



In Demand
Adult skills in the 21st century – part 2

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FOREWORD BY THE PRIME MINISTER



Change is happening fast in every aspect of our lives – at home and in the workplace. Modern businesses know that to survive they must adapt. And to adapt, they need a flexible and skilled workforce.

Better skills mean better productivity, and higher incomes for all. A workforce with the right blend of skills helps create and sustain vibrant and successful businesses – the bedrock of national economic success.

This Government has made progress on raising standards in schools, revitalising our system of apprenticeships and increasing participation in higher education. So the workforce of the future will be more highly skilled and productive than ever before.

But the challenges we face are still immense. High drop-out rates at 16. Most shameful of all, 7 million adults lacking basic literacy and numeracy skills. Six million more lacking the skills necessary for progression. Low levels of craft and intermediate qualifications in our workforce.

We need to tackle this legacy of poor skills among adults. This is why I commissioned the Strategy Unit to develop a more strategic approach to workforce development.

The unit's first report *In Demand: Adult skills in the 21st century* (November 2001) set out proposals for a more demand-led system. It placed development of skills firmly in the context of wider business needs. It meant employers and employees have a central role in determining the nature of provision.

For too long skills development has been based on what is provided – not what is needed. I believe that for Government to deliver improvements, public services have to be rebuilt around the needs of customers.

This second report represents a comprehensive action plan for workforce development in England to 2010. Devolved administrations are taking forward complementary approaches.



The plan reflects the experience being gained from pilot programmes to test various ways of raising demand for training among companies and their employees. It also takes forward the action signalled in this year's Spending Review to tackle the legacy of low skilled adults in the workforce. It sets these in a strategic framework for the development of policy.

In the Spending Review we announced new targets for raising the level of the lowest skilled – improving the basic skills of 1.5 million by 2006. We committed to increasing the numbers of young people going on to a Modern Apprenticeship. And we are setting new long-term targets for the number achieving level 2 and vocational qualifications. These targets map out our aspirations. Together with other related targets they will lead to real improvements in the skills of our workforce.

In achieving them our emphasis is upon testing new approaches. Approaches that minimise bureaucracy while retaining safeguards and avoiding any unjustified regulatory burdens. So we are piloting innovative approaches to better joint working at a regional level. And we will review the use of the education budget for over-19s to make it more responsive to the needs of businesses and individuals.

Actions on the ground are what matters if we are to achieve the goal of a more skilled workforce. That's why I have asked the Delivery Unit to monitor closely progress on improving skills. Delivering this change will be a priority for Ministers from the key Government departments.

Government can provide the right context and funding, but it cannot act alone. Workforce development is about businesses having a clear understanding of the skills their workforce needs. It is about individuals knowing what skills they need to improve their prospects of promotion. It is about training providers responding to these demands.

We all want a more prosperous and inclusive country. That can only be achieved by a partnership of government, employers and employees.

Tony Blair
Prime Minister

1. INTRODUCTION

1. For well over a century, governments, employers and trade unions have been concerned about the level of skills in the UK workforce. The UK is falling behind its competitors in terms of productivity and economic performance and has had to cope with the social consequences of a poorly educated and trained workforce. There is an increasing need for organisations and their people to innovate and manage change in a world of developing technologies, changing work patterns and global competition.

2. The Performance and Innovation Unit (PIU) – now called the Strategy Unit (SU) – was commissioned by the Prime Minister to set out proposals for a strategic framework for adult workforce development, established in consultation with key public and private sector partners, drawing together the full range of new and existing institutions and initiatives into a coherent whole.

3. Following extensive research and analysis, consultation and policy development, the first PIU report was published in November 2001. This set out the role of workforce development in raising productivity, promoting social inclusion and enabling the UK economy to innovate and manage change. It examined the current systems for workforce development and explored reasons why they were not always delivering. The report set out a vision for the future, proposing a strategy for a demand-led system for workforce development, shifting the emphasis of policy making from increasing supply to stimulating demand

from employers and individuals, and meeting it with responsive provision supported by the right government framework.

4. The SU undertook a second phase of work alongside the Learning and Skills Council's (LSC's) Workforce Development Strategy (published at the same time as this document), the Spending Review and work being taken forward elsewhere in Government. The SU's work had two objectives:

- the production of a second report in the wake of the Spending Review, setting out what Government policy would be, how it would be taken forward and on what timescale; and
- clear arrangements within Government for taking policy forward and monitoring progress.

5. This document is the second part of *In Demand: Adult skills in the 21st century*. It sets workforce development in the wider context of Government policy and maps out an action plan for the development of policy up to 2010. The action plan seeks, in particular, to build on the progress which has been made in this area since the publication of the first report, including:

- the launch of a new approach – Employer Training Pilot – being tested in six areas of the country;
- the announcements in the 2002 Spending Review of new, ambitious targets on skills, including a commitment to reduce by at



least 40 per cent the number of adults in the workforce lacking level 2 qualifications by 2010; and

- the commitment in the 2002 Spending Review to conducting a review of the funding of adult learning and to testing regional pooling of budgets for workforce development.

6. To ensure that we are meeting our objectives in this area, the report offers a framework for measuring success and explains how the strategy will be taken forward and monitored.

An action plan for England

Training and skills are a devolved issue and this is an action plan for England only. It recognises, however, that certain aspects, such as sector skills and some aspects of qualifications, have a UK-wide focus. The devolved administrations have been consulted on the plan and will continue to be involved in the development of UK-wide policies. Further information on activities under way in the Devolved Administrations can be found as follows:

- The Welsh Assembly Government's *Skills and Employment Action Plan 2002* is available at www.learning.wales.gov.uk (employment topic).
- Work is ongoing by the Scottish Executive to produce a Lifelong Learning Strategy, which is expected to be published at the end of January 2003. The Scottish Parliament's Enterprise and Lifelong Learning Committee have published their final report of an inquiry into Lifelong Learning.
- The Northern Ireland Executive's Programme for Government includes in its priorities 'Investing in Education and Skills' and 'Securing a Competitive Economy'. The lead on developing workforce skills is taken by the Department for Employment and Learning (www.delni.gov.uk), working closely with the industrial development agency for the region, Invest Northern Ireland (www.investni.gov.uk).

2. THE IMPORTANCE OF WORKFORCE DEVELOPMENT

Key points

- Workforce development is vital to raising productivity, reducing social exclusion and enabling organisations to innovate and manage change.
- Poor performance in raising skills is the result of a combination of market and information failures, the existence of barriers to participation and the influence of cultural and government factors.
- Stimulating informed demand in the context of the right government framework provides a way to tackle these failures.
- The low skilled and small firms are least likely to be able to undertake workforce development activity and must be a major focus of government intervention.
- Improved management and leadership capability is an essential prerequisite to better workforce development.
- Basic skills must remain a top priority but cannot be seen in isolation from skills development up to the benchmark level 2. Level 3 skills are also important.

What is preventing the UK raising its game on skills?

What is workforce development?

“Workforce development consists of activities which increase the capacity of individuals to participate effectively in the workplace, thereby improving their productivity and employability.”

In Demand, November 2001

7. Workforce development is a key factor in economic development. It is vital to raising labour productivity, improving social inclusion and fostering innovation. Higher skills:

- are an essential contribution to higher productivity, although they cannot deliver in isolation from other measures;
- help individuals to improve their position in the labour market; and
- help individuals and firms alike to innovate and adapt to the demands of a changing economy.

8. The UK lags behind other leading nations such as the USA, Germany and France in its productivity. Productivity is determined by the interaction of a range of factors, including skills, investment and organisation. UK skills underperformance makes a substantial contribution to the productivity gap with key competitor countries – according to some estimates, constituting 20 per cent of the gap with Germany.¹

¹ *Developing Workforce Skills: Piloting a New Approach*, HM Treasury and DfES, April 2002.



The UK Competitiveness Indicators suggest the need to improve the quality of management and leadership. And a substantial number of firms report that the ability to innovate and develop new products or services is limited by inadequate skills.

9. Over 20 per cent of adults in the UK have poor literacy and numeracy skills. And compared with France and Germany, lower proportions of the workforce have qualifications at level 2 and level 3. To some extent this is a historical problem which will lessen as improvements in the school system feed through. But it will not disappear. There will continue to be a stock of under-skilled workers, as over three-quarters of the 2010 workforce has already left full-time education.² Demographic and technological

change will emphasise the importance of re-skilling for older workers.

10. Poor management and leadership skills are often cited as the reason for the closure of small, young businesses – 37.5 per cent close within the first three years. The International Institute for Management Development puts the efficiency of UK business leaders behind most of our main competitors (Germany, USA, Canada and France) in terms of management efficiency, as measured by the availability of senior managers and their international experience.

11. There is no single factor explaining the UK's poor performance. It results from a combination of market failures, cultural issues and government failures.

The links between skills and productivity: evidence

There is a well-established relationship between skills and productivity, supported by both theoretical and empirical research. Growth theory suggests that human capital is one of the prime determinants of labour productivity. Evidence suggests that:

- skilled workers can increase the ability of a firm to update its practices and products at the rate demanded by rapidly changing markets, making the economy more flexible and productive in the long term;
- having highly skilled workers also enables firms to gain the full rewards of new capital investment and thus increase the likelihood that investment will occur;
- differing levels of skills play an important role in international productivity performance;
- a similar picture, which exists at firm and plant level, shows that differences in physical and human capital can explain around 60 per cent of the productivity gap between domestically-owned firms and US-owned firms in the UK, and nearly all of the gap with other foreign-owned firms; and
- training is associated with greater productivity gains than wage gains, implying a significant return for employers as well as individuals.

For further details please see:

Developing Workforce Skills: Piloting a New Approach, HM Treasury and DfES, April 2002
(www.hm-treasury.gov.uk)

² SU modelling.



Market failures

- Under-investment in training can occur when firms and organisations are unable to capture all the benefits of that investment.
- This is a particular problem for small firms, which have a limited cash flow and operate in smaller internal labour markets where there are fewer opportunities for individual progression, and staff are harder to retain over the longer term.
- Many of the benefits of workforce development, especially at the lower skilled end, accrue to the economy at large rather than to individuals or organisations – this divergence between social and private returns may result in under-investment.

Information failures

- Insufficient information or lack of access to it can make it difficult for employers and individuals to appreciate the benefits of workforce development or identify appropriate opportunities.
- Where employers seek to offset the opportunity cost of workforce development by offering lower wages to those undertaking training, individuals unaware of the potential benefits may be less willing to train.
- The low skilled, with the least experience of workforce development and its potential benefits, are least likely to demand it. Conversely, employers are more likely to invest in individuals who have already proved their ability to gain qualifications.

Barriers to participation

- Time and money are often quoted as barriers to engagement in workforce development. Low skilled, low paid individuals are likely to be particularly credit-constrained, as are small firms.

Cultural factors

- Many firms and organisations do not pursue high value-added and innovative product strategies.³ This, along with poor management and leadership, severely limits the demand for better skills.
- Employer networks and institutions are relatively weak, reducing opportunities for sharing information and best practice in relation to higher value-added business strategies and the skills needed to deliver them.
- Motivation is key: one negative workforce development experience can have a profound effect on motivation and commitment.

Government factors

- The Government framework around workforce development is characterised by a large number of institutions and initiatives: it needs greater co-ordination and clarification of accountabilities.
- Focusing attention on intermediate targets rather than longer-term outcomes can have an adverse effect on workforce development provision.

12. The result all too often is a 'low skills equilibrium',⁴ where the supply of low skilled individuals encourages employers to adopt production techniques requiring less skilled workers. This in turn reinforces the demand for low rather than high skilled workers,

³ *In Demand: Adult skills in the 21st century*, Performance and Innovation Unit, November 2001.

⁴ "a self reinforcing network of societal and state institutions which interact to stifle the demand for improvement in skill levels... [resulting in] the majority of enterprises staffed by poorly trained managers and workers producing low quality goods and services." For further details on the low skills equilibrium please see: *In Demand: Adult skills in the 21st century*, Performance and Innovation Unit, November 2001.



compounding low added-value business strategies. Although this is an exaggerated picture of the situation, it enables an understanding of the cycle driving our limited engagement in workforce development.

13. In particular, those most likely to benefit from development – the least skilled and small firms – are often the least likely to be able to undertake it. This includes women who are concentrated in lower paid, lower skilled jobs and those who work part time. This accentuates existing inequalities and leads to a long tail of under-performance.

14. Government therefore sees a clear case for an approach which tackles these market and government failures and is centred on stimulating informed demand. Without higher demand for skills and the ability to make use of them, major improvements in skill levels and productivity are unlikely to be achieved. Within this approach, Government support should be targeted on the lowest skilled and small firms, recognising that formal approaches may not be the only route and that innovative approaches are likely to be needed.

15. A key driver of organisational performance is good management and leadership. The report of the Council for Excellence in Management and Leadership⁵

provided a thorough analysis of the many factors shaping the management and leadership capability of the UK and a comprehensive set of recommendations for improvement. The government response to the Council's report⁶ sets out a demanding agenda for action to tackle the UK's deficit in management and leadership skills, including a new high level Advisory Panel of business and public sector leaders and Ministers to push the agenda forward. Improved management and leadership capability is a prerequisite to better workforce development and the government response document should be read as complementary to this (SU) report.

16. Basic skills of literacy and numeracy must continue to be a top priority. But they cannot be seen in isolation from wider development of skills up to level 2 and beyond, especially in the context of a new Government target to reduce by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualification by 2010. Beyond this, specific intermediate skills at level 3 are of crucial importance to economic success and Government must ensure that, where necessary, there is sufficient flexibility in the system for these skill needs to be met.

⁵ Report of the Council for Excellence in Management and Leadership, *Managers and Leaders: Raising our Game* published May 2002.

⁶ *Managers and Leaders: Raising our Game. Government Response to the Report of the Council for Excellence in Management and Leadership* (DFES, September 2002).

3. VISION AND STRATEGY

Key points

- Our vision is that in 2010 the UK will be a society where Government, employers and individuals actively engage in skills development to deliver sustainable economic success for all.
- To achieve this we need to move to a more demand-led system for workforce development.
- This can be done by raising informed demand for workforce development, improving the responsiveness of the supply side and developing the right government framework.
- Since the first report by the PIU, government has begun to lay the foundations of moving towards a more demand-led system including:
 - setting out challenging targets in the 2002 Spending Review;
 - establishing pilots to test approaches;
 - committing itself to a fundamental review of the funding of adult learning; and
 - the LSC developing its Workforce Development Strategy.
- The key Public Service Agreement (PSA) targets set in this area include:
 - *reduce by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, 1 million adults already in the workforce to achieve level 2 between 2003 and 2006;*
 - *improve the basic skill levels of 1.5 million adults between the launch of Skills for Life in 2001 and 2007, with an interim target of 750,000 by 2004; and*
 - *at least 28 per cent of young people should start on a Modern Apprenticeship (MA) in 2004 and there will be a wider vocational target (including Modern Apprenticeships) for 2010.*
- This report sets out an action plan for taking things forward in England, showing what government will do to stimulate demand, improve supply and establish the right framework.



A more demand-led system

Our vision:

In 2010, the UK will be a society where Government, employers and individuals actively engage in skills development to deliver sustainable economic success for all.

17. The key to achieving this ambitious vision – as proposed in the first report from the PIU – lies in moving towards a more demand-led system for workforce development, which is more responsive to the needs of employers and individuals. This requires a shift in emphasis from supply-side solutions to a situation in which informed employer and individual demand plays a significant role in driving provision. The needs of individuals and employers already have some impact on the kind of provision on offer; the challenge is for the workforce development system to tap into those needs more effectively, stimulating demand and improving the capacity to respond. Demand must be derived from employer need.

What are the key drivers of demand for workforce development?

There are three main sources of demand for workforce development:

- **Employers** demand higher skills to enable them to meet business objectives more effectively. For the private sector this can mean increasing profitability, increasing efficiency of existing processes, developing new products and enabling growth into new markets. For the public and voluntary sectors, efficiency and quality of services to ensure value for money and customer satisfaction are important drivers.

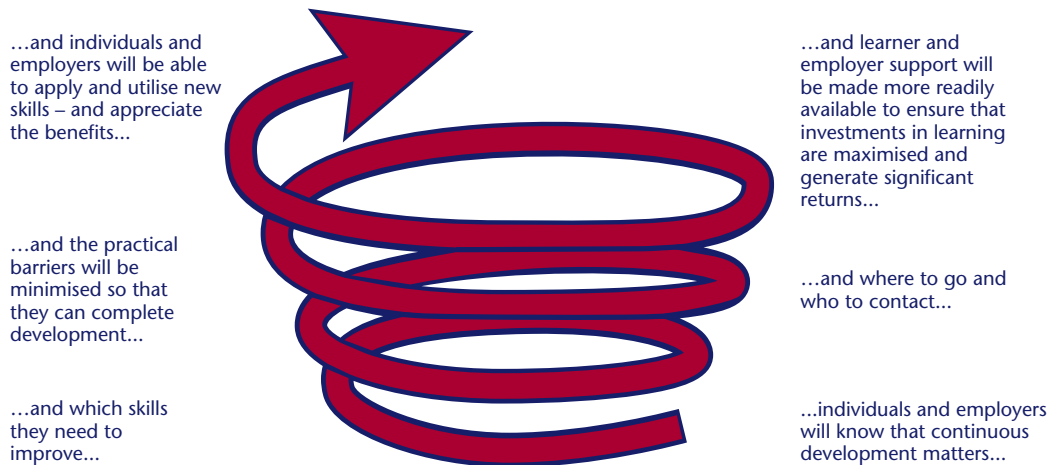
- **Individuals** demand skill development for a number of reasons, which often converge. These are primarily related to economic benefit and personal fulfilment. Individual demand can be met independently or through employers and the workplace.
- **Society and government** demand for skills arises in cases of particular market failures or in support of a policy agenda, such as social inclusion.

18. There are significant benefits to be had from moving towards a more demand-led system for workforce development:

- funding mechanisms will be more effective at communicating employer and individual demand, leading to greater choice, local flexibility and empowerment;
- provision will be more responsive to the individual circumstances and business needs;
- choice and competition will stimulate innovation and alternative forms of provision, also allowing escape routes from poor or failing provision; and
- the government framework will need to be flexible, enabling the system to adapt to the changing demand of economic and social development.



Figure 1: The virtuous spiral of workforce development



19. Creating a more demand-led system is based on three key actions:

- **Raising informed demand:** building greater and better-informed demand for development amongst employers and individuals, focusing efforts on low skilled adults and small firms.
- **Improving supply:** enabling supply to be more responsive to demand, focusing efforts on funding mechanisms which promote flexibility, raising quality, rewarding innovation and encouraging diversity of the provider market.
- **Developing the framework:** providing a flexible government and institutional framework that supports the development of innovative firms, multi-skilled workers, and healthy local and regional economies and labour markets.

Laying the foundations for a demand-led system

20. As a first step the Government has established a pilot scheme, which began in September 2002, to test a new policy approach to support training for low skilled people in the workforce. The approach being tested consists of four complementary, linked elements:

- free or subsidised learning provision and accreditation for employees without basic skills or level 2 qualifications, building on the current provision of free courses for basic skills;
- a minimum entitlement for all employees who have not attained basic skills or level 2 qualifications to paid 'leave for learning', working towards the level 2 standard – the pilots are exploring different time periods;
- financial support for employers whose staff take 'leave for learning', with additional financial incentives for small firms – the



pilots are exploring different levels of compensation; and

- extended information, guidance and support for employers and individuals taking part in, or considering taking part in, any new system.

