted towards improvements in manufactured goods and at the same time fail to give sufficient weight to improvements in high-value services such as finance, law and research and advertising. See Anatole Kaletsky, "Rise and rise of a 'model' economy" (*The Times*, October 7th 2003).
- ¹⁸ It now appears that the UK economy grew almost twice as rapidly in the first half of 2003 than was first assumed because the Department of Trade and Industry had inaccurately measured the level of activity in the construction industry. See Irwin Stelzer, "Forecasters who don't even know where they've been" (*The Sunday Times*, October 5th 2003). See also Gary Duncan, "Soaring costs eat up most of Labour's extra funding" (*The Times*, October 1st 2003). Similarly, there have been only two out of 19 months in which the Office for National Statistics' first estimate of the monthly change in manufacturing output has not subsequently been revised. See Gary Duncan, "Official figures called into doubt" (*The Times*, October 8th 2003). If these figures can be subject to revision, possibly figures relating to productivity might be too.
- ¹⁹ See, for example, *International Comparisons of Productivity* (<http://www.statistics.gov.uk/cci/nugget.asp?id=160>).
- ²⁰ "Can things only get worse?" (*The Economist*, September 27th 2003), pp. 29-30. See also Hamish McRae, "First comes the spending, then the debt, and then the squeeze on the workforce" (*The Independent*, September 18th 2003). For a case that the NHS is getting better, see Mary Ann Sieghart, "Stop waving your shrouds: the NHS is in good health" (*The Times*, October 3rd 2003). For a discussion of Government productivity, see Alwyn Pritchard, "Understanding Government output and productivity", *Economic Trends*, Vol. No. 596, July 2003.
- ²¹ *Improving Literacy and Numeracy – A Fresh Start* (Report of the Working Group chaired by Sir Claus Moser, Department for Education and Employment, 1999, Ref: CMBSI). See also, *Second Report of the National Skills Task Force. Delivering Skills for all* (Department for Education and Employment, 1999), especially p. 23.
- ²² *The Skills and Productivity Challenge. A Summary of the Evidence Base for the SSDA's Strategic Plan 2003-2006*, p. 7.
- ²³ Cited in *14-19: Extending Opportunities, Raising Standards* (Department for Education and Skills, February 2002, Cm 5342), p. 9. The UK and French data refers to 1998, whereas the German data is based on 1997 figures.
- ²⁴ Cited in *14-19: Extending Opportunities, Raising Standards*, p. 9. The UK figure is based on data from 1998, the German data from 1997. The proportion of the French workforce holding a qualification equivalent to a Level 3 qualification is on a par with that of the UK, standing at 38% (data from 1998).
- ²⁵ *Skills for all: Research Report from the National Skills Task Force* (Department for Education and Employment, 2000), p. 63. The data for the UK is from 1998, that from Germany (the former Bundesrepublik) from 1997.
- ²⁶ *Towards a National Skills Agenda. First Report of the National Skills Task Force* (Department for Education and Employment, 1998), p. 13.
- ²⁷ *Towards a National Skills Agenda. First Report of the National Skills Task Force* (Department for Education and Employment, 1998), p. 14.
- ²⁸ *The Skills and Productivity Challenge. A Summary of the Evidence Base for the SSDA's Strategic Plan 2003-2006*, p. 8.
- ²⁹ *Ibid.*, p. 8.
- ³⁰ *Ibid.*, p. 6.
- ³¹ M. O'Mahony and W. De Boer, *Britain's Relative Productivity Performance: Updates to 1999* (London: National Institute of Economic and Social Research, 2002). See also M. O'Mahony, *Britain's Relative Productivity Performance, 1950-1996: An International Perspective* (London: National Institute of Economic and Social Research, 1999) and *Prosperity For All. DTI. The Strategy: Analysis* (Department of Trade and Industry, 2003), p. 34.
- ³² *The Skills and Productivity Challenge. A Summary of the Evidence Base for the SSDA's Strategic Plan 2003-2006*, pp. 8-9.
- ³³ Following the Department of Trade and Industry, a micro-firm is an enterprise with 0-9 employees, a small firm is one with 10-49 employees, a medium-sized firm is one with 50-249 employees and a large firm is one with 250 or more employees. Consequently, any business with 249 or fewer employees should be regarded as an SME.
- ³⁴ D. Spilsbury, *Learning and Training at Work 2000* (Department for Education and Skills Research Report 269, 2001). See also *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 35.

