



House of Commons  
Education and Skills Committee

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**Post-16 Skills:  
Government Response  
to the Committee's  
Ninth Report of  
Session 2006-07**

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**Seventh Special Report of Session  
2006-07**

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## The Education and Skills Committee

The Education and Skills Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Education and Skills and its associated public bodies.

### Membership at time Special Report agreed

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### Committee staff

The current staff of the Committee are David Lloyd (Clerk), Sarah Thatcher, (Second Clerk), Nerys Roberts (Committee Specialist), Katie Phelan (Committee Assistant), Susan Ramsay (Committee Secretary), and John Kittle (Senior Office Clerk).

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# Seventh Special Report

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The Committee published its Ninth Report of Session 2006–07 (Post-16 Skills) on 2 August 2007.<sup>1</sup> The Government’s response was received on 17 October 2007, and is published as Appendix 1 to this Report.

## Appendix 1

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### **Government’s response to the Ninth Report from the Education and Skills Committee, Session 2006–07**

The Government welcomes the Committee’s report on post-16 skills, published at a significant time in the development of our skills agenda.

We have made good progress on improving post-16 skills. However, we recognise that if we are to deliver our ambition to become a world leader on skills by 2020—as recommended by Lord Leitch—then we must go further.

In July 2007 the Prime Minister created the new Department for Innovation, Universities and Skills (DIUS) to lead Government’s work to deliver our long-term vision to make Britain one of the best places in the world for science, innovation and research, and ensure our nation has the skilled workforce needed to compete in the global economy of the 21st century. DIUS will support the country in understanding our current and future challenges, and help it to take full advantage of opportunities available. We will encourage individuals to participate in learning in order to improve their prospects, encourage employers to invest in the skills of their workforce, and develop a world-class system for delivering skills training that meets their needs.

Also in July we published *World Class Skills*, which sets out how Government will provide the catalyst for a ‘skills revolution’, to close the gap between where we are now, and where we need to be in 2020.

We need to change the culture in this country around skills, so that when someone complains that they are in a low-paid, dead-end job, people ask them what they are doing to improve their skills, and when an employer complains about the skills of their employees, others ask them what they are doing to train them. We need to break down the barriers that prevent adults from improving their skills, getting a job and progressing in work, and ensure that in a fast changing world there is opportunity for all.

We will soon be publishing a prospectus setting out the vision for adult learning, to complement *World Class Skills*. The prospectus, which is for all stakeholders in the adult learning field, will articulate how the focus on the economic dimension of skills and public spending arrangements support the important social justice and social mobility agenda.

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1 Ninth Report from the Education and Skills Committee, Session 2006–07, *Post-16 Skills*, HC 333–I and II.

In *World Class Skills* we describe the new partnership that will be required for us to realise our skills ambitions. Government action and investment will not, on its own, be enough. We need employers and individuals to play their part too.

Our response to the Select Committee's report is set out below. The Select Committee's recommendations are in bold, with the Government's response in plain text.

**Recommendation 2: The relationship between skills and prosperity is more complex than is acknowledged in recent skills strategy documents or in the Leitch Report. Proceeding down a policy route which treats skills as an 'independent variable' is unlikely to lead to the hoped for levels of economic prosperity and sustainability. What is urgently needed is support for employers to develop their businesses as a whole, addressing skills needs alongside wider sustainability issues such as capital investment, innovation and workforce planning. Colleges and other providers should be further encouraged to develop more comprehensive support for their local businesses. Also needed is a stronger focus on developing management skills per se—an area our witnesses have identified as particularly weak in the UK and largely neglected to date in policy. [para 8]**

Government recognises that the relationship between skills and productivity is a complex one. Investment, competition, innovation, and enterprise all have an important bearing on productivity levels, alongside skills; and, improving skills can increase productivity both directly and indirectly through their interrelationship with those other drivers of productivity. For example, skilled workers are often better able to adapt quickly and effectively to changes in working practices and business processes, and so are better able to implement new investments and innovation.