21. These will be evaluated in 2003 and the findings built on.

22. The 2002 Spending Review has taken further steps towards addressing the issues highlighted in the first PIU report, through setting ambitious targets for skills, employment and productivity, including a commitment to supporting development at level 2, conducting a fundamental review of the funding of adult learning and piloting better co-ordination at regional level.

23. The Spending Review set three key targets:

- reduce by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, 1 million adults already in the workforce to achieve level 2 between 2003 and 2006;
- improve the basic skill levels of 1.5 million adults between the launch of *Skills for Life* in 2001 and 2007, with an interim target of 750,000 by 2004; and
- at least 28 per cent of young people should start on a Modern Apprenticeship (MA) in the year beginning 2004 and there will be a wider vocational target (including Modern Apprenticeships) for 2010.

These can be achieved only with input from a number of other targets, set out in more detail in chapter 5.

24. The Government will review the funding of adult learning, examining the way in

which the whole of the budget for post-19 learning supports adult learning and skills development and aiming to maximise the benefit both for businesses and individuals. The review will look at how the funding could be more effectively deployed to:

- provide incentives to employers to engage in training as part of their fundamental business development strategies;
- cause institutions to be responsive to the needs of individuals and employers, building in particular their capacity to work with businesses and organisations;
- widen participation in learning by the low skilled; and
- enable Regional Development Agencies (RDAs) to play a full and effective role in developing and implementing regional skills strategies.

25. The Government will pilot the pooling of budgets for adult learning and skills between RDAs and the LSC, reflecting the need identified in the PIU's earlier report to increase the responsiveness of supply of skills to employer demand. The pilots are designed to create a direct link between what the RDA knows about skill needs, sector priorities, economic trends and business development activity in its region with the capacity of the local LSC to secure responsive supply of skills, qualifications and business support. The pilots will start in April 2003 and run for two years. Jobcentre Plus will be actively involved from 2004.

26. In addition, the Government will also pilot better joint working between RDAs and the Small Business Service.

27. Working closely with the SU, the LSC has developed its Workforce Development Strategy, aligned with and published alongside this report. The LSC has the



statutory remit to raise skill levels and demand for learning, and engage employers in improving skills for employability and national competitiveness. The Workforce Development Strategy provides a national framework for activity across the 47 local LSCs. It places workforce development at the heart of the LSC remit, and will ensure that the needs of employers and the workforce are key drivers in the allocation of the annual LSC budget, particularly the £2.5 billion⁷ for adult programmes.

An action plan for taking things forward

28. In this report we set out an overarching action plan for taking these initiatives and developments forward, based around the three key pillars of:

- raising demand;
- improving the responsiveness of supply; and
- putting in place the right government framework.

29. The plan is a starting point. Moving to a demand-led system is a long-term process which will require an innovative and sustained approach.

30. A more detailed action plan is set out in annex 1 of this report.

Raising demand from employers and individuals will require:

Promoting the benefits of workforce development

31. For employers this means promoting the value of workforce development through

identifying and sharing best practice in both ambitious business strategies and skills development in particular, recognising that demand for skills is derived from business need. The Department of Trade and Industry (DTI) review of Business Support has responded to the first PIU report by focusing on actions to raise employer demand for skills.

32. DTI's work has an accent on promoting and improving vital management and leadership skills to encourage a development culture in which workforce development needs are better identified and skills are used more effectively in the workplace. Sectoral sponsorship and best practice work helps business identify new strategies and link these with workforce development. Benchmarking, mentoring and networking will support this by providing organisations with examples of what works and opportunities to communicate with others who have similar experience. These methods support employers on their own ground and place skills within the context of wider business concerns.

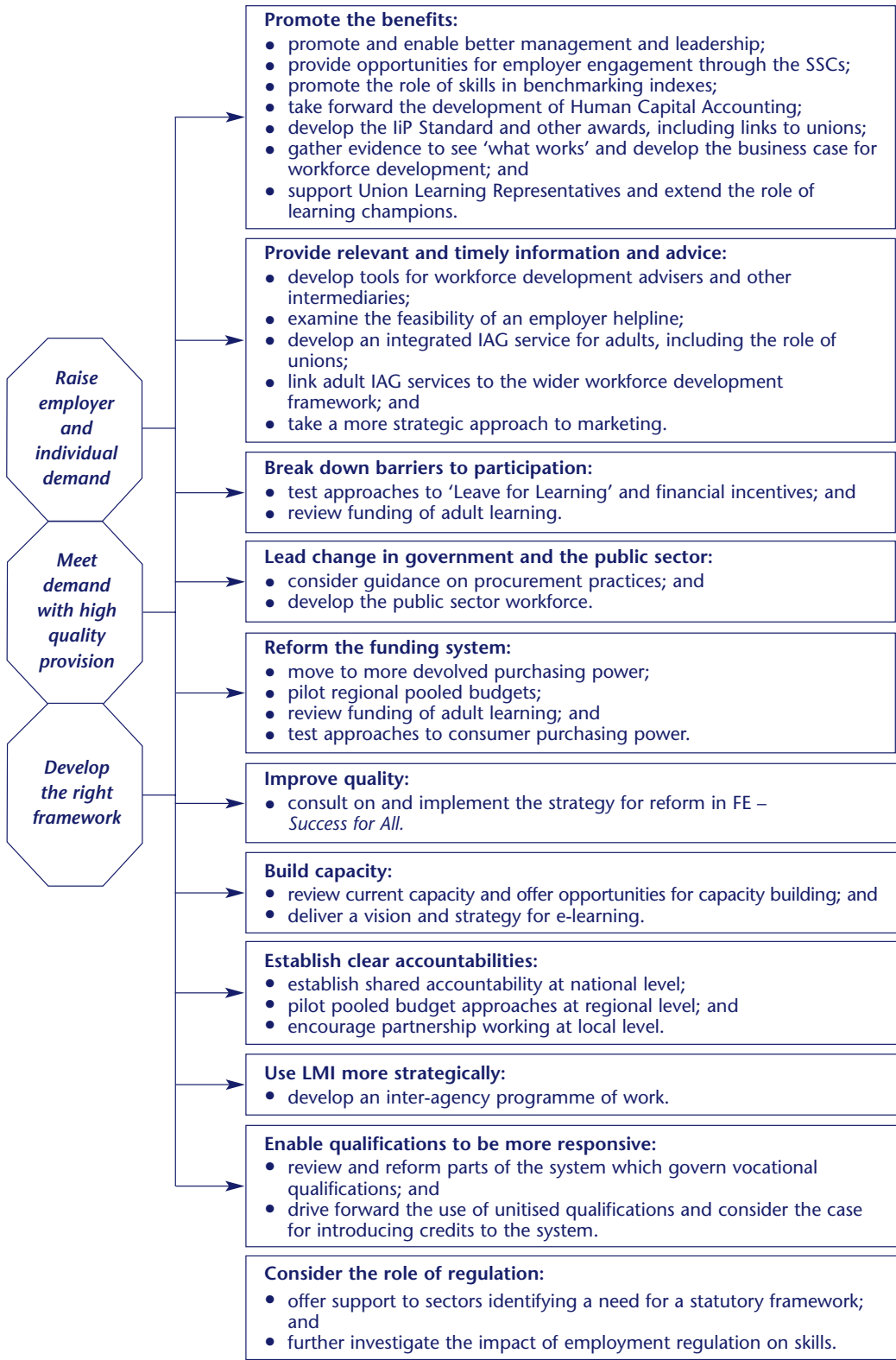
33. The corollary to sharing best practice is recognising achievement – awards and quality standards will provide important status incentives to further drive change by publicising what works.

34. The role of unions is key to promoting the benefits of workforce development to employers and individuals, providing opportunities and helping to overcome barriers to participation by brokering agreements between employers and the workforce. These partnership-based approaches will continue to form a major plank of workforce development policy.

⁷ Funding for adult programmes is expected to rise to £2.7 billion for 2003/04 (LSC Grant Letter 2002/03, December 2001, see www.lsc.gov.uk/documents.cfm).



Figure 2: An action plan for workforce development





35. Whilst local and peer-to-peer marketing is often most effective, promoting the benefits of workforce development to *employers and individuals* also takes the form of high-profile country-wide campaigns. Such activity will be co-ordinated to avoid confusion, and ensure a clear message and coherent marketing strategy.

36. *For individuals*, like employers, promotion will be best achieved by approaching people on their own ground, through intermediaries in their workplace or community who can identify their particular circumstances and provide an opportunity to communicate with others in a similar position.

Providing relevant and timely information and advice

37. Ensuring that demand is well informed is vital to creating a more demand-led system.

38. *For employers and individuals* provision of information and advice services will follow the same principles as promotion: meeting customers on their own ground through trusted networks and intermediaries and allowing diversity of approach.

39. Where government does provide brokerage services for workforce development it will ensure that these are easy for users to access and that infrastructure design will support the accuracy and relevance of the information and advice at hand. Making full use of the routes to market which are available (web, phone, face to face), without leading to a confusion of services, is also a priority.

40. For employers it is particularly important that government advice services do not try simply to 'sell skills' but rather that they integrate skills in broader advice on business strategy as a possible solution to diverse business needs.

Breaking down barriers to participation: time and money

41. Capital and time constraints can limit demand for workforce development even once employers and individuals are aware of the benefits and opportunities available.

42. *For employers and individuals* there is already financial support available in the system and this can be delivered using a variety of mechanisms, including entitlements, rewards and compensation. These mechanisms will enable government to target existing resources on those facing the most significant barriers to development, particularly the lowest skilled and small firms. The Government is currently testing a range of approaches around leave for learning for individuals and financial incentives for employers. It is also conducting a review of funding for adult learning.

43. It is essential that where these incentives are used, they are mediated through effective information and advice services and appropriate mechanisms which enable employers and individuals to articulate their demand in the skills market.

Improving supply will require:

Flexible funding

44. New methods of funding which enable greater responsiveness to employer and individual demand will be developed, especially in light of the review of funding for adult learning announced in the 2002 Spending Review. The overall principle here will be to devolve purchasing decisions, as far as possible, so that they are closest to consumer demand. A smooth transition to this system will require a gradual shift over time and will develop in directions based upon testing what works best.



The Government has announced its commitment to a successor scheme to Individual Learning Accounts (ILAs).

Improving quality

45. The Department for Education and Skills (DfES) has launched a consultation, *Success for All*, on raising quality in the further education (FE) sector. The proposed strategy employs various levers to push up the quality of post-16 provision, including steps to professionalise the workforce and systems to measure performance, which promote innovation and ensure both sanction and reward. A final strategy will be announced shortly.

Building capacity

46. For the benefits of choice, competition and new forms of collaboration to be felt, diversity in the provider market must be encouraged. In the transition to a more demand-led system this will often require capacity building of alternative types and styles of provision to meet individual and employer need, and better management and leadership skills development. This is particularly relevant in the use of new technologies, which have a role in back-office systems and management as well as in provision of e-learning opportunities.

47. A key challenge for government will be how it opens up the market to private and voluntary sector providers, ensuring a level playing field with FE colleges whilst accounting for government spending.

Developing the government framework will require:

Clear accountabilities

48. Accountabilities and responsibility for workforce development need to be clarified at national, regional and local levels in England. This is largely a case of identifying the key players in the system and developing ways which facilitate joint working between them. At national level workforce development will be established as a cross-departmental priority through arrangements for joint policy making and consideration of a shared PSA.

49. At regional and local level collaboration can be encouraged through agreed protocols and frameworks for joint working. A particular approach which government will test is the role of pooling budgets for workforce development at regional level. This has the potential to encourage more co-ordinated and therefore more cost-effective activity whilst placing skills at the heart of regional strategies for economic development. Sector Skills Councils (SSCs) bring an important sectoral focus.

More strategic use of Labour Market Intelligence (LMI)

50. Information is key to the transition towards a more demand-led system. It must be used to inform demand and guide purchasing and planning decisions and must therefore be widely disseminated in accessible formats. These will vary for different employers, individuals and providers.



51. Making best use of the full range of LMI that exists relies on a framework for effective collection and dissemination. A more co-ordinated approach will be developed through shared agreement on principles and mechanisms which encourage cross-agency working.

A more flexible and responsive qualifications system

52. Qualifications can underpin many of the principles of a comprehensive workforce development strategy. They provide recognition, reward and a means for the effective working of the labour market, as well as for ensuring quality of the development experience. The qualification system needs to be flexible and responsive enough to balance the demands of employers and individuals whilst maintaining quality and status.

53. This will be achieved through enhancing the structures by which qualifications are designed and approved and through increasing the opportunities for unit-based achievement.

4. WORKFORCE DEVELOPMENT IN A WIDER CONTEXT

Key points

- This workforce development strategy focuses on the stock of low skilled adults in or near the workforce.
- Raising demand for higher skills rests crucially on the ability to stimulate higher value-added, innovative business and workplace strategies more generally. This cannot be achieved by workforce development alone.
- Workforce development is also part of the wider agenda to promote the flow of skilled people into the workforce, through young people, labour market returners and immigration.
- The Government aims to publish an overarching skills strategy in June 2003.

Workforce development in a wider context

54. The SU was asked to examine policies for the stock of adults already in or near the workforce, particularly the lowest skilled and those working in small firms.

55. Raising business demand for higher level skills is crucial to this agenda. Skills cannot be seen in isolation from a much wider agenda of promoting ambitious, innovative and successful businesses in the UK, which adopt value-added development strategies and high performance working practices. This cannot be achieved through workforce development alone and progress on the wider agenda is key to achieving the objectives set out here.

56. Equally workforce development needs to be seen in the context of measures targeting not only the development and use of skills by

the *existing* workforce but also bringing a constant flow of new skills into the workforce from the education system, those on the margins of the labour force and skills imported through immigration.

Raising the skills of the workforce of the future

57. In 14–19: *extending opportunities, raising standards*, the Government put forward and consulted on a range of options for developing a single phase in the education system for 14 to 19 year olds. Responses to the consultation are currently being considered, with an announcement on the outcome due shortly. Although subject to further development and change, the overarching objectives of the strategy – to raise achievement, improve employability and diversify methods of delivery – support



the need for continuous improvement of new entrants to the workforce.

58. Collaboration with employers is central to the 14–19 agenda and will need to be explored in pathfinder projects that the consultation proposes. The proposals emphasise increasing the status of and access to vocational and vocationally related pathways, recognising the significance of work-related learning, employability and enterprise alongside more traditional general education subjects. The importance of basic skills development as an integral part of vocational qualification pathways is recognised as a critical factor for overall and long-term success.

59. Work-based routes also have a firm place in the 14–19 strategy, offering young people a broad base of vocational development. Modern Apprenticeships (MAs) are a critical component of the drive to improve the supply and quality of workforce skills and encourage a greater range of employer participation. The LSC is leading on the implementation of the recommendations of the Cassells report: a national framework for MAs and the introduction of technical certificates and new arrangements to support employers including Apprenticeship Agents. The LSC and Adult Learning Inspectorate (ALI) are working to improve the problems in quality identified by the recent ALI report. In areas where there are acute skill shortages – for example the rail industry – the MA model has been developed for the over-25s.

The importance of MAs is recognised in the new PSA target set in the Spending Review: at least 28 per cent of young people should start on an MA in the year beginning 2004 and there will be a wider vocational target (including MAs) for 2010.

Raising skills to a higher level

60. Higher education also has a significant role to play in ensuring a flow of highly skilled young people into the workforce. If the Government is to achieve its target it will also be crucial to ensure that those already working have routes to higher education. Skills at level 3 thus have a vital role to play not only in increasing productivity but also in helping to raise overall skill levels over time. It is at this level that returns to employers become increasingly apparent, and SSCs will have a major role to play in raising demand and thereby investment.

The importance of this is reflected in the PSA target to increase participation in higher education (HE) towards 50 per cent of those aged 18–30 by 2010. This implies closer links between higher education and the workplace.

61. The Government will therefore:

- encourage more people, from all backgrounds, to aspire to higher education;
- work to improve the relevance of provision to the workplace and the labour market, particularly through closer collaboration with employers;
- strengthen progression routes into HE for the existing workforce, especially those with vocational skills and qualifications; and



- build on the success of Foundation Degrees.

62. Further details of the steps to take forward policy in these areas will be announced in a higher education strategy document in 2003.

Skills as a passport to the labour market

63. Workforce development is not only about people who are already in work. It is about those near work, such as women returners, older people needing to reskill, and the unemployed. Even in times when unemployment levels are relatively static, over 3 million people move out of work every year (either into unemployment or inactivity), and a similar number move in. Workforce development must therefore encompass not only those in employment. Through the Department for Work and Pensions (DWP) and Jobcentre Plus the Government invests massively in helping workless people find employment and contribute to the productivity of firms. The key role of Jobcentre Plus is to help people into work and to keep as large as possible the effective workforce by overcoming individual barriers to effective participation in the labour market where necessary. The creation of Jobcentre Plus from the merger of the Employment Service and parts of the Benefits Agency is extending this work-focused service to groups other than the unemployed, in particular lone parents and people with disabilities.

“Our priority has always been getting the jobless into work. But the test of a successful society is where people don’t just get jobs but get careers... we want everyone to have the chance of a career in which they feel they can progress.”

Welfare Speech by the Prime Minister
10 June, Jobcentre Plus, Streatham, London

64. Many unemployed and economically inactive people lack the skills they need to participate fully in the labour market. This is why training represents a substantial element of a number of employment programmes, such as the New Deals and Work Based Learning for Adults. Most of this training consists of vocational courses to meet employer needs, and training focused on addressing the basic skills needs that hinder people trying to make a first step into work. By making help available for those who lack the skills to secure work and stay in it, Jobcentre Plus makes a major, direct contribution to the overall supply of work-based skills in the economy.

65. It is also important that being outside the labour market should not mean becoming detached from it. Maintaining full engagement with the labour market, and keeping to a minimum the length of spells of unemployment, enables people to maintain their skills and keep them up to date, and to gain an understanding of the work opportunities available, and of the personal benefits of raising their skill levels. Maintaining engagement with the labour market is also important for economically inactive people, such as lone parents with young children, even if they are not yet in a position to start work. Through its training and employment policies, Jobcentre Plus now helps all jobless benefit recipients of working age maintain contact with the labour market.



Ambition: enabling people to train for – and get – higher skilled, better paid jobs

Ambition is a joint initiative of Jobcentre Plus and the National Employment Panel. The programme was launched by the Chancellor in March 2001. It is designed to engage industry expertise in the design of demand-led programmes to get unemployed and disadvantaged jobseekers into jobs that pay well and have real career potential.

There are currently four Ambitions at various stages of design and delivery:

- Ambition: Retail, which has a target to get 1,000 clients into jobs by end 2004;
- Ambition: Construction was launched in October 2001. Its target is to place 1,000 people into skilled jobs within the sector by September 2005;
- Ambition: Energy was launched by the Prime Minister in June 2002 with a target to achieve 4,500 sustainable jobs across the energy sector by March 2005; and
- Ambition: IT. The first pilot began in Manchester in October 2002. The programme has a target to achieve 5,000 jobs by mid-2004.

And the National Minimum Wage promotes participation by establishing fairness and making work pay.