- ³⁵ As with the other NOP surveys of IoD members referred to earlier, the majority of the directors interviewed were from SMEs and about 80% were involved in a variety of businesses based in the service sector of the economy.
- ³⁶ This figure of 57% would also have included employees that needed to be qualified to Level 4 as well as Level 3.
- ³⁷ Francis (ed.), *United Kingdom Balance of Payments. The Pink Book* (National Statistics, 2002), p. 32 and p. 41.
- ³⁸ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation*, p. 100.
- ³⁹ *Ibid*, p. 13 and p. 60.
- ⁴⁰ *Ibid*, p. 63.
- ⁴¹ *Ibid*, pp. 61-62.
- ⁴² *Ibid*, p. 13.
- ⁴³ O'Connell, *Adults in Training: An International Comparison of Continuing Education and Training* (Paris, OECD, 1999). See also *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 65.
- ⁴⁴ *Ibid*, p. 39.
- ⁴⁵ *Ibid*, p. 39.
- ⁴⁶ In this context an open course is one run by the IoD but open to non-IoD members.
- ⁴⁷ *Ibid*, p. 39.
- ⁴⁸ David Spilsbury, *Learning and Training at Work 2002* (Department for Education and Skills, 2003, Research Report 399), p. 72.
- ⁴⁹ D. J. Storey, *Understanding the Small Business Sector* (Routledge, 1994), p. 109. In fact, as Storey points out in this volume (p.104) the overwhelming majority of businesses only survives for short periods of time. According to Barclays Bank, only half of new businesses survive more than three years. See *Training: the Key to Success?* (Barclays. Small Business Review, May 1998).
- ⁵⁰ Certainly, labour turnover tends to be higher in smaller enterprises than larger companies. See J. Atkinson and N. Meager, "Running to stand still: The small business in the labour market", in J. Atkinson and D. J. Storey (eds), *Employment, The Small Firm and the Labour Market* (Routledge, 1994).
- ⁵¹ C. Hakim, "Identifying fast growth small firms", *Employment Gazette* (January 1989), pp. 29-41 and D. J. Storey, *Understanding the Small Business Sector*, p. 158.
- ⁵² Indeed, Professor Storey maintains that evidence supporting the notion that training enhances the life expectancy of a firm is pretty thin. See D. J. Storey, *Understanding the Small Business Sector*, pp. 292-3.
- ⁵³ *Small Firms: Big Business! A Review of Small and Medium-sized Enterprises in the UK* (Department of Trade and Industry/Small Business Service, 2002), p. 7.
- ⁵⁴ *Ibid*, p. 7.
- ⁵⁵ David Spilsbury, *Learning and Training at Work 2002* (Department for Education and Skills, 2003, Research Report 399), p. 35.
- ⁵⁶ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation*, pp. 36-37.
- ⁵⁷ Mike Harris, *Investors in People. Its Impact on Business Performance* (Institute of Directors, 2001), p. 8.
- ⁵⁸ *Ibid*, p. 27.
- ⁵⁹ *Ibid*, p. 8.
- ⁶⁰ According to Labour Force Survey data in the winter of 1998, only 2.9% of individuals with no qualifications received training in the four weeks prior to the survey taking place, compared to 18.8% of those qualified to degree level. See *Third Report of the National Skills Task Force, Tackling the Adult Skills Gap: Upskilling Adults and the Role of Workplace Learning* (Department for Education and Employment, 2000), p. 23.
- ⁶¹ *14-19: Opportunity and Excellence* (Department for Education and Skills, 2003), p. 37.
- ⁶² *21st Century Skills: Realising our Potential. Individuals, Employers, Nation*, p. 24 and p. 60.
- ⁶³ On Union Learning Representatives, see "A guide to Trade Union Learning Representatives' rights to time off" (*Personnel Today*, 28th July 2003), *Code of Practice on Time Off for Trade Union Duties and Activities (Including Guidance on Time Off for Union Learning Representatives)* (Advisory, Conciliation and Arbitration Service, April 2003) and *Union Learning Representatives: An Employer Guide* (Department for Education and Skills, July 2003).
- ⁶⁴ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation*, p. 44.
- ⁶⁵ *Ibid*, p. 12.
- ⁶⁶ For example, the South East England Development Agency and its partners are working with 72 National Health Service Trusts in the region to provide workplace basic skills programmes (*21st Century Skills. Realising Our Potential. Individuals, Employers, Nation*, p. 101). Although it is understandable that employees in NHS Trusts who have come from abroad may lack such skills, this should not be the case with those employees brought up in the UK.
- ⁶⁷ The National Curriculum standards have been designed so that most pupils will advance approximately one level every two years. Level 4 is the level that pupils are expected to reach by the end of key stage 2 (*National Curriculum Assessments of 7, 11 and 14-year olds in England, 2003 (Provisional)* (Department for Education and Skills, Statistical First Release 20/2003, 19 August 2003), p. 5).
- ⁶⁸ It now seems quite possible that the rapid improvement in English at Key Stage 2 that occurred was partly due to the decision in 1999 to reduce the pass mark from 51 out of 100 to 44 out of 100. At the time, the Qualifications and Curriculum Authority (QCA) said that the pass mark had been lowered because the questions had proved more difficult for children to answer. However, a £300,000 study carried out for the QCA by a team of researchers led by Alf Massey of the University of Cambridge Local Examinations Syndicate has concluded that the reduction in the pass mark in 1999 and again in 2000 was not justified. Contrary to the QCA's assertions, the tests were not significantly harder. See Liz Lightfoot, "Exam pass mark was lowered, says inquiry" (*The Daily Telegraph*, October 25th 2003).
- ⁶⁹ *Department for Education and Skills Departmental Report 2003* (Department for Education and Skills, Cm 5902, May 2003), pp. 52-53. In 1998, 65% of 11 year olds achieved Level 4 or above in English, 59% in mathematics and 69% reached the mark in science.
- ⁷⁰ *National Curriculum Assessments of 7, 11 and 14-year olds in England, 2003 (Provisional)* (Department for Education and Skills, Statistical First Release 20/2003, 19 August 2003), p. 2. The accompanying press release issued by Department for Education and Skills nevertheless "congratulated teachers and pupils for maintaining their record breaking performance". See 'World Class Results Maintained – Milliband' (Department for Education and Skills Press Notice 2003/0166, 19 August 2003).
- ⁷¹ Schools' ability to meet the Government's demand that 75% of 14 year olds achieve Level 5 or above in English and mathematics by 2004 is also questionable. In 2003, just 68% of 14 year olds reached Level 5 or above in English and 70%