Given that relationship between skills and the other drivers of productivity and business performance, we recognise that a holistic approach to business support services is required and are striving to deliver as seamless a service as possible.

In supporting employers to understand and then meet the skills needs of their workforce, we have developed Train to Gain as our premier service. Bringing together skills brokers as independent, impartial, highly skilled and professional experts with high quality, employer responsive provision, we believe that the potential within businesses can be unlocked. In its first full year of operation, the service had engaged more than 52,000 employers, leading to around 230,000 employees becoming engaged in learning activities. More than 70% of those employers engaged were defined as “hard to reach”<sup>2</sup> which by implication means that a significant proportion of those now in learning were now taking real action to change their lives and those around them. In that first year, almost 100,000 people had gained their first full Level 2 qualifications.

Train to Gain also enables employers to be signposted and supported by the much wider range of services that their business requires, including Jobcentre Plus and Investors in People (IiP), support in developing their Leadership and Management Skills, as well as signposting the wider support provided by Business Link. We know that it is working as we continue to see very high employer satisfaction ratings (never less than 85%) through the independent evaluations that are carried out on a rolling basis.

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2 Not accredited as an Investor in People and no recorded investment at a publicly funded provider.

As set out in *World Class Skills*, we will build on progress to date to expand and improve the brokerage service to support employers of all sizes and in all sectors to improve their skills. We will also support the expansion of the service by working with colleges and training providers to give them greater flexibility to work directly with employers, and we will keep this under review. We are also introducing a tough new standard for vocational excellence and employer responsiveness that will help employers to identify training that will meet their needs. The new standard will accredit a provider's responsiveness to business needs; their excellence in delivering training to employers; their commitment to continuous improvement; and the extent to which they cater for sector specialisation.

Consistent with the conditions of the Sub-national Review, DIUS will work with the Department for Business, Enterprise and Regulatory Reform (BERR), the Learning Skills Council (LSC), and the Regional Development Agencies (RDAs) to ensure the integration of skills brokerage with Business Link from April 2009 into a single brokerage service. It is important that this change does not simplify business support while complicating the skills system. The contribution of resources and integration into a single brokerage service is therefore conditional on DIUS as the budget holder for skills being assured that skills brokerage continues to be focused on the Government's skills targets. The RDAs and LSC will need to work closely together to ensure this. DIUS and BERR will have equal roles in terms of the accountabilities and performance management of the overall skills brokerage service.

Leadership and management skills have a vital role to play in increasing productivity and prosperity. They help employers to shape and maximise the impact of their investment in skills. DIUS and the LSC are looking at ways to improve the referral rates to leadership and management development activities, which we agree are vital in supporting successful businesses. This will include more training and improved material for brokers regarding the range of leadership and management opportunities, including the already successful Leadership and Management Development programme for SMEs. That programme, delivered through Train to Gain, continues to provide support for developing these skills for small and medium enterprises.

In addition, we are encouraging an increased demand for higher-level skills from employers through co-funded provision that is flexible and meets their specific requirements. By their very nature, higher-level qualifications will have a strong focus on developing leadership and management skills. More widely, DIUS and BERR are working closely with the Leadership and Management Advisory Panel, the Leadership and Management Steering group and the Sector Skills Councils (SSCs), to shape our policies and ensure that they give employers the leadership and management skills they need and are prepared to invest in.

The new UK Commission for Employment and Skills will have a key role in assessing how well employment and skills services are aligned to support employers and individuals at national, regional and local levels.