66. Regeneration and neighbourhood renewal provide an important backdrop for skills policy. Substantial resources from the Neighbourhood Renewal Fund (NRF) are being used by local partnerships to drive up skill levels in the poorest neighbourhoods.

67. DfES are committed to the Government's agenda for transforming the most deprived communities in England. Initiatives such as Ufi/**learn**direct have already been successful in establishing learning centres in some of these communities to provide ease of access and greater flexibility to meet the skill needs of both businesses and individuals. Six thousand UK online centres are being established to provide wider access to information and communication technology (ICT) facilities and skills acquisition for adults. Resources for Neighbourhood Learning Centres from 2002/03 will be concentrated

in the 88 NRF areas and will include deprived wards outside these areas.

68. The LSC also contributes to the delivery of the Government's neighbourhood renewal strategy by supporting a revitalised adult and community learning sector, working with local authorities, Learning Partnerships and the voluntary and community sectors, and focusing on delivering increased learning opportunities and learner support to those in disadvantaged communities.

69. DfES, through the Adult Basic Skills Strategy Unit (ABSSU), is leading on the Skills for Life strategy, the Government's commitment to improve the skills of those groups where literacy, language and numeracy needs are greatest. Among the priority groups identified in Skills for Life are those low skilled people in employment. Current figures suggest that there may be as many as 3.5 million people in this group.



70. As well as this work-focused dimension, the Adult Basic Skills strategy, *Skills for Life* identifies and targets support on priority groups living in disadvantaged communities.

71. Many industry sectors are concerned about the impact on their skills profile of an ageing workforce, at a time when there are fewer young people in the labour market. They are seeing the benefits of creating pathways into their sectors for more women returners, ethnic minorities or older people – and of improving career mobility within sectors. The Government is introducing new measures to provide working parents with more choice and more support to balance their childcare responsibilities with work in ways which benefit employers and employees.⁸ Some sectors are already engaged in collaborative action to improve labour mobility and the Government will continue to support them as appropriate, for example through the Sector Skills Councils and in ensuring appropriate flexibility in qualifications and public support arrangements.

Importing skills

72. Immigration policy also has a role in contributing to the mix of skills in the economy and the Government is developing policy in a range of areas. These were set out in the White Paper *Secure Borders, Safe Haven: Integration with Diversity in Modern Britain* published in February 2002, including:

- reforming the work permit system and promoting other work-related managed migration routes such as the Highly Skilled Migrant Programme;
- enabling international students to seek work opportunities in the UK for a period of time following completion of study;
- conducting a review of the Seasonal Agricultural Workers' Scheme (SAWS) to establish how it might better meet the needs of agriculture and considering the case for building upon the principles of SAWS in order to meet the demand for short-term casual labour within other, specific sectors of the UK economy; and
- conducting a review of the Working Holidaymakers Scheme to utilise its capacity to provide an additional, temporary, flexible workforce, and make it more inclusive to a broader range of Commonwealth citizens.

73. Also included in the White Paper are proposals to support the integration of refugees and to prepare people for citizenship. The Government is providing funding of £1 million a year from 2002/03 towards integration projects and reconsidering eligibility for and funding of free provision of English as a Second or Other Language (ESOL) to improve availability.

Developing science skills for innovation

74. Human ingenuity is a key factor in creating new products, services and processes. Highly skilled scientists and engineers are therefore paramount in the success of the UK's research and development (R&D) and innovation performance. In its recently published strategy, *Investing in innovation*, the Government demonstrates how extra resources and reforms will improve the sustainability of the research base, and will embed technology-based innovation within the Government's growth agenda.⁹ Such interests will also be represented within the emerging network of Sector Skills Councils (SSCs), for which the technology,

⁸ From April 2003 maternity pay and leave will be improved; new fathers will gain the right to paid paternity leave; and adoptive parents will gain comparable rights. In addition, parents of children under 6, and parents of disabled children under 18, will gain the right to request to work a flexible working pattern and their employers will have a duty to consider their requests seriously.

⁹ The strategy is available at www.hm-treasury.gov.uk/mediastore/otherfiles/science_strat_sum02.pdf



engineering and science sector has just been awarded SSC development status.

75. As a key part of this strategy, the Government is taking forward the recommendations of Sir Gareth Roberts' review on the UK supply of scientists and engineers, entailing new resources of £100 million per year by 2005/06.

76. Innovation more widely depends critically on the development of wider skills and capabilities such as team working, creativity, enterprise, management, leadership and communication, all of which are important aspects of the Government's skills agenda. In turn, innovative practices play a vital role in stimulating demand for higher level skills.

A skills strategy

77. The Government will publish a skills strategy in June 2003, setting workforce development in this wider context.

5. DEFINING AND MEASURING SUCCESS

Key action points

- The Government will track progress against a range of targets for workforce skills.
- The Delivery Unit will work with departments to ensure that targets on skills are achieved, including the following PSA targets:
 - *reduce by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, 1 million adults already in the workforce to achieve level 2 between 2003 and 2006;*
 - *improve the basic skill levels of 1.5 million adults between the launch of Skills for Life in 2001 and 2007, with an interim target of 750,000 by 2004; and*
 - *at least 28 per cent of young people should start on a Modern Apprenticeship (MA) in 2004 and there will be a wider vocational target (including MAs) for 2010.*
- The three main government departments will work together with the Treasury to develop a clear framework for measuring outcomes on workforce development performance by autumn 2003.

Defining and measuring success

78. The Government has drawn up a detailed strategy to make a real impact on the development of the workforce. Action is already in train in a number of areas. But progress needs to be measured to ensure that real and lasting change is being delivered. The Government proposes to do this in three ways:

- in the short term, progress will be tracked against a range of targets;
- the Delivery Unit will work with departments to ensure that targets on skills are achieved; and
- for the longer term, the Government will develop a clear framework for measuring outcomes on performance in workforce development to be ready by autumn 2003 and inform the debate around the next Spending Review. The LSC has already put work in hand to inform this process.



Targets

79. The Government has set itself a range of PSA targets which, combined, will make significant progress towards a more skilled workforce. The three key targets are:

- to reduce by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, 1 million adults already in the workforce to achieve level 2 between 2003 and 2006;
- to improve the basic skill levels of 1.5 million adults between the launch of Skills for Life in 2001 and 2007, with an interim target of 750,000 by 2004; and
- at least 28 per cent of young people should start on a Modern Apprenticeship (MA) in the year beginning 2004 and there will be a wider vocational target (including Modern Apprenticeships) for 2010.

To achieve these targets on skills, progress will be necessary against a range of other related PSA targets. These are in turn supported by the skills targets:

- challenging targets will be set for minimum performance and value for money in FE colleges and other providers by the Government and the LSCs;
- by 2010 increase participation in higher education towards 50 per cent of those aged 18 to 30;
- demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle;
- over the three years to spring 2006, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle – lone

parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications, and the 30 local authority districts with the poorest initial labour market position, and significantly reduce the difference between their employment rates and the overall rate;

- improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK;
- help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities; and
- make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006.

The Prime Minister's Delivery Unit

80. The Treasury and the Prime Minister's Delivery Unit together ensure that departments have in place effective delivery plans for their new PSA targets. This includes ensuring that these plans contain robust milestones and set out clearly how delivery will be achieved. Progress is reported through reports to the Cabinet and to the Prime Minister. The Delivery Unit will take a particular interest in the targets raising skill levels.



An outcome-based approach to measuring improvements

81. DfES, DTI and DWP will work together with the Treasury over the next year to explore how these targets can give a picture of improvements in the UK workforce over time with the focus firmly on outcomes. They will bring proposals to the next Spending Review in autumn 2003 with a strategy for:

- mapping outputs;
- from these constructing a clear picture of eventual outcomes;
- examining the existing evidence base and identifying where it needs augmenting;
- ensuring that this structure informs the way in which organisations work together at regional and local level and that targets do not conflict with each other; and
- if it would add enough value, suggesting an overarching framework within which the existing targets can come together to provide evidence of how the UK is improving its performance in workforce development.

82. The LSC has already set in train measures for gathering two sets of evidence which will yield important data for mapping and achieving success:

- a measure of the extent to which employers engage in training and developing their workforce. This will be based on a suite of universal indicators designed to measure business development and training focusing on planning, delivery and evaluation. This will provide a baseline from which to measure progress and target activity. The baseline will be established through a regionally commissioned survey to be rolled out during 2003; and

- measurement of Learner Satisfaction, launched in March 2002. Feedback from over 100,000 students over five years will give information on motivation for learning, quality of teaching and reasons for failure to complete programmes. Crucially it will also track impact on individuals. This will examine all categories of LSC-funded provision. Findings will be reported at national and regional level and made public online.

83. This approach allies clear and immediate targets with a longer-term focus on measuring outcomes. It is essential for the delivery of the action plan set out in this report.

6. TAKING ACTION FORWARD

Key action points

The Government will take forward action:

- at national level through a small joint unit of officials reporting to a joint Ministerial group and ultimately to the Cabinet Committee for Economic Affairs and Productivity (EAPC). The Delivery Unit will take an interest in progress;
- at regional level through Frameworks for Regional Employment and Skills Action (FRESAs); arrangements for piloting of closer working arrangements between RDAs, the LSC and Business Link organisations are in hand; and
- at local level through the LSC encouraging key partners to share information and planning, building on pilot work in hand.

Over the coming months the Government will publish more detailed explanations of its plans in a wide variety of areas, culminating in a skills strategy setting adult workforce development in the wider context of policies to develop skills.

Taking action forward

At national level...

84. At Cabinet level progress on workforce development will be tracked by a Cabinet Committee, as is the accepted practice for Strategy Unit reports. Workforce development will be overseen by the existing Economic Affairs and Productivity Committee (EAPC), chaired by the Chancellor and with a membership drawn from across the Government to ensure that the cross-cutting nature of the issue is reflected in discussion. The role of the Committee will be to provide high level guidance rather than detailed decision making capacity.

85. At working level Ministers from DfES, DTI, DWP and Treasury meet regularly to track progress on a range of issues with a strong focus on workforce development and the skills strategy. This group will provide the impetus and focus, reporting regularly to EAPC. Progress on the delivery and impact of the LSC Workforce Development Strategy will feed into this process.

86. A small joint unit of officials drawn from DfES, DTI, DWP, the LSC and the Sector Skills Development Agency (SSDA) will support Ministers implementing the strategy. These officials will remain members of each individual department/body, but work closely together on a daily basis, co-locating for a certain part of each week. This will allow



them to work collaboratively whilst still being connected to the expertise and experience of each department. A Project Manager recruited specifically for the purpose of managing workforce development implementation will head the unit.

87. Effective working relationships will need to be forged with the new Advisory Panel on management and leadership and the joint DfES/DTI team which will support it.

88. The Delivery Unit will take an interest in progress, particularly on the targets around raising skill levels.

At regional level...

89. The development of FRESAs links skills firmly to economic policy and provides a mechanism for bringing key players together.

90. The Government announced in the recent Spending Review that closer working between agencies at regional level would be piloted through schemes both to pool RDA and LSC budgets, and to strengthen the regional management of business support services. The RDA/LSC pilots will place skills at the heart of the economic agenda. They will be rolled out from April 2003, with Jobcentre Plus becoming actively involved from 2004/05. This is a direct consequence of the analysis in the first workforce development report, identifying the need to increase the responsiveness of the supply of skills to demand from employers – both now and in the future.

91. The terms of reference and structure of the forthcoming pilots are described more fully in the detailed action plan at annex 1.

At local level...

92. Local workforce development needs vary widely. It is essential that as much local autonomy as possible should be built into arrangements consistent with delivering the Government's wider objectives. That implies a constant interaction between local, regional and national levels with clarity of objectives and expectations. It also implies sharing of information, experience and objectives with partner organisations to ensure that outcomes are delivered which genuinely meet local need rather than organisational boundaries.

93. Working within the national framework set out in the LSC Workforce Development Strategy – which is in line with the approach set out in this report – each local LSC will integrate workforce development as a key component of their Local Strategic Plans. Local flexibility and innovation will support responses tailored to local employer and workforce demand and patterns of provision and partnership.

94. There is already much good practice. The LSC will set in train pilots to trial aspects of local co-operation, ensuring that they are firmly tied into the emerging arrangements for better regional and national co-ordination.



Developing the strategy

95. Over the coming months the Government will publish more detailed explanations of its plans in a variety of areas, including a skills strategy in June 2003.

reflecting the development of a demand-led workforce development strategy in the context of wider government action on skills.

<i>Key milestones</i>	
Publication of the Government's response to the Council for Excellence in Management and Leadership (CEML) report	September 2002
Publication of the LSC Workforce Development Strategy	November 2002
Publication of the DfES HE Strategy	2003
DTI Business Support Review	Winter 2002
Follow-up to the FE strategy document Success for All	November 2002
Follow-up to the 14–19 proposals	To be announced
Publication of skills strategy	June 2003
Implementation of funding review proposals	From April 2004
Consideration of emerging evidence in the light of preparations for the next Spending Review	Late 2003

ANNEX 1: AN ACTION PLAN TO TRANSFORM WORKFORCE DEVELOPMENT BY 2010

Introduction

1. The first PIU report on workforce development set out a vision for a more demand-led system for workforce development and a strategy for achieving it by 2010. The Government is committed to moving in this direction. This annex sets out a plan for action.

2. The action plan in this report sets out what the Government will do, and when, under three headings:

- raising informed demand;
- improving supply; and
- developing the right Government framework.

3. The plan is complex. Improvements will be delivered in a range of ways and on varying timescales. Some changes will be delivered quickly. More fundamental changes contributing to the development of a more demand-led system will need piloting and consultation to ensure that future systems are built on real, well-informed experience. All the changes will need to be delivered by a web of institutions, which will have to work together effectively. This action plan should be seen as setting out a route map for that process.

4. An overriding theme of the transition towards a more demand-led system over the next few years is to find out what works. Pilot projects such as the Employer Training Pilots will test a whole range of approaches.

The results will be gathered together and shared across departments to inform future government policy and spending decisions.

5. The 2002 Spending Review made some fundamental commitments to tackling the country's under-performance on adult skills:

- it set three ambitious targets for adult skills development, focused on tackling basic skills:
 - ensuring that at least 28 per cent of young people start on a Modern Apprenticeship in 2004;
 - a commitment to reduce by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010; and
 - working toward this, 1 million adults already in the workforce to achieve level 2 between 2003 and 2006;
- it announced a fundamental review of the funding of adult learning both inside and outside the further education (FE) system, which should be complete by the end of 2003; and
- it trailed pilots in two or three regions, whereby budgets for workforce development are pooled at regional level to promote joint working and the role of skills in regional strategies for economic development.

6. These are fundamental developments in the workforce development landscape.



They have a key role to play in achieving the vision, alongside the full range of other activity which comes together to form an England-wide workforce development strategy for the future, such as the Success for All strategy for reforming the FE sector, the ambitious target set for increasing the

number of young people entering a Modern Apprenticeship, and the publication of the Government's response to the Council for Excellence in Management and Leadership report. Some of these actions will require consultation and joint action with the Devolved Administrations.

Raising informed demand

Raising informed demand: developing greater and better-informed demand for development among employers and individuals, focusing efforts on low skilled adults and small firms.

Achieved through:

- promoting the benefits of workforce development;
 - providing relevant and timely information and advice; and
 - breaking down barriers to participation.
- Employers and individuals,
and government
leading the way*

Employers

Promoting the benefits of workforce development by meeting employers on their own ground and embedding skills in matters of wider business strategy:

- encouraging effective management and leadership;
- identifying and sharing best practice: benchmarking, networking and mentoring;
- recognising and rewarding achievement; and
- ensuring that marketing is co-ordinated and strategic across all business support.

Providing relevant and timely information and advice:

- developing the information and advice infrastructure: maximising co-ordination and routes to market; and
- developing tools for intermediaries and business advisers.

Individuals

Promoting the benefits of workforce development by meeting individuals on their own ground:

- expanding the role of learning champions; and
- ensuring that marketing is co-ordinated and strategic.

Providing relevant and timely information and advice:

- developing the information, advice and guidance (IAG) infrastructure: maximising co-ordination and routes to market; and
- linking IAG with the wider workforce development framework.

Breaking down barriers for employers and individuals:

- testing a new approach to overcoming barriers of time and money; and
- enabling participation by empowering employers and individuals.

Government

The public sector as employer and purchaser.



Employers

7. Workforce development needs to be at the heart of business strategies if it is to have any impact. It is only one of a variety of strategies which businesses use to grow and increase profits and/or quality. The challenge is to position it as a key component in achieving higher value-added product strategies. It is thus intimately linked to improvements in management and leadership as a way to higher performance. And policies need to be set in a context which is familiar to business, meeting business on its own ground through mainstream business intermediaries, benchmarking and communications, and through existing employer networks.

8. Raising demand needs to ensure that the supply side, including the large amount of publicly funded provision, is responsive to demand. It needs to recognise equally that

demand needs to be stimulated, and that this is a long-term process requiring sustained effort and a variety of innovative approaches. If employers do not see the benefits for their organisation, they will not invest; the combined effect of their investment with public funding is a powerful driver for productivity, social inclusion and innovation. The strategy set out here should be seen as the starting point in that process.

9. The Department of Trade and Industry (DTI) review of business support is responding to the first PIU report by focusing on action to raise employer demand for skills, with a strong emphasis on management and leadership. The Government will gather evidence, including evaluation results, and conduct pilots to demonstrate an effective approach. Delivery will be co-ordinated with other departments and agencies.

Key actions in raising employer demand

The Government will:

- promote demand for workforce development through Sector Skills Councils (SSCs) and gather evidence to bolster the business case;
- promote skills through better management and leadership;
- promote the role of skills in benchmarking indexes;
- take forward the development of Human Capital Accounting;
- develop the Investors in People (IiP) Standard and other awards;
- take a more strategic approach to communications and marketing;
- develop a clearer IAG infrastructure, including a look at the feasibility of setting up a helpline for employers; and
- develop tools for workforce development advisers and other intermediaries.



Tackling the wider business demand agenda

10. In October 2001 government launched Skills for Business, a UK-wide network of employer-led Sector Skills Councils (SSCs), to deliver skills-based productivity improvements in industry and the public services. They will be supported by the new Sector Skills Development Agency (SSDA).

11. SSCs are designed to tackle head on the fragmented nature of existing employer networks. SSCs will bring coherence to the demand side by identifying and galvanising action on priority skills issues by employers and supply-side bodies. SSCs will address all aspects of skills and workforce development – from labour supply and employment policies and services to the education and training of the current and future workforce. Their specialist focus on skills will develop in partnership with wider sectoral competitiveness initiatives, such as innovation and growth teams and Industry Forums.

12. In particular, SSCs will be expected to provide employer leadership for their sectors in working with government, public agencies and other supply-side bodies to:

- reduce skills gaps and shortages, anticipate future needs (through estimates of demand), exert leverage on the supply side, and provide help for employers and individuals to define and make informed choices about careers and personal development;
- improve business and public services performance through specific strategic and targeted action to increase skills-based productivity;
- increase opportunities to develop and improve the productivity of everyone in the sector's workforce, including action to address equal opportunities; and

- improve the quality and relevance of public learning supply, including the development of apprenticeships, higher education and national occupational standards.