in mathematics (*National Curriculum Assessments of 7, 11 and 14-year olds in England, 2003 (Provisional)*) (Department for Education and Skills, Statistical First Release 20/2003, 19 August 2003), p. 2).

⁷² *Education and Training Statistics for the United Kingdom 2002 edition* (National Statistics, London: The Stationery Office, 2002), p. 79.

⁷³ "GCSE pass rate hides failure at most important subjects" (*The Times*, 13 January 2003). See also *National Curriculum Assessments for Key Stage 3 (revised), GCSE/GNVQ examination results (provisional) and associated value added measures for young people in England, 2001/02* (Department for Education and Skills Statistical First Release, 22 January 2003), Table 7.

⁷⁴ Liz Lightfoot, "Labour misses its target for GCSE results" (*The Daily Telegraph*, October 9th 2003).

⁷⁵ *14-19: Opportunity and Excellence*, p. 9.

⁷⁶ *Ibid.*, p. 9.

⁷⁷ D. H. Aldcroft, *Education, Training and Economic Performance in the UK 1944 – 1990* (Manchester University Press, 1992), p. 60. Using a different measurement, 88% of 15-19 year olds in Germany were in education and training in 2001, compared to 72.5% of the same age group in the UK (*14-19: Opportunity and Excellence. Annexes*) (Department for Education and Skills, 2003), p. 61).

⁷⁸ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 30.

⁷⁹ *Ibid.*, p. 82.

⁸⁰ Mike Harris, *Modern Apprenticeships: an Assessment of the Government's Flagship Training Programme* (Institute of Directors, 2003), p. 7.

⁸¹ *Ibid.*, pp. 7-10.

⁸² *Ibid.*, p. 32.

⁸³ *Government Supported Further Education and Work-based Learning for Young People on 1st November 2002 – Volumes* (Learning and Skills Council Statistical First Release ILR/SF01, 31st March 2003), p. 9.

⁸⁴ Data obtained from Edexcel. BTEC was an acronym for Business and Technology Education Council until 1997 when BTEC merged with London Examinations to form Edexcel. BTECs can be taken at different levels of difficulty, including BTEC First Diplomas, BTEC National Awards and BTEC Higher and National Certificates and Diplomas.

⁸⁵ www.city&guilds.com.

⁸⁶ In 2001/02 the City and Guilds Group awarded 1,027,306 full certificates. 86% of the registrations over this period were submitted through centres in the UK. According to Dominic Manley, Information Services Manager, Operations Support Services at City and Guilds, it is reasonable to assume the proportion of UK certificates would be similar - about 880,000 (information acquired via an email inquiry, 20th October 2003).