**Recommendation 3: The targeting of funding on particular kinds of full qualification-bearing courses makes it difficult for providers to offer the kinds of learning employers often say they want. While there may be clear reasons for maintaining a commitment to well-defined qualification-bearing courses—not least issues of quality and**

**portability for employees—a more flexible way of targeting funding is needed urgently, allowing the accumulation of ‘bite-sized’ learning which can be built up into a portfolio over time. In this respect, the move toward a credit-based system is very welcome and should be accompanied by parallel changes in terms of what is fundable. [para 11]**

The Government has a clear rationale for focussing its resources on first and full qualifications. We believe Government should focus its resources on addressing market failures and ensuring everyone has the basic platform of skills they need for employability and progression. That means ensuring all adults possess a full level 2 qualification, and that they possess functional literacy and numeracy skills. At intermediate and higher levels of qualification, the private returns are greater—someone with a level 2 qualification earns on average around £100,000 more over their lifetime than an otherwise similar person who leaves learning with level qualifications, and someone with a Level 3 qualification earns on average around £85,000 more over their lifetime than someone with level 2. And someone with an advanced apprenticeship earns around £100,000 more than someone with level 2. We should expect employers and learners to contribute more to the costs of learning at those higher levels, as they will benefit the most—from increased productivity and profitability for employers to increased employability and progression prospects for individuals.

To ensure that employers have confidence in the qualifications that are available, we are giving them a leading role in the reform and development of qualifications for their sector through SSCs.

Work is now underway to develop a credits-based qualifications framework for adults (the Qualifications and Credit Framework, QCF) that will help both learners and employers access more flexible training programmes that meet their needs by allowing units to be combined and built up over time to form full qualifications. The new framework will also greatly improve understanding of the system by ensuring that vocational qualifications have titles which clearly and consistently specify the level, size and purpose of every qualification. The first reformed qualifications will be submitted for accreditation in January 2008, and the new framework will be fully operational by September 2010 subject to testing and trialling.

The LSC is leading work on behalf of funding bodies across England, Wales and Northern Ireland to develop planning, funding and delivery arrangements which support these reforms to the qualifications system. The LSC will review the implications, costs and benefits of these reforms on the design and delivery of qualifications; to assess the impact of priority funding; and to evaluate approaches to supporting the incremental achievement of units through the introduction of demand-led funding systems.

Initial information about the funding approach will be provided in the autumn when the LSC publishes the overall methodology for demand-led funding in England. A final decision on funding arrangements under a unit-based system is expected by July 2008.

**Recommendation 4: Predicting skills needs to 2020 is not a simple task—some would argue it is impossible to do with any degree of accuracy. It is imperative that policy decisions taken on the basis of the Leitch analysis are sufficiently flexible to accommodate a wide variety of skills requirements that are present at local and sectoral**

**levels. Also, if the decision is taken to refocus in the long-term on level three, the rights of individuals who are still a very long way from this point must be protected, and the temptation to achieve ‘quick wins’ by rapidly ‘qualifying’ those near the threshold must be avoided. [para 15]**

The Leitch Review constitutes a comprehensive, unprecedented analysis of the UK’s current skills base and future skills needs. The Government, like Lord Leitch, recognises that it is very difficult to accurately predict the long term skills needs of the economy, or what it would take to realise the ambition Lord Leitch recommended and reach the upper quartile of OECD countries on skills by 2020. Having accepted the ambition Lord Leitch recommended for 2020, in *World Class Skills* the Government set out where we hope to get to by 2011 against the key indicators laid out in the report.

Recognising the difficulty of accurately predicting what a world class skills profile in 2020 would be, we will ask the new UK Commission for Employment and Skills to maintain an overview of both our progress towards the ambition and the goal itself to ensure that it continues to reflect ‘world class skills’. *World Class Skills* also sets out the pivotal role SSCs will continue to play in articulating the future skills needs of their sector. We are now in the process of reforming and relicensing SSCs with a new, more tightly focussed remit around three strategic objectives:

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

We expect the re-licensing process to be complete by the end of 2009.