13. As catalysts for change, SSCs will be at the forefront of promoting skills development in sectors, including meeting the specific needs of the small and medium-sized enterprise (SME) sector. The SSDA will also provide funding on a matched basis for SSCs to test innovative ideas that tackle specific sector skills issues and which can be sustained over time.

14. The SSDA will also provide active support to employers in developing proposals to form SSCs and will provide ongoing support to each SSC after a licence has been granted. The SSDA will provide core funding for SSCs and will ensure that high standards are maintained and that essential skills intelligence and other occupational-related functions are delivered for all sectors, including those without an SSC.

15. The development of SSCs is already under way. Four trailblazer SSCs have received licences and five further sectors are receiving SSDA funding support to develop firm proposals for an SSC. We anticipate continued demand from employers to form SSCs and for the new Skills for Business network to grow substantially over the next 3–5 years.

16. Jobcentre Plus has revised its employer services strategy, and aims to increase the extent to which employers in specific sectors use Jobcentre Plus to recruit. One of the ways in which Jobcentre Plus aims to achieve this is by developing new strategic relationships with representative organisations in particular sectors. SSCs will have a key role to play in helping the Department for Work and



Pensions (DWP) and Jobcentre Plus develop their understanding of sector recruitment needs. SSCs should also be able to assist Jobcentre Plus in the development of partnerships to deliver sector recruitment initiatives such as the Ambitions programme. SSCs and the SSDA will also provide intelligence on skills priorities and career opportunities to support the information, advice and guidance functions of Jobcentre Plus and the Connexions Service.

17. SSCs will be key partners to the programme of Learning and Skills Council (LSC) sector pilots that are central to the LSC Workforce Development Strategy. This programme seeks to link supply and demand by creating long-term, replicable, scalable and fundable models that address sector skill needs. Priority actions for each pilot sector will be identified with key partners and stakeholders, including local and national LSCs, providers and the employers and representative bodies from the sector – specifically SSCs and employers – and wider partners within the qualification, delivery and funding framework. Each pilot will last an average of 18 months and will be formally evaluated to produce clear recommendations for change that inform both local and national LSC policy, and feed into the Spending Review.

Promoting the benefits of workforce development, meeting employers on their own ground

Promoting skills through better management and leadership

18. Raising workforce skills needs to go hand in hand with improving management and leadership skills to create an organisational culture that can grasp the right opportunities to innovate, change and grow. This is especially true in the context of rapid

technological change and applies equally in the public and voluntary sectors. Workforce development is not just about skills development, but also requires effective *use* of skills in the workplace – excellence in management and leadership is vital to ensuring that this happens.

19. The *Government Response to the Report of the Council for Excellence in Management and Leadership (CEML)* demonstrates the Government's commitment to raising the game of managers and leaders. The response sets out a demanding agenda for action around the themes of stimulating demand, improving supply and ensuring effective delivery. A new high-level Advisory Panel of business and public sector leaders and Government Ministers will oversee progress and carry forward the wider agenda. To support the panel and co-ordinate action a new cross-departmental team is being established. This team will maintain momentum and monitor the progress of the management and leadership agenda among the many interested stakeholders at the national, regional, local and sectoral levels across the UK.

20. The Government is committed to immediate action on some of the CEML recommendations, whilst others will need piloting to establish the delivery mechanisms that have the most impact. An early task of the new Advisory Panel will be to advise on this. The priorities are to:

- benchmark performance: develop an internationally benchmarked Framework of National Indicators of Management Capability;
- promote and make accessible management performance assessment tools: including the new liP model on management and leadership, the Business



Improvement Tool for Entrepreneurs (BITE) that CEML developed, the new Business Link CONNECT module on leadership;

- focus on SMEs and engaging intermediaries: reviewing what government can do to secure effective briefing, support and incentives for the intermediary network;
- promote best management practice: through business networks, with a campaign to raise leadership skills through development and use of an 'inspirational leadership index', measures to promote a diverse management talent pool, and opportunities to encourage business learning from business. Encourage informal and innovative workplace learning through coaching, mentoring and e-learning;
- set an example: by putting management and leadership central to government plans for the better delivery and reform of the public services;
- create the right business environment: by addressing how regulatory structures, fiscal incentives and governance influence performance. Encourage the development of high-performance work practices to create an environment that enables more direct involvement and the resulting increased motivation of employees;
- better preparation for school and college students: integrating management and leadership into the 14–19 skills curriculum;
- better training and development: through the Success for All strategy for FE, an increased emphasis on employability in higher education (HE) and through new national occupational standards and a coherent qualifications structure with clearer progression routes;
- work through sectors: using the SSDA and the SSCs to pursue management and

leadership as a key cross-sector theme in their work. Develop clear learning pathways with the SSDA, the qualifications regulators, awarding bodies and professional organisations – supporting current work between the Qualifications and Curriculum Authority (QCA)/Scottish Qualifications Authority (SQA) and the Chartered Management Institute – to progress the integration of components of management and leadership in the NVQ system, sector-specific qualifications and professional development; and

- provide a 'no wrong doors' approach by developing a coherent customer-focused approach to providing management and leadership information to employers through Business Link Organisations, University for Industry (Ufi)/**learn**direct business centres and Laurel Online.

Identifying and sharing best practice

21. Skills have a role in achieving wider business goals. This means that conversations about skills need to take place in the context of other discussions about business strategy. Identifying and sharing best practice in business and drawing out the specific role of skills is a key way in which to demonstrate the potential of higher value-added strategies and the role of skills within them.

22. Current best practice activity seeks to actively integrate management and business processes with strategies for better workplace organisation. The key objective will be to build sustainable productivity improvements through closer co-operation between activities designed to deliver business process improvements, such as business-led Industry Forums, and people-focused activities, such as the Partnership Fund. The role of the 'Fit for the future' national best practice campaign will be to develop demand and



supply. Action to raise demand will lead to better understanding of what is meant by best practice, improving awareness of the value of adopting best practice and the support/services/tools available to assist business. Supply will be improved through providing business support organisations with a means of sharing knowledge and experience and through encouraging co-operation, collaboration and consistency.

23. Identifying and sharing best practice requires effective **benchmarking**, and using **networks** and **mentoring** to disseminate best practice in a way that suits the way businesses learn and develop.

Benchmarking best practice

24. Benchmarking enables businesses to diagnose their needs by reflecting upon their comparative position within a specific sector according to a range of indicators. The role of skills needs to be reflected in the wider business benchmarking agenda:

- the DTI will ensure existing business improvement tools reflect the role of skills, including the development of a skills module for the Benchmark Index and offering site visits to exemplar companies through its Inside UK Enterprise service. DTI and the Small Business Service (SBS) will ensure that various benchmarking activities are co-ordinated;
- selected Industry Forum programmes have integrated bespoke benchmarking modules which enable companies to identify areas for improvement before they participate in the Industry Forum Adaptation (IFA) programme;
- government will bring together the expertise of the Regional Development Agencies (RDAs), LSC and SSDA along with Ufi/**learn**direct, liP UK, Adult

Learning Inspectorate (ALI) and the Confederation of British Industry (CBI) to develop better evidence and intelligence about employer investment in skills. As a first step existing data will be analysed to establish a more coherent picture of current business investment in skills and the value it brings, building on the experience of collaboration in developing the Frameworks for Regional Employment and Skills Action;

- as part of the LSC Workforce Development Strategy, a measure, and ultimately a target, of employer engagement in workforce development is being developed. This measure will be rolled out in 2003 in order to set the baseline. Data will be available nationally, regionally, locally and sectorally and will support and inform LSC (and partner) planning and funding, as well as providing information on the impact and outcomes of activity supporting workforce development; and
- from 1 October 2002 the liP 'Profile' benchmarking tool will be available to all liP organisations. It can be used to provide organisations with a clearer idea of their relative performance in relation to other organisations in their sector, size or region. liP UK is also developing a mechanism to trace business performance against this profile. This work will be aligned with DTI development of a skills module for the benchmarking index.

25. Unlike physical resources, the value of developing human resources does not show up in a company's accounts. Yet knowledge and skills play a major role in contributing to profitability. Wider reporting can help investors understand how human capital builds long-term corporate value; skills should be seen as part of that wider focus.



26. The *Modernising Company Law* White Paper proposed in July 2002 that economically significant companies should be required to report on key non-financial factors underlying their performance – including employment policy and practice – where they were material to an understanding of the business, as part of a statutory operating and financial review

(OFR). While the Government intends to devolve to an independent Standards Board the task of drawing up detailed rules for the compilation of the OFR, as a first step it is establishing an independent group of experts to help in the process of guidance on how directors can assess whether an item is material to their company and hence must be included in an OFR.

What is human capital accounting?

Key business drivers and sources of competitive advantage do not just consist of technology or access to financial capital. Increasingly, less tangible assets such as knowledge, skills and capabilities are playing a major role in contributing to sustainable profits, especially in the service industry.

Despite this, the balance sheets of such businesses do not give a full picture of their assets. This can have an impact on lending or investing decisions. For companies facing pressure to produce large dividends for shareholders, the cost of training is seen as an expense which reduces dividends rather than as an investment which promotes future profit. Enabling firms to demonstrate the nature of that investment through their balance sheets could change attitudes.

Even promoting voluntary disclosure of this information can produce a knock-on effect in the business community, as more and more companies take a closer look at their training and development practices and compare themselves to their peers.

The details that can be reported in human capital accounts, and how they should be defined and measured, will need careful consideration. Possible areas include:

- qualification levels;
- competence indices;
- employee views/360-degree feedback/exit interviews;
- training expenditure;
- spread of training;
- work/process/product changes and resultant training;
- innovative approaches (such as volunteering networks); and
- recruitment/retention costs.



Networking and mentoring

27. Once best practice has been identified via benchmarking activities, it needs to be shared through existing and new channels which meet employers on their own ground. Businesses listen above all to their peers. Networking and mentoring are vital to the process of dissemination, particularly for small businesses which may not have time or capacity to keep up to date with developments.

28. In October 2001 the Government launched Skills for Business, supporting a UK-wide network of employer-led Sector Skills Councils (see paragraph 12 on page 34). Five SSC trailblazers have been launched for the following industries:

- audio-visual;
- environment and land-based;
- chemicals manufacturing and petrochemical;
- apparel, footwear and textiles; and
- retail.

The technology, engineering and science sectors, along with e-skills, hospitality, tourism and leisure sectors, are developing formal proposals for the award of an SSC licence.

29. The DTI promotes the use of business networks as a means of raising employer demand for, and access to, skills development. It will mainstream skills in the Department's networking activity. Pilot work is planned to identify ways of building the impact of this approach. Business Links can act as a facilitator for a range of networking and mentoring activity around the workforce development agenda, for example:

- North-East – the Business Link Tyne and Wear in partnership with the LLSC contacted 1,000 SMEs using a diagnostic framework to establish their business development needs and begin to meet these using Business Link advisers. This has proved an effective vehicle for driving up demand for workforce development services;
- London – the Business Link for London is running leadership and company direction programmes with the Institute of Directors as part of wider working with partners to deliver its detailed workforce development strategy for 2002/03; and
- North-West – the Business Link East Lancashire has established a management development programme – Action for Business – in which 17 SMEs have already participated.

30. The findings of two evaluation projects in relation to employer learning networks will need to feed into this work:

- the projects that received funding from the £2.5 million Employer Learning Networks (ELN) Challenge Fund. The evaluation has been completed and published.¹⁰ It shows that networks are useful for engaging employers in workforce development, albeit less so for leveraging in resources. It also emphasises the importance of experience and credibility within the sector of project leaders; and
- the DTI's Engineering Technicians programme provided funding worth £1 million to support some 16 projects that formed clusters of small firms ranging across a wide variety of engineering areas, including automotive components, textiles, casting and electro-technical. An evaluation will draw out lessons and best practice on establishing and developing the networks,

¹⁰ Available on the DFES website – www.dfes.gov.uk/research



the sustainability of the networks (both financial and organisational), and the outcomes in addressing sectoral skills issues.

31. The proposals outlined below for liP Beacon Status (see paragraph 32) will provide a framework for mentoring from successful companies to those looking to develop.

Recognising and rewarding achievement

32. Awards and quality standards are important status incentives that can drive change by promoting and publicising what works. The Government will therefore:

- launch a new recognition of achievement in Investors in People – **liP Beacon Status**. This will be awarded to companies who demonstrate excellence not only in their own practices but in offering help and support to other companies to reach the standard – for example those in their supply chain. There will be potential for liP Beacon Status to be linked with the Inside UK Enterprise Scheme and also the new **matrix** standard for provision of information and advice by employers to their employees in the workplace;
- take forward the liP small firms initiative, managing the £30 million investment announced earlier this year to support more small firms working with the liP standard. The objective here will be to use liP as an instrument to promote effectiveness, productivity and competitiveness of small firms (between 5 and 49 employees) in the private and voluntary sectors. This investment, managed by the LSC, will be linked to a target of 20,000 additional commitments to working with liP, and an aspiration that around half of these will achieve recognition. National targets will be

mediated by locally generated measures and experience;

- consider the recommendations of the recent review of publicly funded training awards. These are:
 - to publicly restate the aims of National Training Awards (NTAs) and confirm their future and importance in relation to workforce development strategy across the UK;
 - to take a more strategic approach to the development and marketing of awards, involving a wider group of key stakeholders in this process; and
 - to carry out an in-depth assessment of the impact and economic costs and benefits of NTA in relation to its wider aims of encouraging others to take part in training;
- offer its support to the new Employer Collaboration Awards within the NTAs; and
- improve recognition of activity in sectors through SSDA working with UK Skills on linking sectoral awards with NTAs.

Ensuring marketing is co-ordinated and strategic

33. While it is recognised that communication with employers is best undertaken on their own ground, the wider marketing strategy for the concept of workforce development has an important role to play in raising awareness of the skills agenda. In order to do this effectively, and support the LSC in its statutory duty to promote learning, government needs a more strategic and joined-up approach to its various activities in marketing, communications and use of channels to business which have a bearing on workforce development.



34. To achieve this, government will review the effectiveness of both existing and past communications groups and consider the best way to bring together policy makers with internal marketing experts to secure greater strategic co-ordination to marketing and communications. It will be important to build on previous experience, especially the approach to communications with small business highlighted in the 2002 *Spending Review* White Paper.

35. There is a case for a new, consolidated group that would:

- segment and analyse the market appropriately to ensure that the right messages are reaching the right people at the right time and are linked with the wider business support agenda;
- co-ordinate messages about skills and workforce development, generating a common language where this is deemed necessary;
- ensure that the skills agenda is highlighted within existing promotional campaigns such as 'Fit for the future' and associated industry fora;
- consult with the full range of stakeholders¹¹ to ensure that the various campaigns underway can be brought together into a consistent overall strategy; and
- report directly to the joint Ministerial group leading on workforce development (see chapter 5).

36. This group might also have a similar role in providing strategic direction to marketing workforce development to individuals, as described more fully in paragraph 48 below.

Providing relevant and timely information and advice

37. Raising informed demand relies on a comprehensive information and advice service which is easy for employers to access in a variety of ways to suit their needs. This means providing web-based, telephone and face-to-face services which exploit all routes to market without leading to employer confusion.

Developing the information and advice infrastructure

38. There are many sources of publicly funded information and advice available to employers, often reflecting the diversity of their needs.

- The cross-cutting review of services for small business considered the full range of government services from the customer perspective, with the aim of increasing their efficiency and effectiveness. Following the review, the SBS has been tasked to work across government to improve service quality. In addition, funding of £40 million above 2002/03 levels by 2005/06 will take forward e-delivery of services, to make dealing with government quicker and easier.
- The business.gov initiative is tasked with ensuring a wider provision of information to employers. As a new Capital Modernisation Fund project, its challenge is to develop services that are designed with the needs of customers as paramount. Its aim is to link information and transactions together in logical settings and present the range of government services in a way that looks and feels coherent to the customer.

¹¹ These include: LSC, Ufi/learnDirect, the Adult Basic Skills Strategy Unit (ABSSU), SBS, SSDA/SSCs, QCA, Campaign for Learning, National Institute of Adult Continuing Education (NIACE), Connexions Service, UK Skills, awarding bodies and others.



- The Jobcentre Plus network handles around 10,000 new vacancies every day and is in contact with employers millions of times annually. As well as providing labour market advice directly to employers, Jobcentre Plus advisers have the information to signpost businesses to other organisations, such as the local Business Link organisation. Working arrangements to ensure this happens as effectively as possible will continue to develop as new infrastructures bed in.
- The Business Link organisation website (www.businesslink.org) acts as a central access portal to advice on all small business issues. The website provides a huge range of business information and includes factsheets, case studies and frequently asked questions, as well as links to other relevant websites.
- The Manufacturing Advisory Service website (www.dti.gov.uk/manufacturing/mas) likewise provides a portal for manufacturing employers.

39. In addition to these mainstream sources of information and advice, the Government will seek to develop a more co-ordinated

approach to the range of access points currently available. The Department for Education and Skills (DfES), the DTI and the DWP, along with the SBS, Ufi/**learndirect**, LSC and SSDA, will consider the feasibility of developing improved information resources to support an employer helpline as a 'first-stop' shop for information and advice on skills. Terms of reference for the study will be agreed by December 2002. In broad terms, the study will need to consider:

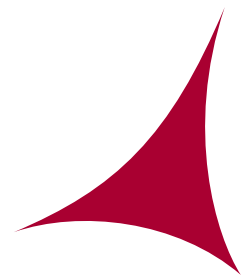
- the nature and level of demand for this kind of service, including lessons to be learnt from other helplines and initiatives;
- different options for the scope of a helpline, other delivery mechanisms and information sourcing;
- impact on current infrastructure;
- a cost-benefit analysis of options; and
- funding and branding issues.

40. This work will build on a phone line that the Adult Basic Skills Strategy Unit (ABSSU) is launching from March 2003 as part of its promotion campaign to engage employers. The phone line will provide information on basic skills development in the workplace and

Pilots for better co-ordination of business services

In the Spending Review the Government committed itself to strengthening the relationship between regional strategies for economic development, articulated through the RDAs, and the support service which is provided by government to business through the SBS. The SBS, through its network of Business Link organisations, provides access to integrated support across a range of issues, including investment, technology, skills, best practice and premises.

The SBS and RDAs will pilot and evaluate different RDA-led approaches to improving co-ordination of business support services locally and will strengthen the link between local Business Link organisation services and Regional Economic Strategies. Pilots will be set up by April 2003. The evaluation will be staged throughout the life of the pilots. The first stage will look at the joint planning process between October and December 2002 and the second stage will look at roll-out and delivery over the two years of the pilot.



will link employers with an adviser who can provide local face-to-face support.

Developing tools for workforce development advisers...

41. Workforce development advisers perform a vital role in promoting and brokering skills development activity. The Government will develop a range of tools to help them do this effectively:

- LSC will develop a workforce development Advisers' Toolkit. It will provide guidance on promoting the business case for investment in skills, and information on the portfolio of workforce development support that employers can access. The toolkit will be developed in consultation with the SBS;
- ALI, working with the LSC, has undertaken work to make information on the quality of provision more easily accessible to business. In addition to a detailed management briefing made available to providers, a new, shorter report format has been developed and will be used to report on inspections from April 2003. A marketing and dissemination plan will be developed to raise awareness among employers and individuals of the availability of the shorter reports. The new

reports will be available through the ALI website, alongside a new database of good and poor practice examples. Initial evaluation will take place in late 2003;

- employer and SME engagement will be a priority for the ABSSU promotion campaign in 2003. The campaign will include support and resources for employers and will build on the awareness raised through the toolkit for larger firms and the guidance pack already available to SMEs; and
- the LSC will work with Jobcentre Plus to provide employers with access to appropriate information about workforce development. The benefits of this mechanism have already been demonstrated through pilot work with Ufi/**learndirect** in 11 areas of the country.