⁸⁷ *Annual Report and Accounts 2002-03* (Adult Learning Inspectorate, July 2003), p. 6 and *Annual Report of the Chief Inspector 2001-02* (Adult Learning Inspectorate, 2002), p. 5.

⁸⁸ *Annual Report of the Chief Inspector 2002-03* (Adult Learning Inspectorate, November 2003), p. 5.

⁸⁹ *Further Education and Work Based Learning for Young People - Learner Outcomes in England 2001/02* (Learning and Skills Council, Statistical First Release, 24th July 2003), p. 21.

⁹⁰ The Key Skills are communication, application of number, information technology, working with others, improving own learning and performance and problem solving.

⁹¹ The Learning and Skills Development Agency remarked in their 2002 report that "Key [S]kills were almost universally seen by those [training providers] interviewed as a burden and barrier to achievement...Many reported that trainees were refusing to engage in Key Skills sessions and that employers were supporting their trainees in this". See M. Hughes, *Making the Grade: a Report on Standards in Work-based Learning for Young People* (Learning and Skills Development Agency, June 2002), p. 37.

⁹² *Annual Report of the Chief Inspector 2001-02*, p. 15.

⁹³ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 25 and p. 81.

⁹⁴ Indeed, not all of these transfers will represent a progression from a completed FMA to an AMA because some capable young people will simply upgrade to a more demanding programme without having first completed their FMA (Learning and Skills Council Management Information, July 2002 to January 2003).

⁹⁵ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 87.

⁹⁶ Similarly, although local LSCs can choose not to fund poor training providers, the pressure to hit the Government's target for increasing the proportion of people embarking on an MA could deter them from taking this course of action.

⁹⁷ Germane to this point is the statement in the consultation document that "Through Sir Roy Gardner [chairman of the Modern Apprenticeship Task Force]...we will also link in the part that Modern Apprenticeships could play in helping benefit claimants". (*21st Century Skills: Realising our Potential. Individuals, Employers, Nation*, p. 110). This is worrying because it runs the risk of transforming MAs into a remedial welfare-to-work programme. An MA should be a respected vocational qualification.

⁹⁸ Richard Wilson, *Vocational Qualifications and Training* (Institute of Directors, 2000), p. 7 and Mike Harris, *Modern Apprenticeships: an Assessment of the Government's Flagship Training Programme*, p. 9.

⁹⁹ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 23 and p. 81.

¹⁰⁰ The National Skills Task Force made a series of recommendations to improve the quality and standing of MAs in 1999 (see *Towards a National Skills Agenda: First Report of the National Skills Task Force* (Department for Education and Employment, 1998), Annex A). This was followed by the Cassels Report two years later (*Modern Apprenticeships: The Way to Work. The Report of the Modern Apprenticeship Advisory Committee* (Department for Education and Skills, September 2001)). Then in his November 2002 Pre-Budget Report, the Chancellor announced the creation of a National Modern Apprenticeship Task Force, chaired by Sir Roy Gardner, "to champion the MA scheme and report on key policy issues" (Pre-Budget Report 2002 (Her Majesty's Treasury, Cm 5664, November 2002), paragraph 3.86). George Cox, Director General of the Institute of Directors, is a member of the Task Force.

¹⁰¹ *Skills for Success. What the Skills Strategy Means for Business* (Department for Education and Skills/Department of Trade and Industry, 2003), p. 11. See also *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 40.

¹⁰² *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 112. See also *Raising Performance Through Skills. Strategic Plan 2003-06* (Sector Skills Development Agency, 2003), pp. 21-23.

¹⁰³ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, Chapter 3, especially p. 49. For more information on the Sector Skills Councils, see *Start of Something New. Sector Skills Development Agency: Annual Report and Accounts 2002-03* (Sector Skills Development Agency, 2003).

¹⁰⁴ *Raising Performance Through Skills. Strategic Plan 2003-2006* (Sector Skills Development Agency, 2003), p. 7.