In accepting the ambition Lord Leitch recommended, we will for the first time have target indicators at levels 3 and 4—levels that many employers see as vital to their business. By 2011, we hope to support 213,000 first full level 3 achievements per year. To support the increase in participation and achievement that will be required to deliver our new ambition at level 3; from 2008/08 employers will be able to access match-funding for level 3 programmes through Train to Gain.

That is not to say though, that we are re-focussing on level 3 or 4 at the expense of our commitment to literacy and numeracy or level 2 qualifications. Our ambition to ensure that 95 per cent of adults possess functional literacy and numeracy skills, and that more than 90 per cent possess full level 2 qualifications by 2020, demonstrates our continued

commitment to ensuring that all adults have the platform of skills they need to secure sustained employment and progress. By 2011, we hope that each year we will assist 222,000 individuals to attain level 1 literacy, 165,000 to achieve entry level 3 numeracy, and 449,000 to gain their first full level 2 qualifications.

The Committee is right to counsel against a strategy that focuses on qualifying those adults closest to target thresholds. To secure productivity benefits for the employer, and to maximise earning and employability benefits for individuals, we need to deliver genuine up-skilling. For example, many adults whose skills are close to level 2, a learning programme that would deliver a level 3 qualification would be more appropriate. Train to Gain skills brokers and the new adult careers service will be able to help employers and individuals make those sorts of judgements about their learning.

**Recommendation 5: The Government should also look urgently at the practicalities of introducing more provision at levels three and four, especially in light of evidence from London and the South East on the difficulties of establishing an acceptable level of cost-sharing between employers, individuals and the state. There also needs to be a recognition of the need for closer working at the regional and sub-regional levels with Regional Development Agencies, in order for differing local priorities to be met, and further devolution of funding to ensure sufficient flexibility to meet local needs. [para 16]**

As set out above, we have accepted Lord Leitch's stretching ambition at levels 3 and 4, and set out in *World Class Skills* where we want to get to against those ambitions by 2011 and 2014 respectively.

Delivering the ambition at levels 3 and 4 will be stretching, and we are introducing reforms to support their delivery. Train to Gain, which has been operational for a year, will expand to support employers of all sizes and in all sectors to improve their skills. This will include introducing matching funding for level 3 programmes from 2008–09. We will continue to encourage more HE institutions to increase their focus on workforce development and collaborate with employers to develop and deliver higher level skills programmes which meet their needs.

We are clear that delivering our ambition will require greater action and investment in skills from Government, employers, Trade Unions and individuals. We are also clear that for intermediate and higher levels of qualification, where the private returns are greater, we should expect employers and learners to contribute more to the costs of learning.

To ensure the delivery of skills and employment programmes reflect local needs, Lord Leitch recommended that the new UK Commission for Employment and Skills should support a network of local Employment and Skills Boards (ESBs). Some partners in the major cities had already started forming ESBs in response to the Local Government White Paper. ESBs are voluntary partnerships and their scope and role differs from place to place. A mapping exercise is currently being undertaken to find out how many ESBs exist and how they relate to other voluntary partnerships such as Regional Skills Partnerships (RSPs). There is a clear interest in simplifying the landscape at regional, sub regional and local level as far as possible. We acknowledge that different arrangements will suit different areas and do not want to be prescriptive about how the various boards and partnerships

might relate to the UK Commission or to each other. We do not, therefore, intend to prescribe one standard model for an ESB or to give the Commission a role in licensing local Boards.

We recognise that London has a unique set of circumstances, and that is why we set up the London Skills and Employment Board (LSEB), which first met in December 2006. The LSEB, set on a statutory footing, is chaired by the Mayor and comprises a number of leading London employers. Its strategy on adult skills is currently being consulted on in London—once it is agreed, the LSC will be required to implement the strategy, provided it does not conflict with the LSC’s national targets or statutory functions.