... and tools for other intermediaries

42. Businesses do not necessarily see it as a priority to talk to government; but nearly every business deals with banks, accountants and solicitors. The Government will examine ways of using these contacts to enable more effective skills brokerage in the context of broader business information and advice services. A central part of this will be the development of effective workforce

learndirect *premier business centres*

Ufi/**learndirect** has developed an employer engagement strategy for both large employers and SMEs focused on 'training for the bottom line'. The strategy takes a holistic approach to working with businesses, focused on their particular business development agenda, encouraging them to grow and achieve their longer term aspirations and, through this, providing the underpinning that learning and skills development require.

A network of 50 **learndirect** premier centres is being accredited by the Small Firms Enterprise Development Initiative (SFEDI) to provide business-focused services to SMEs. To date, Ufi/**learndirect** has engaged 50,000 SMEs and is working with a range of large employers, including Barclays, Tesco, Asda, the NHS, the Army, Virgin Trains and Nissan.



development information tools for intermediaries to use:

- information packs on liP will be developed alongside a human resources website (www.yourpeoplemanager.com) for use by intermediary organisations. Initially the focus will be on improving skills and management development and on offering assistance to become accredited to the liP Standard as part of business development;
- local Learning and Skills Councils (LLSCs) are also considering how to involve intermediaries in the Employer Training Pilot. The Government will monitor progress and evaluate initial results of various methods of employer engagement by autumn 2003;
- LSC will expand the use of Laurel Online in support of advice and assessment for liP to around 90 per cent of the LSC and Business Link networks in England; and
- government will take forward a range of pilot activity as part of the overall strategy of working with intermediaries. This will need to build upon pilot activity currently underway, such as the Business Link West

project review of using intermediaries to drive up management development and ongoing Ufi/**learn**direct work with intermediaries.

Individuals

43. Individual and employer demand are clearly linked, both for those who are already in work and for jobless people who are near to the labour market. Employers' decisions about investing in skills will have an impact upon their employees, while independent demand from individuals is likely to reflect perceptions of what employers value, in terms of equipping employees with the right skills to enter the labour market and progress within it. Measures to stimulate demand from individuals will function through employers, but if individuals are not met on their own ground and convinced of the benefit to them of undertaking workforce development activity, the vital component of individual motivation will be lacking. A dual approach – stimulating independent individual demand for development as well employer demand – will achieve maximum impact for a demand-led workforce development system.

Case study: using intermediaries

North Yorkshire LSC is currently running a project offering local organisations the opportunity to train two members of staff as Key Workers. Support and mentoring for Key Workers includes linking training to business objectives and developing skills for training needs analysis and planning. The support is targeted upon charitable and voluntary organisations and leads to NVQ accreditation for the Key Worker and the potential for organisations to commit to liP within the following 12 months.



Key actions in raising individual demand

The Government will:

- extend the role of learning champions;
- take a more strategic approach to communications and marketing;
- develop an integrated IAG service for adults; and
- link IAG services to the wider workforce development framework.

Promoting the benefits of workforce development by meeting individuals on their own ground

Expanding the role of learning champions

44. Union Learning Representatives are a key element of the Government's drive to instill a learning culture in the workplace. The Government is introducing legislation in the Employment Act 2002 that will give statutory backing to Union Learning Representatives. There are currently over 3,500 union learning

representatives and it is estimated that their numbers will increase on a gradual basis to around 22,000 by 2010. They will play a major role in some of the Employer Training Pilot areas, receiving additional training in IAG and basic skills brokerage. liP UK and the Trades Union Congress (TUC) are also currently considering a programme of training for Union Learning Representatives on how liP can contribute to individual employees' development.

Case study: Union Learning Fund and the National Union of Teachers (NUT)

With the help of the Union Learning Fund, the NUT has already trained over 2,500 teachers in basic ICT skills by arranging courses in all areas of England. This will rise to over 4,000 next year. The target of the Developing ICT Skills for Teachers project is to establish a training programme through which 3,000 teachers, over a period of two years, will gain competency in basic ICT skills. Participants will be encouraged to be assessed for a nationally recognised qualification.

Case study: employers and unions – a partnership approach

Following a re-organisation of its Humberside factories, Birdseye Walls supported the Springboard project – developing with the GMB a one-day course aimed at giving all employees confidence and ideas for learning. Over 20 Learning Representatives have been trained and the company is supporting employees to learn anything from IT to craft skills and motor maintenance. Work has been done with the local college to provide courses on site to overcome shift pattern difficulties and the company has also opened a number of learning centres. Internal applications for new jobs advertised have approximately trebled over the past two years, as employees' self-confidence has grown.



Case study: learning champions

Cumbria LSC is supporting the development of a network of Learning Advocates in SMEs. The Learning Advocates work towards NVQ accreditation in mentoring and coaching learners in the workplace. Their role is to promote learning to colleagues and peers and provide information and support to access learning opportunities. Evaluation will include an assessment of the impact on workplace skills.

45. Measures are needed to extend the concept of Union Learning Representatives (ULRs) to non-unionised (and predominantly small) workplaces. The Government will therefore pilot a number of approaches to training and learning champions:

- the Small Firms Development Account includes support for a Training Champion within the small firm which has opened an account. The employee is supported in developing guidance skills, including relationship building with colleagues, action planning and overcoming barriers;
- the Laurel Online software, which supports SMEs who wish to work towards the liP standard on-line, is being developed to include support for Training Champions within SMEs; and
- Jobcentre Plus will quality assure and support the distribution of LSC-developed information material, for use by Learning Champions working with those re-entering employment to ensure they receive advice on access to IAG services.

46. Progress in all of these areas will be drawn together and evaluated by the LSC, with a view to developing a co-ordinated approach to supporting learning champions in non-unionised workplaces. The feasibility of developing a single, recognisable brand – mirroring the profile of union learning services – will be considered.

Ensuring that marketing is co-ordinated and strategic

47. As described above (paragraph 34), government will review the effectiveness of both existing and past communications groups and consider the best way to bring together policy makers with internal marketing experts to secure greater strategic co-ordination to marketing and communications. It will be important to build on previous experience.

48. In order to achieve this, a new, consolidated group will want to consider taking forward activity to:

- segment and analyse the market appropriately to ensure that the right messages are reaching the right people at the right time;
- co-ordinate messages about skills and workforce development, generating a common language where this is deemed necessary;
- ensure that messages about skills and workforce development agenda are coherent across the range of existing marketing campaigns, such as the basic skills campaign, Ufi/*learn*direct marketing activity and others;
- consult with the full range of stakeholders¹² to ensure that the various campaigns underway can be brought together into a consistent overall strategy; and

¹² These include: the LSC, Ufi/*learn*direct, the ABSSU, SBS, SSDA/SSCs, QCA, Campaign for Learning, NIACE and others.



- report directly to the joint Ministerial group leading on workforce development (see chapter 5).

Providing relevant and timely information, advice and guidance

49. Individuals need access to effective and high-quality information, advice and, where appropriate, guidance if they are to make best use of opportunities. This needs to be linked into:

- the use of labour market intelligence by frontline providers of IAG;
- clarity about the qualifications system, especially the potential for increased unitisation;
- sources of information on provider quality for consumers; and
- helping to identify and assess basic skills needs, thereby enabling progression.

Developing the IAG infrastructure: a more joined-up system

50. Individuals seek advice from a variety of sources when they are looking for personal development.¹³ Provision needs to mirror this approach if it is to be effective. In England, information can currently be sought from the web via Ufi/**learndirect** and is linked to jobs on Worktrain (see paragraph 60). Information and advice are available by phone from Ufi/**learndirect** and face to face from local IAG partnerships and unions. There is a clear need to ensure that the various channels work together effectively to meet users' needs.

51. LSC and Ufi/**learndirect** have carried out a feasibility study with the main focus on better co-ordination between **learndirect** and the local IAG partnerships. In the light of this, the DfES will work with the LSC and

Ufi/**learndirect** to develop a national and local IAG service for England that is integrated for the customer and which exploits the potential of the Worktrain service. Some key objectives are:

- establishing a clear, coherent and consistent 'offer' of IAG for the customer;
- better joining-up of national and local services, including incentives for closer joint working, such as shared performance measures;
- greater visibility and accessibility;
- continuous quality improvement, making the best use of new technologies and staff development; and
- clear demonstration of impact.

52. As a part of developing a vision and national strategy for IAG, a national consultation on proposals will be considered.

53. The LSC has been running a one-year development fund, the National and Local IAG Quality Development Fund. The fund has supported a variety of projects, which will be evaluated by July 2003. There are 96 local projects and five overarching national projects. Of the 96 successful local projects, 13 include activity focused on engaging employers, including work to:

- undertake an audit of workforce skill needs;
- map current approaches that employers use in workforce development;
- identify benefits for employers;
- provide supported employer-based information access points;
- develop work with SMEs; and

¹³ MORI research into the effectiveness of IAG services found that individuals prefer having a variety of sources of information and advice available to them.



- produce pocket-sized network directories for employers and union representatives.

54. In support of a longer-term strategy for IAG, the Government needs to understand more about the impact and value of different types of IAG. The DfES, in a joint project with the Guidance Council and other key stakeholders, is working towards establishing a UK national research network for IAG-related issues and the development of a national resource to make UK and international research data more accessible for users. This will build on the telematics platforms developed through the ADAPT¹⁴ project and should be in place during the 2003/04 financial year. To this end, the DfES will also be running a longitudinal study to measure the impact of IAG services on individual adults.

Employers as sources of information and advice

55. Evidence has shown that employers are often an important source for individuals seeking advice about training or career development.¹⁵ To ensure individual confidence, it is important that the information which employees receive from their employers is of high quality, up to date, effectively tied into local provision and impartial.

56. In February this year the DfES Minister for Adult Skills launched the new **matrix** quality standard for IAG services. The standard identifies the essential features of successful development, delivery and management of any IAG service, regardless of context or sector, and provides key indicators by which organisations can measure their current activities. The **matrix** quality mark is awarded to organisations on the basis of assessment by an independent body, the Guidance Accreditation Board. Initial trials with a

number of employers are underway in order to assess the impact of **matrix** in the workplace. The outcome of these trials will be available by the end of December 2002. Thereafter, if the case is proved, the standard will be marketed to a wider range of employers, and DfES with the LSC will consider ways of increasing take-up by SMEs. Discussions are also underway with liP UK to identify the synergy between the two standards.

Some people need more intensive guidance

57. The DfES has been running 20 pilot projects targeting guidance services on priority client groups, including: the low skilled; ethnic minorities; and people in areas of multiple deprivation. Services include outreach and one-to-one guidance provision, basic skills support, mentoring and work through community groups. These will be evaluated by June 2003 and guidance produced by October 2003. As part of their local strategic plans, LLSCs will review the guidance services available in the locality and identify priority client groups requiring more in-depth support.

Guidance for Labour Market entrants

58. Moving into work represents an opportunity for individuals to develop their skills and improve their long-term prospects. IAG about learning can help make the most of this opportunity by allowing people to make informed decisions about their personal development. Therefore, where appropriate, Jobcentre Plus and its providers will signpost individuals to IAG services they can use once they are in work. The LSC, in collaboration with Jobcentre Plus, is currently considering producing materials to provide information on sources of advice about learning for people moving into work. These products

¹⁴ This project worked towards building a shared knowledge base through the formation of expert groups meeting to discuss issues of policy and practice and continuing their discussions online.

¹⁵ MORI.



could be used by Jobcentre Plus and workplace Learning Champions. Development and feasibility work will be undertaken in early 2003, with any roll-out taking place in 2003/04.

Linking IAG with the wider workforce development framework

Understanding the labour market

59. IAG must be informed by up-to-date labour market intelligence. DWP has a major role in the collection and dissemination of labour market intelligence. Jobcentre Plus is currently carrying out a project with a view to improving the labour market intelligence that can be supplied to employer account managers throughout the Jobcentre Plus network, and to regional partnerships, such as those with RDAs for the work on Frameworks for Regional Employment and Skills Action (FRESAs). Worktrain already provides individuals and advisers with a tool linking training provision and specific job opportunities. The Worktrain for advisers site currently being piloted significantly extends this role.

60. Worktrain provides individuals with a single entry point to access a range of databases providing jobs, learning and career-related information. Job vacancies are linked to specific information on training, and there is labour market information relating to a range of occupations. There are also links to sources of information for employers wishing to post vacancies, recruit and retain staff, or access statistical information on the labour market and skills. The overall objective of Worktrain is to draw together, and add value to, existing sources of information to provide customers with a one-stop shop on the Internet for employment and learning opportunities.

61. Since 10 September 2002, Worktrain has been running a six-month pilot, in West Yorkshire and North Yorkshire, of a new site specifically aimed at advisers. It acts as a portal to a wide variety of sources of information and services, covering various themes, including learning, local maps, transport and labour market information. The site is aimed at all types of advisers, including those in IAG partnerships, Jobcentre Plus advisers and Connexions personal advisers. It is designed in such a way that content can easily and quickly be added or amended. The pilot will run for six months and undergo evaluation by users. Subject to successful outcomes, it will be made available nationally in spring 2003.

62. Drawing all of this work together, and in order to help people make effective use of Labour Market Intelligence (LMI) in their decisions about learning and work, the interdepartmental National IAG Board, which includes key representatives from the DfES, DWP and DTI, will conduct a review to establish:

- what kinds of labour market information clients of IAG services need in order to make effective decisions about learning and work;
- options for accessing appropriate national and local LMI, especially to IAG providers and their clients; and
- what IAG providers and advisers need to help clients make effective use of LMI in their decision-making.

63. This review, which should involve the LMI Champions Group described below, will need to work closely with the SSDA and take account of previous work in this area, such as:



- the DfES ADAPT project, which looked in part at enhancing the use of LMI in vocational guidance;
- the review of LMI held in Jobcentre Plus; and
- the development of the existing LSC Skills and Enterprise Network as a web-based tool available as a resource for IAG partnerships and a more general range of partners to disseminate regional and sectoral intelligence.

... knowing about course quality and outcomes...

64. There is already a wide range of information on quality available to potential customers. The need is to bring it together into an accessible resource of comparable customer quality information. As well as information drawn from national inspection and survey data, this kind of resource could also include peer review of courses and information on subscription levels.

65. The Government will therefore:

- track outcomes of provision, such as employment rates and destinations data. The LSC plans to introduce a new National Destinations Survey. Initial feedback from a feasibility study to identify requirements for destinations data and models for collecting it, is expected in November 2002, and the results of the final report in January 2003; and
- consider the feasibility of making this kind of information available and will explore mechanisms to provide such a resource to individuals. This would be linked to similar information made available to employers via the appropriate routes to market. ALL, working with the LSC, has developed a new, shorter report format which will be used for inspections from April 2003.

Ufi/**learndirect** will produce a prototype diagnostic tool to assist individual decision-making by December 2003.

66. It will be important to link this work with the developments in providing usable LMI to IAG providers so that individuals are able to make fully informed choices.

... and clarifying the qualifications system

67. QCA provides extensive information and guidance to practitioners in England on areas such as interpretation of the curriculum and examination rules. It is, for example, currently taking forward a project to provide open access to the electronic qualifications database managed by QCA on behalf of the regulatory authorities, with the aim of providing an authoritative, user-friendly tool for learners and others for navigating the qualifications system.

68. In line with the quinquennial review of QCA, which advocates a wider, more strategic communications role for the regulator, QCA will also consider its part in ensuring that providers of IAG are kept up to date on developments in the qualifications system. This work will be taken forward in collaboration with DfES, LSC and Ufi/**learndirect**.

Breaking down barriers of time and money for employers and individuals

Testing financial incentives to break down barriers to workforce development...

69. Time and money are consistently cited as significant barriers to participation in workforce development activity, both for individuals and employers. The first PIU report set out a variety of possible approaches to this issue, ranging from promotion and best practice, through financial incentives to statutory approaches. The Employer Training Pilot, announced in



Key actions to break down barriers

The Government will:

- pilot schemes testing a new policy approach to breaking down barriers to workforce development of time and money;
- pilot the concept of a Small Firms Development Account; and
- look at ways of supporting individuals through a variety of mechanisms and conduct a fundamental review of financial support for adult learning.

the pre-Budget report, is a key mechanism for testing a new approach to overcoming time and other barriers to workforce development.

... and promote the integration of skills in business development

70. The Government is also piloting in the East Midlands a Small Firms Development Account. This offers an integrated package of business development with a specific focus on skills and includes a financial incentive in support of workforce development:

- £500 to identify an internal training champion to develop a training and development plan, with the help of an external adviser;
- a discount of 50 per cent per employee up to £150 against the costs of external training; and
- a supporting package of workshops, one-to-one support and membership of a small firm training network.

71. The evidence drawn from these approaches, along with the full range of other pilots highlighted in the action plan, will be brought together to inform government's approach to financial incentives in stimulating demand for workforce development.

Enabling participation by empowering consumers

72. If the Government is to meet its target to reduce the number of adults in the workforce who lack level 2 skills, the participation costs of workforce development need to be tackled. The Government has already announced its commitment to a successor Individual Learning Account (ILA) scheme. The 2002 Spending Review further announced a review of the funding of adult learning. One aspect of the review will be to focus on the wider costs associated with learning and to recommend ways of widening participation by the lowest skilled. We return to these points in the wider context of the funding review and ways in which existing funds can be more effectively channelled to stimulate and meet demand.

73. Jobcentre Plus will continue to work to help people gain the skills they need to participate in the labour market, and, in line with DWP's Public Service Agreement (PSA) target, helping low-skilled people into work will be a priority for Jobcentre Plus. It will work with a number of partners, including DfES and the LSC, to ensure that the Government's strategy to raise the skills of the workforce and to raise the proportion of people with level 2 skills keeps workless people firmly in its sights. It will pursue its aims to ensure that appropriate learning and development opportunities are made



Employer Training Pilot

As announced in Budget 2002, the Employer Training Pilot has been launched in six areas. The pilot is testing a new policy approach designed to overcome the key barriers to workforce development, including the barriers of time and money. This £40 million scheme will provide financial support to employers which give employees 'leave for learning' towards basic skills or level 2 qualifications.

The pilot is running in six LLSC areas: Birmingham and Solihull, Derbyshire, Essex, Greater Manchester, Tyne and Wear, and Wiltshire. These local LSCs have been funded to provide:

- tailored IAG for employers and individuals;
- free courses and assessment up to a level 2 standard; and
- financial support for employers who commit to giving employees paid 'leave for learning' and assessment at a college, with a private training provider or in the workplace, including additional financial incentives for small firms.