- ¹⁰⁵ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, Chapter 3, especially p. 49.
- ¹⁰⁶ *Raising Performance Through Skills. Strategic Plan 2003-2006*, p. 6 and p. 11.
- ¹⁰⁷ *Raising Performance Through Skills. Strategic Plan 2003-2006. A Summary* (Sector Skills Development Agency, 2003), p. 11.
- ¹⁰⁸ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 101.
- ¹⁰⁹ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, Chapter 3, especially p. 103.
- ¹¹⁰ Indeed, the SSDA will be constructing a network of representatives across the regions in order to influence discussions at this level. See *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, Chapter 3, especially p. 57.
- ¹¹¹ Additionally, RDAs are being required by the Government to create Regional Skills Partnerships, along with organisations such as the Skills for Business Network, the LSC, the SBS and Jobcentre Plus. See “Specification for Regional Skills Partnerships” (noted produced by the Department for Education and Skills, 2003).
- ¹¹² *Ibid.*, p. 105.
- ¹¹³ *Ibid.*, p. 64.
- ¹¹⁴ *Ibid.*, p. 91.
- ¹¹⁵ *Ibid.*, p. 23 and p. 43.
- ¹¹⁶ Grant Letter 2003-04 to Bryan K. Sanderson, CBE, Chairman of the Learning and Skills Council, from the Rt. Hon. Charles Clarke MP, 5th December 2002.
- ¹¹⁷ *Opportunity and Security for all: Investing in an Enterprising, fairer Britain. 2002 Spending Review. New Public Spending Plans 2003-2006* (The Stationery Office, HM Treasury, Cm 5570, July 2002), p. 138.
- ¹¹⁸ *Department of Trade and Industry. Departmental Report 2003* (The Stationery Office, Department of Trade and Industry, Cm 5916, May 2003), p. 184.
- ¹¹⁹ *21st Century Skills: Realising Our Potential. Individuals, Employers, Nation*, p. 112. See also *Raising Performance Through Skills. Strategic Plan 2003-06*, pp. 21-23.
- ¹²⁰ *Raising Performance Through Skills. Strategic Plan 2003-2006*, p. 7.
- ¹²¹ *One NorthEast [sic]. Corporate Plan Summary 2003-2006*, p. 4 (<http://www.onenortheast.co.uk/page/reports/cat6.cfm>).
- ¹²² “Regional Development Agencies – Board Members Announced”, Department of the Environment, Transport and the Regions, press release, December 14th 1998. See also Regional Development Agencies Act 1998, Part I, clause 2. (<http://www.hmso.gov.uk/acts/acts1998/80045-a.htm>).
- ¹²³ *Skills for Success. What the Skills Strategy Means for Business* (Department of Education and Skills/Department of Trade and Industry, 2003), p. 3.
- ¹²⁴ *Raising Performance Through Skills. Strategic Plan 2003-2006*, p. 6.
- ¹²⁵ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation*, p. 44.
- ¹²⁶ Interestingly, Bryan Sanderson, Chairman of the LSC for England, reported to the House of Commons Education and Skills Select Committee that a lack of time was preventing owners and managers from getting involved in the running of LSCs. See “Further Education: Follow-up” (House of Commons Education and Skills Select Committee, Minutes of Evidence for Monday 12th November 2001, Mr Bryan Sanderson, Chairman, and Mr John Harwood, Chief Executive, Learning and Skills Council, The Stationery Office, 2001), p. 68.
- ¹²⁷ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation*, pp. 54-8.
- ¹²⁸ *Ibid.*, p. 70.
- ¹²⁹ Working Group on 14-19 Reform, *Principles for Reform of 14-19 Programmes and Qualifications* (Department for Education and Skills, July 2003).
- ¹³⁰ The international GCSE, launched by the Edexcel examinations board, tests pupils in a series of examinations taken at the end of a two year course, rather like the old O Level. By way of contrast, the typical GCSE is marked on a significant amount of course work and final examinations carry a smaller proportion of the marks. See Glen Owen, “Heads examine the return of O levels to beat the cheats” (*The Times*, October 27th 2003).
- ¹³¹ Richard Wilson, *The Government’s Plans for the 14-19 Phase of Education: an Assessment* (Institute of Directors, 2003).
- ¹³² However, the IB would probably only be suitable for a minority of pupils. It requires students to study for six subjects, including English, maths, a language, a science, a social science like history, a creative subject such as art, write a 4,000 word essay, study a theory of knowledge and participate in voluntary work. See “Diploma Programme” (International Baccalaureate Organisation, February 2000).
- ¹³³ *House of Commons, Hansard Written Answers for 20th May 2002* (London: The Stationery Office), col. 54.
- ¹³⁴ *Financial Times*, April 16th 2003.
- ¹³⁵ *The Times*, March 8th 2003 and *The Times*, March 10th 2003. See also *Sunday Times*, March 30th 2003.
- ¹³⁶ See, for example, Glen Owen, “Many more teachers ‘poached’ from abroad” (*The Times*, October 29th 2003).
- ¹³⁷ A. Felstead, D. Gallie and F. Green, *Work Skills in Britain 1986-2001* (Department for Education and Skills, January 2002), p. 11.
- ¹³⁸ *21st Century Skills: Realising our Potential. Individuals, Employers, Nation*, p. 18.