The pilots began in September 2002 and are due to finish in August 2003. Impact on individual and employer attitudes and behaviour will be examined, together with measurement of achievement and benefits and lessons for the delivery of such incentive packages. They will provide information about how the policy approach outlined above might impact on raising skills, and will gather evidence which will contribute to the Government's consideration of workforce development policy.

available to the people they will most benefit, to work effectively across government to make sure people know what opportunities are available to them, and to continue to help as many people as possible reap the benefits of sustainable employment. This will include reviewing the use of Jobcentre Plus training budgets as part of a wider Review of Funding of Adult Learning, led by DfES in close collaboration with DWP, to deliver the most effective administrative alignment, in light of the pooled budget arrangements with the LSC and RDAs. As Jobcentre Plus rolls out, this will also include considering any necessary changes to DWP policy, including Jobcentre Plus adviser referral practices, to ensure that Jobcentre Plus makes the most effective use of the level 2 learning

opportunities available to low-skilled jobless people, particularly for those seeking a first qualification.

The Government should lead by example as employer and purchaser

... as employer...

74. The public sector is a major employer which needs to play a full role in stimulating demand for workforce development. Like all other employers, the public sector will need support and encouragement to enhance investment in workforce development to improve performance, productivity and job satisfaction. Initiatives are already in place in many areas to improve the quality of the workforce as a route to better performance.



Key action points

- Full Government commitment to encouraging employees below level 2 to achieve this level, building on the commitment already in place to address basic skills needs.
- Benchmarking performance against other employers.
- Producing guidance on the potential for building skills development into Government procurement.

The National Health Service

75. The *HR in the National Health Service Plan*,¹⁶ published in July 2002, had two overarching objectives: a major expansion in staff numbers and a major redesign of jobs. In England, the major components in the strategy for up-skilling the workforce are:

- a new workforce planning and delivery structure focused on the recently created National Workforce Development Board and network of 27 local Workforce Development Confederations;
- a framework for lifelong learning;¹⁷
- a workforce Skills Escalator strategy;
- the development of consistent competency frameworks and National Occupational Standards;
- in autumn 2003, the launch of NHSU (the NHS University);
- a major programme of reform across pre-registration and post-registration/undergraduate health professional programmes;
- a major investment programme to underpin the Skills Escalator, through continuous development of professional staff, enabling staff without professional qualifications to access an NHS Learning Account or NVQ training, and through identifying and addressing adult literacy, numeracy and language gaps. The NHSU

is exploring plans to offer staff access to foundation degree pathways within five years of their employment; and

- a major review of workforce development funding arrangements.

76. Central Government is already committed to taking action to tackle basic skills needs where they occur. It will further commit to developing its workforce through:

- a continuing commitment to liP. More than 97 per cent of central Government employees work for departments and agencies with liP status. It will benchmark performance against other employers, to ensure that best practice is reflected in training and development;
- identifying those in its workforce who have not already reached a level 2 and ensuring that they are encouraged to do so – this might, for example, take the form of help to reach an NVQ2 in ICT skills. Whilst the large majority of central Government employees are already at this level, the Government is committed to developing those who are not;
- setting up accurate and comprehensive data collection systems to help identify the scale of need for development to level 2; and
- considering the case for a target for Modern Apprenticeships in the civil service.

¹⁶ *HR in the NHS Plan – more staff working differently* (July 2002).

¹⁷ *Working Together, Learning Together – a framework for lifelong learning for the NHS* (November 2001).



Developing the armed forces

The Ministry of Defence (MOD) has demonstrated a strong commitment to workforce development for both military and MOD Civil Service personnel, regarding it as an effective incentive for recruitment and retention, as well as the essential means of generating the required competencies. It furnishes Service personnel with significant transferable skills for the ultimate transition back into civilian employment. As part of its ongoing training programme, the MOD sponsors personnel for qualifications and awards for which it seeks external accreditation within the National Qualifications Framework. These include Modern Apprenticeships (11,380 in 2001/02), National Vocational Qualifications (31,241 in 2001/02), In-Service, Foundation, full Honours and Post-Graduate degrees (629 in 2001/02). A wide range of NVQs is delivered via Service and MOD Civil Service Approved Learning Centres. To co-ordinate the above activities, the MOD has recently established the Defence Accreditation Cell that is advised by a Defence Accreditation Board made up jointly from MOD, other government departments and non-governmental bodies. The MOD is also committed to improving the basic literacy, numeracy and fundamental ICT user skills of its personnel, introducing mandatory Basic Skills screening and assessment for all new entrants to the Department, applying nationally identifiable standards and providing the opportunity for follow-up developmental learning.

In addition, the MOD is strongly committed to lifelong learning and encourages its personnel to seek learning and qualifications on their own behalf. A number of tools have also been introduced to help, including a Personal Development Record issued to all, which documents education, training, experience and qualifications already gained and provides a means of planning future career and personal development. As a strong incentive to personal development, MOD civilians can claim a minimum of 80 per cent of the cost of agreed further education courses and Service personnel can access £175 per year for a wide range of learning, training and developmental courses through the Standard Learning Credit Scheme. The Department will shortly be introducing an Enhanced Learning Credit Scheme, enabling Service personnel to access funding for further or higher education either whilst still serving or for a period of up to 10 years after leaving the Service.



Basic skills in the public sector

Public sector employees are one of the identified priority groups of the Skills for Life strategy. It is estimated that there are 1.3 million public sector employees with basic skills needs. In December 2000, the Cabinet Secretary wrote to all departments, asking them to commit to improving the literacy and numeracy skills of their staff. All departments had committed to this by June 2001 and by July 2002 had action plans in place to implement this commitment. The Adult Basic Skills Strategy Unit (ABSSU) is working with the Central Government National Training Organisation, based in the Cabinet Office, to assist departments with their work in this area.

Further work is underway with non-departmental public bodies and agencies to ensure that they too embed basic skills in training and development plans for their staff, and the National Support Project is progressing the basic skills agenda at the local level. In addition, departments and other public sector bodies are being encouraged to extend the basic skills training opportunities available to their own staff to contracted-in staff working on site.

... and as purchaser

77. The scope for Government to encourage workforce development by contractors and through the supply chain is limited by overarching value for money and EU requirements. However, skills are often a key element in ensuring that the service provided is of the requisite quality. ABSSU is working with the Treasury and Office of Government Commerce to explore the ways in which the Government might use its role as purchaser to promote improved basic skills amongst contractors' employees. A report and guidance for departments will be available by the end of the year. For wider workforce skills, the Government will build on this work in exploring three areas:

- the scope for Government to encourage contractors collectively to place more emphasis on their own responsibility for developing their staff via the promotional material sent out with the Invitation to Tender documents (although it must not be included in the election and award criteria for the contract);
- the extent to which workforce development can be linked in a legitimate way with the subject of a contract and the scope for this to be reflected at each stage of the procurement process – for instance the skills and training of the workforce can be legitimate factors in assessing the technical capacity of the potential contractor to perform the contract (in selecting staff to service a contract if the technical capacity to do a job can be defined in terms of specific skills); and
- the scope for Government to work with the individual contractor, after the contract is awarded, in partnership over the duration of the contract, to encourage the pursuit of workforce development through the careful dissemination of good practice, which may improve their performance and, therefore, enhance their business or opportunities for future contracts. This must, however, be cost neutral or voluntary.



78. The Government will therefore draft a note by April 2003, taking account of advice from the Office of Government Commerce and from the experience of the ABSSU, for publication on a website that is easily accessible to all departments, and encouraging departments to share relevant experience.

Meeting demand with high-quality provision

79. Raising demand for skills must be underpinned by a supply side which can deliver what is needed when it is needed flexibly and to a high standard. That implies a funding system which incentivises the outcomes sought. It means a need to recognise the high-quality development delivered by many providers, along with the need to improve quality in others. And it means building the capacity of the sector – public, private or voluntary – to deliver in future with particular regard to the potential of new technologies.

Improving supply: enabling supply to be more responsive to demand, focusing efforts on funding mechanisms which promote flexibility and employer engagement, improving quality, rewarding innovation and encouraging diversity in the provider market.

Achieved through:

- changes to the funding system:
 - reviewing how adult learning is funded;
 - devolving flexible purchasing power locally, regionally and by sector; and
 - empowering the consumer.
- improving quality:
 - a strategy for reforming the further education and training sector.
- building capacity:
 - diversifying the supply side; and
 - supporting the use of new technology.

Key actions to improve supply

The Government will:

- move to more devolved purchasing power;
- pilot regional pooled budgets;
- review funding of adult learning;
- test approaches to consumer purchasing power;
- consult on and implement the Success for All strategy for reform in FE;
- review current capacity and offer opportunities for capacity building; and
- deliver a vision and strategy for e-learning.



Changes to the funding system

80. FE colleges are central to the delivery of workforce development. They provide a reservoir of experience, ability and potential to innovate at local level which must be placed at the heart of workforce development policy. Their funding system needs over time to unlock this potential, to give the sector room to explore and raise demand from individuals and businesses, and to be able to innovate and respond to that demand. It needs to recognise equally the contribution of the private and voluntary

sector. Workforce development is not a marginal extra: it is central to what colleges and the LSC do, particularly for the over-19s. Over time it has the potential to lever substantial extra resources into the learning and skills sector.

81. The 2002 Spending Review announced a range of measures which will have a significant impact on the current funding systems which support the supply of workforce development opportunities:

Review of funding for adult learning

The July 2002 Spending Review contained a commitment to review the funding of adult learning, focusing on the whole of the LSC's post-19 budget and taking account of resources from elsewhere, notably the private sector. This too reflects the analysis of the first workforce development study, in wanting to look in more detail at the way in which public funds are used to support adult learning and skills, in order to maximise the benefit for individuals and employers.

The review will look at how the Government's various funding mechanisms for learning could be more effectively deployed, to:

- provide incentives to employers to engage in training, as part of their business development strategy;
- cause institutions to be responsive to the needs of individuals and employers, building their capacity to work with employers;
- widen participation in learning by the low skilled, including reviewing the forms of support available to adults to help meet the costs of learning; and
- enable RDAs to play their full and effective role in developing and implementing regional skills strategies (linking with the RDA/LSC funding pilots described in paragraph 86 below).

The DWP will participate in the review to help ensure that the appropriate balance of financial support is available to low-skilled people in and out of work.

The Government will publish a skills strategy in the spring, reflecting the development of a demand-led workforce development strategy and including emerging proposals from the funding review. It will consult widely on the strategy with employers and other key stakeholders. Implementation of the proposals will begin in April 2004.



- a 1 per cent increase in core funding for FE colleges aligned with a strategy for quality improvement;
- 3-year budgets and 100 per cent end-year flexibility for LLSCs;
- fundamental review of the funding of adult learning to look at better incentives and to encourage institutions to be more responsive to private, public and voluntary sector employer needs; and
- explore the potential funding role of RDAs through piloting regional pooled budgets.

Devolving flexible purchasing power

Locally...

82. A significant move towards the demand-led system comes from the positioning of the LSC as an intelligent purchaser locally. LLSCs have a vital role to play in ensuring that there is sufficient breadth of provision to meet the needs of employers and individuals and to deliver local skill priorities. Some providers may discontinue offering some provision where others are better placed to do so, and there may also be increased specialisation and new forms of cross-provider collaboration.

83. That implies a degree of flexibility in the funding and purchasing decisions the LSC is able to make. It needs to be able to use funding to purchase the right quality and quantity of provision, and to incentivise greater responsiveness to demand among providers. It needs in particular to be able to work more closely with employers, to engage them in the development agenda, to discover and reflect their needs and to make provision which delivers the right skills at the right time, moving over time towards a more demand-led system. The new funding flexibilities announced in the Spending Review are a first step in this direction.

84. In tandem with these new flexibilities the LSC will run pilots experimenting with different models aimed at introducing discretion, transparency and a greater focus on demand into the current funding system:

- The LSC is working with the Learning and Skills Development Agency (LSDA) to evaluate the impact on learners and other stakeholders of an initiative to make the costs of learning more transparent. In a small number of pilot areas learners on a range of programmes will be given detailed information about the true costs of their programmes in addition to the fee that they have to pay. The research will seek to assess the impact that this information might have on their attitudes and behaviour, and on the responses of other stakeholders. The pilot will run from August 2002 to September 2003.

... regionally...

- One outcome of the July 2002 Spending Review was a commitment to pilot the pooling of budgets for adult learning and skills between RDAs and the LSC. This is a direct consequence of the analysis in the first workforce development report, which identified the need to increase the responsiveness of the supply of skills to demand from employers – both now and in the future. The pilots are designed to create a direct link between what the RDA knows about skill needs, sector priorities, economic trends and business development activity in its region and the capacity of the LLSC to secure responsive supply of skills, qualifications and business support.



Case study: The Sussex business college project

Sussex LSC is currently working with the LSDA to develop the concept of a Business College to make provision more responsive to employer and workforce demand. The intention is to go further than the notion of a business unit within a college to a more all-embracing business-focused mission for the organisation. Key principles underlying this model are:

- to move to a situation in which providers develop provision to meet contemporary needs of the economy, rather than increasing their marketing to sell more provision; and
- to develop products, services and solutions for business, as well as courses, seminars and learning, which are driven by business strategies and objectives, rather than the traditional inventory-driven approach, where what is on offer largely depends on what has always been provided.

The pilot project involves an initial research and development stage, which defines what a business college should look like and maps this against existing practices in two trailblazer colleges in the area. These colleges will then lead the way for further development and engage in dissemination with their peers in the Sussex LSC area. Emerging thinking has identified a range of desirable features within a business college, including research and development and support networks for SMEs. A final report will appear in February 2003.

Case study: Demand-led funding in the North-East

In the North-East, the LSC is testing a model which seeks to give increased purchasing power to the employer as a customer.

Working with local FE colleges such as Sunderland, the project will explore approaches to removing barriers to more responsive provision. This will include considering the opportunities and consequences of:

- pursuing an outcome-related approach to funding, based on significant incentives for meeting employer needs for high-quality training and certification;
- assessing the value of existing subsidised training and reallocating it to meet employers' needs more effectively;
- encouraging direct employer engagement in course planning and delivery;
- reducing unit costs to the LSC and employers but still maintaining excellence of provision, by matching the two funding streams better; and
- enabling employers to make much fuller use of publicly subsidised, quality-assured provision leading to transferable qualifications.



... and by sector

85. There is a case for giving SSCs more direct influence over purchasing decisions in workforce development. The SSDA/SSC network has as one of its strategic objectives the improvement of supply responsiveness and has a role in the design of occupational standards, which are fundamental to the existing funding system. As employer-led bodies, the SSCs have the potential to articulate employer demand, whether in the public, private or voluntary sector, in the provider market.

86. The SSDA and RDAs are already working together, particularly in the development of FRESAs. The SSDA and SSCs are key partners to the LSC programme of sector pilots. The Government will consider the role of the Skills for Business network in the regional pooled-budgets pilots. The precise role will need to be developed as the specification of the pilots is agreed, and as the business planning in the pilot regions takes shape later this year, but the pilots clearly offer an opportunity for employers working through the Skills for Business network to secure and influence supply that better meets their needs.

Empowering consumers

87. The increasing devolution of purchasing power to local, regional and sectoral level can be supplemented through mechanisms that enable employers and individuals to exercise demand more directly. We have referred above to the way in which using funding to empower consumers could stimulate and meet demand. Government is already piloting approaches in this area, which the review of funding will want to evaluate carefully.

88. *For employers*, this approach consists mainly of the Small Firms Development Account and the Employer Training Pilot

described above. The LSC is also currently working with a major high street bank to consider the feasibility of developing added value to their business services for SMEs. Discussions are at an early stage, but this may include piloting of company accounts, provision of information and advice signposting and links to business skills training, particularly ICT and the Internet. The purpose will be to set up a 'seamless' service which co-ordinates different initiatives. In the first instance, the purpose of this work will be to test out with relevant partners the feasibility of such mechanisms rather than encourage take-up of accounts. Initial feasibility work will begin in 2003.

89. *For individuals*, the Government is committed to introducing a successor scheme which will build on lessons learned from the Individual Learning Account (ILA) programme while maintaining the principle of giving learners more control over when and how they wish to engage in development.

90. The Government will develop the successor scheme in the context of the Review of Funding for Adult Learning and consider using the mechanism to tackle other workforce development priorities underpinned by a system of accreditation and financial and performance controls.

91. In tandem with this programme the LSC is considering the feasibility of piloting 'real' account models which lever in contributions from individuals, employers, government, communities, etc, with the intention of empowering consumers. These models will have the potential to draw together employer and individual demand into a partnership approach. The purpose of this work will be to test out with relevant partners the feasibility of such mechanisms rather than encourage take-up of accounts.



92. Possible mechanisms may include:

- individual accounts, in which employees save into an individual savings account held by a bank or credit union to maintain skill levels for employability;
- individual loan accounts, which fund individual loans for learning with specific providers;
- competence insurance accounts, managed by a financial institution with major clients and supply chains; and
- company accounts, building on the SFDA, that are set up for staff into which they save with contributions matched by their employer. IAG for employers and employees would be an integral component.

93. In developing these proposals the LSC will draw on the research and experience undertaken in the design of the ILA scheme and the SFDA. Evaluation of all these models will need to feed into the funding review.

Improving the quality of workforce development provision

A national strategy for quality improvement

94. Improving quality is central to making supply more responsive to consumer demand. The DfES has recently launched a strategy for the reform of the further education sector. The Success for All strategy seeks views on a range of proposals to raise the standards of provision in the post-16 learning and skills sector. A final report (dependent on the 2002 Spending Review outcomes) setting out the way forward will form the cornerstone of the Government's strategy to raise the quality of provision across England.

95. The Success for All strategy addresses a number of the key issues around quality which were raised in the first PIU report. Although the strategy focuses on post-16 providers funded by the LSC, Jobcentre Plus offices will be consulted and kept informed of any changes being made which could affect their relationship with other work-based learning providers.

Enhancing the quality and qualifications of staff

96. There will be a new emphasis on improving the skills of the learning and skills sector workforce, building on the Standards Fund. All new FE teachers must now be professionally qualified and mechanisms are in place to encourage existing teachers to become qualified. A framework of standards for work-based learning trainers has also been developed, which has led to a range of qualifications from levels 3 to 5. A DfES-led working party is considering the possibility of making appropriate qualifications a contractual requirement for staff in training providers contracted to the LSC. Eligibility for support from the Standards Fund was extended to work-based learning providers in 2001/02 and is being further extended to all LSC-funded sectors in 2002/03.¹⁸

97. A new national leadership college for the sector will open in 2003. The college will provide a centre of excellence for managers and leaders across the learning and skills sector, including induction courses for college principals, and programmes for managers from work-based learning providers.

98. Strong industrial and technological knowledge will be crucial for the sector's credibility, and staff will need to further develop links with local business and experience where appropriate. There will be encouragement for more industrial secondments for teachers and trainers and

¹⁸ This excludes school sixth forms that have access to the School Standards Fund.



Delivering higher quality

The Success for All strategy has four main strands, as outlined below.

- The LSC has developed its Quality Improvement Strategy, which aims to improve the quality of all LSC-funded provision through provider self-assessment, 6-monthly provider reviews and institutional performance targets. Consistent with this, the LSC will work with key stakeholders and lead on delivering the following two strands of Success for All:

(i) *Meeting needs, improving choice:*

- LLSCs conducting comprehensive strategic area reviews of provision, which they fund with the aim of ensuring that a wide range of excellent provision is available to meet the needs of learners, employers and communities.

(ii) *Developing a framework for quality and success:*

- improving quality of provision through increased investment, institutional improvement targets, floor targets for success rates, and recognising and rewarding excellence through greater autonomy and flexibility.

- The new Standards Unit within DfES will lead on the other two strands of the Success for All strategy:

(iii) *Putting teaching and learning at the heart of what we do:*

- identifying and disseminating best pedagogic practices.

(iv) *Developing the teachers and leaders of the future:*

- taking forward implementation of the proposed leadership college for the sector and implementing a programme to increase professionalisation of the workforce by ensuring qualified teachers and trainers through continuous professional development.

The ALI and the Office for Standards in Education (Ofsted) will remain jointly responsible for inspection of the quality and performance of FE and training provision. Both inspectorates, with the LSC, will also continue to be involved in post-inspection support, follow-up, and checking providers' progress on implementing post-inspection action plans where provision has been assessed as weak and where re-inspection is required.

for more people from industry to enter the sector. The ways in which this can be done will be discussed with the LSC.

Developing success measures and performance indicators

99. Colleges' and work-based providers' self-assessment/development plans need to set out clearly their mission, their quality

improvement targets and their responsiveness to local employers and skill needs and to the needs of their communities.

100. The LSC, working with the ALI and Ofsted, will develop benchmarking and baseline performance data for all types of provision, including colleges and work-based learning providers, and will discuss and agree



Case study: developing e-learning professionals

Ufi/**learn**direct is working in partnership with the Employment National Training Organisation (ENTO) and has developed standards with linked qualifications for professionals working in the area of the provision of adult e-learning. The development of the qualifications at levels 3 and 4 is in conjunction with awarding bodies such as City & Guilds focusing on both e-learning support and delivery. These qualifications will have wider relevance to many other educational organisations involved in adult learning provision using new technologies.

improvement targets. Success for All proposes success rates, based on learners' retention, achievements and outcomes, as the basis for floor and improvement targets for providers. It is proposed that these should clearly define the minimum levels of performance and the improvements expected.

101. These success rates will support the LSC's local and national targets and take account of current local performance and national benchmarking data. The LSC will also work with key partners to develop value-added measures, including for provision where there are no qualification outcomes, as well as performance indicators and targets around employer and learner satisfaction.

102. Progress should be reviewed as part of regular performance reviews of providers, and where performance is unacceptably poor or where minimum performance levels are not being met, the LSC will take appropriate action in line with its intervention strategy. This process will also identify the best-performing providers in the sector.

103. The DfES and the LSC are currently discussing the use, definitions and consistency of success measures with key partners. The targets should not adversely distort behaviour, or sacrifice quality or access to learning.

104. The DfES has also established a Management Information (MI) group involving key partners from over 15 organisations,¹⁹ to support and encourage a more effective and co-ordinated approach to the management and handling of data and information relating to learners and providers. The group has agreed a programme of work to map current MI arrangements and agree an action plan aimed at rationalising data collection through better sharing and use of information.

105. The DWP controls the standard of its own work-based learning providers through rigorous contract management. Since April 2002 this provision has also been inspected by the ALI, with a focus on driving up provider performance through a continuous improvement strategy.

106. The DfES has established a forum for communicating with LSC-funded providers, which includes representatives of providers that also contract to deliver DWP/Jobcentre Plus programmes, as well as a representative of DWP/Jobcentre Plus. Regular meetings are held to discuss issues of common interest. These will include the implications of actions proposed in Success for All for providers who work with the LSC and DWP/Jobcentre Plus.

¹⁹ Organisations include the LSC, Connexions, RDAs, ALI, Ofsted, HEFCE, LGA and QCA.



107. A cross-departmental project based in the DfES, called Getting the Best from Each Other, is developing a number of interventions to minimise the bureaucracy involved in the contracting, delivery and monitoring of post-16 learning, training and community programmes – and, crucially, to raise the standard of delivery. This project has developed concordats for the sharing of information between inspection bodies, and is seeking to harmonise procedures and processes such as approved/registered provider systems, funding mechanisms and inspection regimes.

108. Getting the Best from Each Other is also leading current Government thinking around the provision of information about funding streams to providers, paying for distance travelled by clients, improving consultation with providers and the so-called ‘passporting’ of management information between government agencies. All of these interventions and projects (about which more can be found at www.dfes.gov.uk/gettingthebest) are intended to ‘improve delivery and maximise the life-chances of our citizens by focusing on outcomes, raising standards and better procurement’. Guidance documents are expected to be published by April 2003.

Promoting excellence and responsiveness

Centres of Vocational Excellence

109. Centres of Vocational Excellence (CoVEs) aim to enhance existing training and develop new, high-quality vocational training that is focused on meeting the priority and intermediate (level 3) skills needs of employers across a range of industries. Sixteen pathfinders came on stream in September 2001. Another 69 CoVEs started work in April 2002 and 53 in October. Government funding of £140 million has

been made available to develop 250 CoVEs (200 in colleges and 50 in work-based learning providers) by March 2004. This includes £40 million from the Treasury Capital Modernisation Fund (CMF).

110. In May 2002, the Government confirmed that work-based learning providers can participate in the CoVE programme. These include private and voluntary sector providers, the training arms of large companies and group training associations. Five pathfinders came on stream in May 2002 and 14 work-based learning provider CoVEs were announced by the LSC in September 2002.

111. The LSC has completed an independent evaluation of the pathfinder CoVEs and has used this to establish robust performance criteria to allow providers and local LSCs to monitor progress, as well as an evaluation framework for the main programme. The SSDA, SSCs and RDAs will work with the LSC to identify sectoral and regional gaps in provision to inform future development of the programme. Evaluation will start in early 2003, with the first findings available in November 2003 to feed into further development of the programme.

112. The DfES, the LSC and the HEFCE will continue to work closely with other stakeholders to ensure coherence between CoVEs, New Technology Institutes, Ufi/**learn**direct, university innovation centres and the Manufacturing Advisory Service at national, regional and local levels. This coherence will be kept under review as part of the evaluation of these initiatives.

Learning and Skills Beacon Status

113. The Learning and Skills Beacon Status for outstanding education and training has been introduced and the first awards have



been made to colleges and work-based providers. These beacons will be expected to share their good practice with others in the sector and to participate in collaborative activities.

114. The benefits are an enhanced profile and status for colleges and other providers, together with funding to support dissemination activity. Other benefits, linked to earned autonomy, and possibly including less frequent or lighter-touch inspections, are currently being discussed by the DfES, the LSC and all key partners and stakeholders.

115. The Government will review the Learning and Skills Beacon Status after one year to ensure that it continues to challenge colleges and other providers and is relevant to the other types of provision undertaken by the sector. This review will also consider how the award ties in with other reward programmes.

116. The DfES review of Learning and Skills Beacon Status, and the LSC's development of recognition and reward for top performers, will take account of the wider Success for All goals, as well as the outcomes of the Bureaucracy Busting Task Force report.

Building workforce development provider capacity

Diversifying the supply side

117. As a demand-led system takes shape, the variety of the supply side and its ability to innovate can be expected to grow and improve. Over time there will be greater diversity of provision and providers, with a growing role for the private and voluntary sector alongside the publicly funded sector. New possibilities will open up increasingly through e-learning, which has the potential to improve the accessibility, affordability and

flexibility of development and the way in which it is delivered and assessed. The work of Ufi/**learn**direct is already demonstrating how new technology can transform the ability to meet the needs of employers and individuals.

Reviewing current capacity

118. In the short term the Government will take a number of steps to encourage diversity of provision and enable capacity building in alternative providers, based around the LSC's core remit to plan and implement the right kind of local provision. This may mean discontinuing provision where there is duplication, specialising in certain areas or focusing on particular needs or client groups. It will also mean collaborating with other providers, seeking new providers and encouraging providers from the voluntary, community and private sectors, including employers themselves.

119. As a first step each LLSC will carry out a strategic area review to shape purchasing decisions for the future. Guidance for these is currently being produced and will be consulted on before being issued in March 2003. It is expected that strategic area reviews will commence in spring 2003.

120. In addition, those LSCs engaged in the Employer Training Pilot (ETP) are undertaking capacity reviews of basic skills provision. This information is being fed into capacity-building strategies.

Providing opportunities for capacity-building

121. The Strategic Area Reviews will be supported by specific opportunities for capacity building:

- spread of good practice in workforce development through dissemination and collaborative activities; and



- capital investment. Annual investment in infrastructure, IT and other equipment and vocational specialisms is available to FE colleges, comprising £180 million in 2002/03 and £250 million in 2003/04. Resources are available for non-public sector providers through the CoVE programme.

122. Jobcentre Plus is also setting up a provider liaison group, one of whose aims will be to help build the capacity of the provider network, including sharing good practice, networking and technical support.

Supporting the use of new information and communications technology

123. ICT skills have a role in providing access to further development through e-learning activity, which offers a quick, accessible, flexible and cost-effective route to maintaining and developing a wide range of other skills. As technology advances, more learning will be available online and through different media such as digital TV. Individuals and their employers need to obtain skills to exploit this changing environment and providers need to have the capacity to deliver workforce development in this context. Employers and employees may be attracted by the potential that e-learning offers for learning in the workplace. Whether e-learning is the right approach should be decided by individuals and businesses on the basis of value for money and the fast-changing nature of both learning needs and ICT.

124. The Government recognises that ICT skills are also becoming increasingly critical in the workplace, with 90 per cent of new jobs and 60 per cent of existing jobs requiring basic ICT skills. ICT skills are also increasingly crucial for social inclusion. A key priority is to ensure that the same quality and standards of

learning provision that now apply to literacy and numeracy can be applied to the ICT teaching and learning infrastructure.

125. The DfES is responsible for implementing the delivery of an e-learning framework across the whole of the learning and skills sector. This will lead to:

- agreement on the vision for post-16 e-learning;
- a map of what is currently in place;
- agreement on the definition of ICT as a basic skill; and
- agreement on the way forward.

126. A DfES/LSC joint implementation group will progress this framework, responding to the recommendations of Get On With IT: The Post-16 E-learning Strategy Task Force, and the LSC Distributed and Electronic Learning Group Report.

127. College Online will play an instrumental role in establishing ways in which technology can add value across the wider post-16 sector, including exploring links to employers. A feasibility study is being conducted and a report prepared to inform the strategy for widening and increasing the availability of high-quality online learning materials across educational sectors.

128. The ALI's remit to inspect all education and training for those aged 19 and over includes e-learning of all types. ALI also currently inspects all **learnirect** provision. The DfES is considering the most appropriate way to address the issue of quality certification for non-publicly funded e-learning.



129. As part of its work on ICT interoperability standards,²⁰ the Office of the e-Envoy, together with DfES, is consulting with other parts of government and industry representatives on the appropriate e-learning technical standards to be adopted to support the e-Government Strategy. When agreed, these standards will be included in the e-Government Interoperability Framework (e-GIF) and become the mandatory standards for use by all parts of the public sector. These are based on open, international standards and therefore provide a useful model for the private sector.

management and implementation of change. A lack of clarity around who is responsible for delivering workforce development has been identified as a significant failing of the current system, underlined by the recent report by the Better Regulation Taskforce.²¹ To avoid confusing the consumer, clear accountabilities and ways of working in partnership across all bodies need to be developed.

Developing a government framework to support workforce development

130. Establishing the right government framework for the transition to a demand-led system will be crucial for the effective

Developing a government framework

Providing a flexible government and institutional framework that supports the development of innovative firms, multi-skilled workers, and healthy local and regional economies and labour markets.

Achieved through:

- establishing clear accountabilities:
 - at national, regional and local level.
- using Labour Market Intelligence (LMI) in a more strategic way:
 - taking a joint approach to the collection, dissemination and use of LMI.
- putting in place a more flexible and responsive qualifications system:
 - reviewing the systems of content development, accreditation and mapping;
 - opening up opportunities for unit and credit-based approaches; and
 - harnessing the capacity of new technology.
- considering the role of statutory support and regulation:
 - responding to demand from industry; and
 - exploring the impact of regulation on skills.

²⁰ Interoperability standards are technical standards established to ensure that content can be used in different systems without incompatibility issues arising.

²¹ *Local delivery of central policy*, Better Regulation Task Force, July 2002.



Key actions to develop the right government framework

The Government will:

- consider the case for developing a cross-departmental PSA target for workforce development;
- pilot pooled budget approaches at regional level;
- encourage partnership working at local level;
- develop an inter-agency programme of work for a more strategic approach to LMI;
- review and reform – in co-operation with the devolved administrations – parts of the system which govern vocational qualifications;
- drive forward the use of unatised qualifications and consider the case for introducing credits to the system;
- offer support to sectors that identify the need for a statutory framework for training; and
- further investigate the impact of employment and other regulation on skills.

Establishing clear accountability for workforce development

131. There is scope at all levels for the Government to unify its objectives and establish clear lines of accountability for achieving those outcomes.

Nationally...

132. At national level government departments will work together to agree a comprehensive vision for workforce development and will examine the potential for a joint PSA in this area based on the existing PSA targets. The Government will consider the case for putting a joint proposal to the next Spending Review, recognising that the targets are inter-related. Adult workforce development will become a responsibility explicitly shared by the central government departments that have a key interest: the DfES, the DTI and the DWP. These arrangements are discussed in more detail in chapter 5.

... regionally...

133. At the regional level RDAs have already drawn up Frameworks for Regional Employment and Skills Action (FRESAs). FRESAs are drawn up by a Regional Employment and Skills Forum, made up of the RDA, LLSCs, Jobcentre Plus offices, local authorities, employers, unions and the relevant government office. The plans will contain both a detailed labour market analysis and an action plan. The first plans will be produced in October 2002, and the Government will jointly assess them as part of the ongoing process to enable regions to establish their priorities and give stakeholders a forum for communication and co-ordinated action. Further development of FRESAs will now also include the new Skills for Business network to ensure sector skills priorities are properly acted on at regional and local level.

134. As described above the Government will build on these by setting up pilots in one or two regions whereby budgets are pooled among LLSCs and RDAs and co-ordinated in



partnership. These will be operational from April 2003 and will be evaluated in 2005. Jobcentre Plus will be actively involved from 2004/05. The potential for links to the corresponding pilots between RDAs and Business Link organisations will be explored.

135. The pilots will take as their starting point new FRESAs, which draw together the partners, under the lead of the RDA, to identify regional economic needs. The pilots will use the FRESAs as a basis for the RDA and the LSC to agree a single, co-ordinated programme of action, which they will jointly fund, to tackle skills needs. RDA funds for skills and business development will be brought together with LSC funds for adult skills (in both cases covering funds for ongoing mainstream activities and relevant development funds) so that the joint funds can be deployed in a way which maximises the impact of the FRESA. This joint action programme will not be limited to meeting skills in the here and now. It is a joint programme to build the infrastructure for the future which integrates demand and supply.

136. The action plan will cover:

- targets for skill supply, by volume, level and sector, and targets for business engagement and business development;
- purchase of training places from colleges and workplace providers;
- development of the training infrastructure where needed (for example, through establishment of a new CoVE). To get maximum benefit from the pilots, we should not just be aligning current supply with current demand, but seeking to develop the infrastructure by using relevant RDA and LSC funds to optimise the alignment for the future as well by raising both demand and supply;

- business support and development activity to promote employer engagement, staff release for training, and demand for higher level skills, and wider promotion of the innovation and business start-up agenda;
- development of the RDA sector priority infrastructure (for example through clusters or work with the relevant SSC);
- targeted SME business development support through Business Link organisations, benchmarking and good practice networks, the SFDA pilot and the iIP small firms programme;
- use of European Social Fund (ESF) funds to support skill priorities identified in the FRESA; and
- progress towards the adult level 2 and adult basic skills PSA targets.

137. The regional implementation plan will cascade to inform each LLSC strategic plan. Those plans would require input from, and agreement of, the RDA to ensure they are consistent with the agreed FRESA implementation plan.

138. Discussions are in train between the DfES, DTI, RDAs and LSC to identify which regions should participate, and how the pilots should be structured. To ensure that those out of work also benefit from this strategic approach, the DWP will participate in the pilots as they develop, with a view to Jobcentre Plus becoming actively involved in the pooling of budgets and joint planning activities from 2004/05.

... and locally

139. These plans will need to be reflected at local level, and there will need to be constant iteration between the regional and the local. There is already much good practice to build on and the process will be supported by the



LSC Workforce Development Strategy implemented at local level through LSC Local Strategic Plans.

140. The National Employment Panel's Skills Advisory Board is already overseeing a project to increase collaboration between Jobcentre Plus districts and the LLSCs. Areas include:

- employer marketing and communications;
- co-ordinated planning and delivery of basic and sector skills;
- progression routes from benefit into work-based learning and career advancement; and
- performance monitoring and capacity building of shared providers.

141. Initial findings from this work will be available in early 2003 and will need to feed into other work in this area.

Using Labour Market Intelligence more strategically

142. It is essential that Labour Market Intelligence (LMI) is turned into intelligence which informs all parts of the workforce development system: IAG, the development of qualifications and the funding system, to name but three.

143. The Government has established the Partnership Agreement on Skills and Economic Intelligence, which it developed in conjunction with a number of stakeholder agencies. The agreement sets out principles that should underpin improved collaboration on the collection, use and dissemination of LMI.

144. The Government has also subsequently established an inter-agency Champions Group to support and promote the principles outlined in the partnership agreement.

It includes key departments of central government, the Learning and Skills Council, Sector Skills Development Agency, Regional Observatories and representatives of the RDA and Government Office Networks.

145. As well as providing the momentum to implement the objectives of the Partnership Agreement, the Champions Group will take a practical look at some specific issues and areas for joint working. The group is currently developing a collaborative approach to employer surveys, examining the scope to align the needs of the LSC, SSDA, RDAs and DfES and DWP in particular. Another likely area for early action is projections of employment, again to meet the varied needs of a number of parties to the agreement. In more general terms, the group will have an important role in considering the interplay of arrangements at regional, local and sectoral levels, including, for example, the work of the new FRESAs and the development of the LMI role in the SSCs. As described above the National IAG Board will examine the links between LMI and IAG.

146. A full workplan will be established at the end of October 2002, with a review of progress at the end of summer 2003.

Putting in place a more flexible and responsive qualifications system

147. As highlighted in our first report workforce development encapsulates a wide range of training and development activities, including informal learning and cultural and organisational development undertaken within the workplace which is not always externally accredited. Qualifications are a significant part of the basis for government funding within the current system, but may not always be the best way to meet employers' needs. There can also be a tension between the needs of individuals



Principles of the Partnership Agreement on Skills and Economic Intelligence

- Where there are potential overlaps in the system, there should be joint action on research planning, data collection, analysis and dissemination.
- Common definitions, standards and methodologies should be adopted by all agencies in respect of a core set of indicators on skills and economic intelligence.
- It should be possible for data to be aggregated across certain key sections of the skills and economic intelligence system.
- Key agencies should work together to identify significant gaps in intelligence and which agency (or agencies) should take action to plug them.
- Key agencies should work together to minimise the degree of unnecessary duplication of data.
- Research planning cycles should aim to operate with a long-term view of around 3–5 years.
- There should be improved analysis and better use of intelligence to ensure that it meets the needs of policy makers, planners and other key users.
- Where possible there should be open, zero-cost access to intelligence between the parties to the agreement.
- The agreement should be regularly reviewed to enable an assessment of the degree to which the principles are being met, and there should be an evaluation of its impact.

and employers. The role of the Government is to ensure that the system balances the twin needs of responsiveness and integrity, enabling appropriate input from employers of all sizes, allowing swift calibration of awards to changes in workplace requirements and encouraging recognition of smaller chunks of training and development.

148. The first PIU report highlighted the significant progress that has been made through the introduction of the National Qualifications Framework (which spans England, Wales and Northern Ireland) in raising quality and increasing coherence of the vocational qualifications system. Further development of the framework needs to allow flexibility and responsiveness, while

providing the quality assurance that gives nationally recognised qualifications their currency.

149. Bearing these priorities in mind, and in line with the recommendations emerging from stage one of the quinquennial review of the Qualifications and Curriculum Authority, the Government will take forward five particular areas of reform to build on success so far. The UK-wide nature of the sector skills network and of the process by which National Occupational Standards (NOSs) are developed and approved means that these recommendations will need to be taken forward in close collaboration with policy bodies and the regulatory authorities in the devolved administrations.



Reviewing the systems

Content development...

150. NOSs inform the content of vocational qualifications and have a role in setting agreed industry competence standards. In line with other studies in this area, the first PIU report highlighted that the process by which these standards are developed by the sector bodies and approved by the four UK regulatory authorities (the Project and

Standards Approval Group) could be faster and more responsive to the changing needs of industry. This was reinforced by QCA's quinquennial review (recommendations 19 and 20 above).

151. An effective partnership between the regulatory authorities and the new Skills for Business network is fundamental to reforming this system, as both have equal responsibility

A context for reforming the qualifications system

Accommodating wider change...

The National Qualifications Framework (NQF) is being reviewed in the context of a range of new developments and initiatives, including the 14–19 Green Paper, unitisation and credit developments in work-based learning, European transparency projects and the impact of ICT on assessment. The aim will be to ensure it enables learners, employers and others to find their way around the system. Consideration is also being given to the alignment of the framework with:

- the Framework for Higher Education Qualifications;
- the Scottish Credit and Qualifications Framework;
- the National Qualifications Framework in the Republic of Ireland; and
- the international context.

... and responding to the QCA quinquennial review

The quinquennial review of the QCA, the qualifications authority for England, published its first report earlier this year. It made a number of recommendations relevant to the issues highlighted in the first PIU report, including:

- QCA should, with DfES, a) appraise its own capacity and role in respect of vocational qualifications, and b) review the systems and make recommendations for change (recommendation 19);
- DfES should lead an assessment, involving QCA and the SSDA, of whether there would be benefits in changing the strategic arrangements for developing and approving vocational qualifications in the light of the creation of SSCs (recommendation 20); and
- QCA and DfES should appraise the scope for greater quality assurance of awarding bodies and less involvement in the detail of individual qualifications.

In all of its work QCA will consult and work closely with the devolved administrations and key strategic partners, including the SSDA, SSCs and awarding bodies.



in delivering a faster and more responsive programme of standard development and approval.

152. There are a variety of ways in which the system could be remodelled to achieve these objectives. The work between QCA, the other regulatory authorities, DfES, the SSDA/SSCs and the devolved administrations which will be undertaken in response to the quinquennial review will need to consider the relative merits of each.

153. Running across all of these options is the opportunity for promoting the wider use of NOSs to support the design of business development and workforce development strategies.

154. QCA, SQA, the UK administrations and SSDA are working to implement changes to the Standards Programme from early 2003. The implementation plan will need to tie in with the roll-out of the Skills for Business network over the next two years. Clear principles, objectives and outcomes of the reform will need to be established in response to the quinquennial review's recommendations to enable performance review and evaluation in 2005.

... accreditation...

155. Recommendation 17 of the quinquennial review proposes that *QCA and DfES appraise the scope for greater quality assurance of awarding bodies and less involvement in the detail of individual qualifications*. The quinquennial review also proposes that in addressing this recommendation, QCA and the DfES consult with the devolved administrations and other regulatory authorities.

156. QCA and its counterparts are currently reviewing the accreditation process and assessing the implications of focusing more

on awarding bodies than on the details of their qualifications. Alternative approaches will need to be carefully tested and planned to ensure that high quality and credibility of qualifications are maintained and that the needs of individuals, employers and the economy receive equal attention. Testing approaches could be taken forward on a sectoral basis to accommodate and gain experience of how the system could work across awarding bodies of various sizes and characteristics. Cross-cutting skills areas, such as management and leadership, will also need to be taken into account.

157. QCA, together with the regulatory authorities in the devolved administrations, will work with awarding body associations, the LSC, SSDA and SSCs to explore action in the light of the quinquennial review's recommendation. The scoping of this work will be completed by January 2003. Piloting will follow with a view to implementation – phased if necessary – from autumn 2003.

... and mapping

158. The introduction of the NQF has brought significant improvements to assurances of quality and coherence in vocational awards. To build on this, there is now potential to tackle the possible mismatches between nationally recognised, publicly funded qualifications and those awards which, although not in the framework, are of demonstrable value to employers and the workforce. This is particularly the case in fast-moving fields such as IT. This can affect the transferability of individuals' qualifications, and lead to a proliferation of overlapping certificates and awards.

159. The objectives and principles for further work in this area should be:



- to build on the mapping methodology developed by existing work, for example the e-skills pilot project;
- to place vendor awards in the wider context of nationally recognised qualifications, thereby providing the individual with added benefits of national accreditation: transferability, quality assurance and breadth of study; and
- to avoid a proliferation of overlapping awards which confuse and frustrate individuals and employers.

160. Some awarding bodies already offer certificated packages customised to meet employers' needs and QCA is now working collaboratively to identify successful practice that could enhance the national framework. A report, with recommendations, will be produced in early 2003.

161. Building on the work that is already underway to review the NQF, the regulatory ground-rules and the accreditation process, LSC, the SSDA/SSCs and the four regulatory authorities will further develop the mapping methodology for piloting and

implementation in sectors where 'vendor' awards have an important role in the qualifications market. Consideration will be given to how this can be taken forward jointly with the SSC trailblazers and the LSC as part of its programme of sector pilots. This work should be scoped by April 2003.

Opening up the potential of unitisation and a credit-based system

162. As part of the proposals for reform of the learning and skills sector, the DfES has made a commitment to review barriers affecting the take-up of qualifications, exploring the opportunities for opening up unit achievement, the feasibility of a credit-based approach and the funding implications. To take this forward Ministers have asked the LSC and QCA to work together to:

- prepare and present a plan for the promotion and phased implementation of a unitised system of qualifications;
- consider the case for a credit-based approach²² to qualifications, reporting with recommendations in autumn 2002.

Case study: vendor award mapping methodology

QCA-brokered links between awarding bodies and industry specialists have led to some significant precedents being set in the mapping methodology:

- City & Guilds have mapped Microsoft Office User Specialist (MOUS) units onto their e-Qual IT User qualification, which was launched in May 2002;
- the Oxford and Cambridge Awarding Body has followed suit, with MOUS units in its Certificate for IT Users (CLAIT); and
- the MOUS units have been accommodated within the National Qualifications Framework at levels 2 and 3, and the new suite of qualifications will be available from September 2002.

²² Credits are a volume measure, calculated on the basis of guided or notional learning hours. Assigning a 'credit framework' to the current qualification system means adding a measure of volume to the existing qualifications descriptors of title and level.



Case study: retail

The large number of part-time and seasonal employees and the high level of SMEs within the retail sector make engaging employers in vocational qualifications and also delivering effectively via colleges and training providers particularly difficult, requiring innovative funding and delivery models. An LSC pilot in this area will seek to address these issues by identifying and then offering candidates the opportunity to achieve a coherent set of units that are directly relevant to their role from within a full NVQ, and then provide direct progression towards a full NVQ.

163. All vocational qualifications within the NQF are already fully unitised. However, the potential for greater flexibility afforded by this has not yet been fully exploited. Therefore, in delivering their unitisation plan the QCA and LSC will want to consider:

- ways to support the funding and certification of individual units;
- enabling the combination of units across different qualifications in the NQF;
- encouraging a diversity of unit size, emphasising recognition by industry or sector standards and promotion of skills across sectors; and
- how a unitised system for adults in England will interact with the systems in the devolved administrations and support progression routes from pre-19 education and to higher education.

164. In parallel, the work to explore the desirability of introducing a credit-based system will need to:

- evaluate the case for added value and demand for the addition of credits to the existing system;
- take account of the range of research already undertaken in this area, building on UK-wide experiences; and

- consider how credit can provide adults and employers with an opportunity to gain recognition for learning and training outcomes that can lead towards a full qualification.

165. The initial findings of this work will be reflected in the final report of the DfES strategy for reforming the learning and skills sector, *Success for All*, due to be published in November 2002. Progress will be reviewed in October 2003.

Exploiting the capacity of new ICT

166. All the processes related to assessing and accrediting learning could be significantly streamlined by the use of new technology, reducing the burden on employers and individuals alike and helping to make qualifications more portable and attractive. This is being taken forward on a variety of fronts, described below, and will be co-ordinated through the e-learning implementation group.

- QCA recently undertook a review of methods to make assessment more streamlined and sensitive to user need. A vision and medium-term strategy for the area of ICT in assessment will be developed in consultation with stakeholders by early 2003.



- Ufi/**learndirect** is developing approaches to online assessment in both test-based and evidence-based forms of assessment. This includes work to develop the capacity of **learndirect** centres to manage the online assessment process as well as progressing the 'learndirect organiser' to enable assessment of electronic evidence through an online portfolio to meet the requirements of awarding bodies (due to be rolled out from April 2003). These examples should inform the QCA work and future development in this area.
- The LSC is considering the potential of alternative assessment models making use of electronic/online methods. A pilot in the care sector in Shropshire using paper-free assessment models and portfolios has demonstrated considerable benefits, including a reduction in the average completion time; increased retention rates; reduced assessment costs; increased ratio of learners to assessors; reduced administrative role for assessors; reduction in time taken to produce evidence for portfolio. Interim evaluation will be conducted in autumn 2002, with a view to expanding the work nationally in 2003. This will consider a range of alternative assessment models that redress the balance of assessment between the learner, assessor and employer.

Considering the role of statutory intervention and regulation

167. The first PIU report set out the need to recognise the roles and responsibilities of government, employers and individuals in achieving a step change in workforce development activity. In this context it is important that the role of statutory intervention and regulation is considered carefully. As the Pre-Budget Report 2001

pointed out, the voluntary training policies of the past have not always reached those with the lowest levels of skills who need most government support to develop. The new approaches outlined in this action plan will start us down the road to creating a more demand-led system to improve our performance on skills. In moving forward the Government will need to examine the other levers available to improve workforce development, such as statutory intervention and regulation, particularly where this meets the demands of industry or the circumstances of a particular sector. Such approaches are outlined below.

Responding to demand from industry

168. The Government's election manifesto made a commitment that "where both sides of industry in a sector agree we [the Government] will help set up a statutory framework for training".

169. Work in this area is being taken forward where the sector itself has presented an interest in statutory frameworks to Government. DfES has outlined some key policy principles in order to guide its approach to this work.

Exploring the impact of other regulation on skills

170. DfES has conducted an initial mapping exercise to identify existing regulations and Codes of Practice (CoPs) which could impact on skills, and assess the ways in which they are used to increase skills. The report will shortly be published.²³ Key findings include:

- the map of regulations and CoPs affecting the UK labour market is extremely complex and industry specific;

²³ The report will be available on the DfES website: www.dfes.gov.uk



- indications are that regulation and CoPs are considered to have some form of impact on skills development and training in a wide range of sectors;
- consultations suggest that this impact is likely to be indirect in nature – and this means that at present they do not to any great extent cause additional employer investment in skills, encourage workforce development, or raise the skills level in sectors (although there may be some exceptions worth further exploration);
- much training associated with regulations/ CoPs typically occurs at induction;
- regulations and CoPs are often used in an occupational gatekeeper capacity – and tend to be more concerned with maintaining standards rather than raising skills levels;
- Health and Safety regulations were most frequently cited as having an impact on skills development; and
- with the exception of the Financial Services Authority (FSA), regulatory bodies do not generally consider skills development to form part of their statutory obligations.

171. These early findings suggest that further exploration and case studies in specific sectors might help identify how to make best use of the leverage that regulations and CoPs might offer.

172. In relation to this, it is important to recognise how the Government's regulatory and other interventions in the employment field, led by DTI, can have effects on workforce development, and to make best use of the leverage which those interventions can give for supporting best practice.

Activities include:

- conducting or supporting research into the effects of recent legislation, for example the introduction of the National Minimum Wage, on the skills development of the workers affected;
- working with industry and family groups on developing best practice on training and other issues for women returning from maternity absence, whose skills may otherwise atrophy during their absence;
- support for and dissemination of projects emerging from best practice programmes such as work-life balance and the

Principles and criteria of government support for a statutory levy

- The sector proposing a statutory levy must be able to demonstrate a knowledge of the skill needs of the sector with clear evidence that it faces serious skills problems.
- The sector to be covered must be clearly defined.
- There must be a market failure in training in the sector.
- The statutory framework proposed must have the potential to make a real, positive impact on the skills issues facing the sector.
- The sector must be able to suggest a realistic levy rate related to the sector's skill needs and profile.
- There must be significant demonstrable support for the principle of levy from employers (and employees) in the sector.



Partnership Fund, many of which aim to improve the level of skills within the organisation; and

- the recent introduction of measures in the Employment Act 2002 to place Union Learning Representatives on a statutory footing.

173. Forthcoming changes may also have significant effects for employees who, the evidence tends to suggest, currently receive less training than their colleagues:

- the implementation of *fixed-term work* regulations (covering workers on temporary contracts) and a proposed new *agency work* directive, when taken alongside recent regulations on *part-timers*, will form a suite of measures ensuring equal treatment in workplace terms and conditions (including training) for atypical workers who often operate outside traditionally recognised career patterns; and
- the implementation, by 2006, of a European directive outlawing discrimination on grounds of *age* is also likely to have deep effects on the career development of older workers. It is

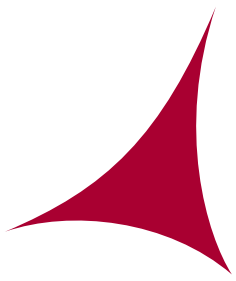
important that employers start considering issues relating to the training needs of older workers, including the best ways of ensuring where necessary that skills are refreshed.

Case study: construction

In response to a need to modernise and improve its Health and Safety record, the construction industry has embarked upon a programme of qualifying the existing workforce through an industry certification scheme underpinned by NVQ qualifications. This is an approach being driven directly by the industry's employers and the Construction Industry Training Board. In a sector with a highly geographically mobile workforce, the need for a flexible delivery method for training and assessment in the workplace is the only viable solution to qualify the majority of employees, so in partnership with employers, the Learning and Skills Council is piloting a new structure for delivery – a series of local and regional training networks which draw together the skills and expertise of a range of partners to provide a responsive and comprehensive service.

ANNEX 2: GLOSSARY

ABSSU	Adult Basic Skills Strategy Unit	HEFCE	Higher Education Funding Council for England
ALI	Adult Learning Inspectorate	HMT	Her Majesty's Treasury
BITE	Business Improvement Tool for Entrepreneurs	IAG	Information, advice and guidance
BLs	Business Links	ICT	Information and Communication Technology
BSO	Business Support Organisation	IFA	Industry Forum Adaptation
CBI	Confederation of British Industry	IiP	Investors in People
CEML	Council for Excellence in Management and Leadership	ILA	Individual Learning Account
CfL	Campaign for Learning	LGA	Local Government Association
CMI	Chartered Management Institute	LLSC	Local Learning and Skills Council
CMPS	Centre for Management and Policy Studies	LMI	Labour Market Intelligence
CoP	Code of Practice	LSC	Learning and Skills Council
CoVE	Centre of Vocational Excellence	LSDA	Learning and Skills Development Agency
DfES	Department for Education and Skills	MA	Modern Apprenticeship
DTI	Department of Trade and Industry	MI	Management Information
DWP	Department for Work and Pensions	MOD	Ministry of Defence
EAPC	Economic Affairs and Productivity Committee	MOUS	Microsoft Office User Specialist
e-GIF	e-Government Interoperability Framework	NGO	Non-Governmental Organisation
ELN	Employer Learning Networks	NHS	National Health Service
ENTO	Employment National Training Organisation	NHSU	National Health Service University
ES	Employment Service	NIACE	National Institute of Adult Continuing Education
ESF	European Social Fund	NOS	National Occupational Standards
ESOL	English as Second or Other Language	NQF	National Qualifications Framework
ETP	Employer Training Pilot	NRF	Neighbourhood Renewal Fund
FE	Further education	NSP	National Support Project
FRESAs	Frameworks for Regional Employment and Skills Action	NTAs	National Training Awards
FSA	Financial Services Authority	NUT	National Union of Teachers
HE	Higher education	NVQ	National Vocational Qualifications
		OCR	Oxford and Cambridge Awarding Body
		OFR	Operating and financial review
		Ofsted	Office for Standards in Education
		OGC	Office of Government Commerce
		PMDU	Prime Minister's Delivery Unit



PSA	Public Service Agreement
QCA	Qualifications and Curriculum Authority
RDA	Regional Development Agency
SAWS	Seasonal Agricultural Worker's Scheme
SBS	Small Business Service
SFDA	Small Firms Development Account
SFEDI	Small Firms Enterprise Development Initiative
SME	Small and Medium-sized Enterprise
SQA	Scottish Qualifications Authority
SR	Spending Review
SSC	Sector Skills Council
SSDA	Sector Skills Development Agency
TES	Technology, Engineering and Science
TUC	Trades Union Congress
Ufi	University for Industry
UK	United Kingdom
ULR	Union Learning Representative
US	United States

ANNEX 3: BIBLIOGRAPHY

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ANNEX 4: FURTHER INFORMATION

The role of the Strategy Unit

The Strategy Unit exists to provide the Prime Minister and government departments with a project-based capacity to look creatively at strategic long-term issues. It acts as a resource for the whole of Government and tackles issues that cross public sector institutional boundaries.

It was created by a merger of the Performance and Innovation Unit (PIU), the Prime Minister's Forward Strategy Unit, and part of the Policy Studies Directorate of the Centre for Management and Policy Studies (CMPS).

The unit carries out long-term strategic reviews and policy analysis, which can take several forms:

- long-term strategic reviews of major areas of policy;
- studies of cross-cutting policy issues;
- strategic audit; and
- working with departments to promote strategic thinking and improve policy making across Whitehall.

Project work is carried out by mixed teams drawn from inside and outside government, including the private and voluntary sectors, universities, Non-Governmental Organisations (NGOs) and local government.

The director of the Unit is Geoff Mulgan. The Strategy Unit reports directly to the Prime Minister through the Cabinet Secretary.

More information about the work of the Strategy Unit can be found on its website: www.strategy.gov.uk

The project team for the second stage

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- Sue Otter (East Midlands RDA)
- Monica Seeley (Imperial College and Mesmo Consultancy)
- Mark Corney (MC Consultancy)

The sponsor Minister

All SU project teams' work is overseen by a sponsor Minister with an interest in the subject area. The sponsor Minister for this project, as in stage one, was John Healey MP, Economic Secretary to the Treasury.

Further information

Copies of the first report *In demand: Adult Skills for the 21st century* (December 2001) are available from the Strategy Unit and on the website www.strategy.gov.uk