On a wider basis, Regional Development Agencies are using their funds to supplement the Train to Gain package of support, especially in higher skills and leadership and management development, to respond to the needs of their region/sub-region. The Business Support Simplification Programme, which is now in the public consultation phase, is also looking at ways of making it easier for employers to access support for up-skilling their workforce, including the possible merger of the Business Link and Train to Gain brokerage into a unified service.

**Recommendation 6: We believe the Government’s promise to maintain current levels of expenditure on personal and community development learning, and on other ‘first step’, non-qualification-bearing provision, falls far short of what is required and will do nothing to redress the recent substantial fall in the number of adults learning. We are particularly concerned about the potential negative impact on the most disadvantaged individuals, including disabled people and those with the very lowest level of skills. There needs to be an urgent review of how to best support the development of soft and enabling skills for older learners. This is important in promoting equity and equality, facilitating progression, and meeting the demanding targets Leitch and others have identified for 2020. The demographic situation is such that adult learning and up-skilling will be a very important means of meeting these targets. [para 18]**

Adult learning helps develop the knowledge and skills that can bring fulfillment, the prospects of a job, better pay, better health and closer family and community relationships. For some it has delivered life-changing experiences. We are publishing a prospectus for stakeholders this autumn setting out our vision for adult learning, to complement World Class Skills. It will explain how our spending arrangements support social justice and social mobility. As we strive to deliver our world class skills ambition, we will continue to ensure that a wide range of learning for personal and community development, including learning for families which includes literacy, language and numeracy, and neighbourhood learning. In 2005–06, 768,000 learners participated in personal and community development courses funded by the LSC, of whom 43% were aged over 50, 77% were female, and at least 11.2% were from ethnic minorities. Over the period to 2010/11 we will continue to safeguard a budget of £210m to support participation in personal and community development learning (PCDL).

Our commitment to first step learning does not stop with this budget. Over the CSR period we will also safeguard resources to support the new Foundation Learning Tier, which will support first step and progression learning opportunities for adults, and for learning opportunities for learners with learning difficulties and disabilities.

It should also be noted that the delivering our world class skills ambitions will support low-skilled, disadvantaged adults to improve their employability, earnings and progression prospects, and help them improve their lives and those of their families. As the committee notes in its report, improving the skills of adults already in the workforce is vital if we are to realise our skills ambitions; this is reflected in the dramatic increases in adult participation we will support to deliver the ambition.

An external task group, led jointly by DIUS and the LSC, is considering how the safeguarded budget for personal and community development learning can contribute more directly to improved social cohesion and mobility. It will advise on future funding and planning models to ensure that funding is focused on local needs and priorities, such as disadvantage, exclusion and neighbourhood renewal. This work includes a consideration of older learners, including fee concessions.

Consistent with our wider funding approach, we are prioritising public funds for those who cannot afford to pay and seeking contributions from those who can. Local personal, community and development Learning (PCDL) partnerships have a key role in assessing where the market can bear higher and full cost fees as a means of making public funding stretch further in support of disadvantaged groups. All PCDL provision for 2007–08 will be mapped in each Local Authority area so that funding can be distributed more fairly.

We will continue to review PCDL to help ensure that suitable learning opportunities, advice and support are available in all areas, and will shortly be setting out our vision for how community learning can transform people's lives and contribute to world class skills.

**Recommendation 7: One of the unintended consequences of level two targets appears to have been a contraction of ESOL provision in some areas; the new funding rules for September 2007 risk putting ESOL classes beyond the reach of some other individuals. This is deeply concerning and we urge the Government to review the funding arrangements for ESOL as a matter of urgency. [para 19]**

The scale of demand for ESOL programmes has been rising rapidly, partly as a result of new economic migration. Between 2001 and 2006 demand for ESOL has more than trebled. Funding for ESOL has grown from £103m in 2000–01, to £185m in 2001–02, £267m in 2002–03, £289m in 2004–05 and £298m in 2005–06 with 490,000 learners per year. Current funding is estimated to meet about a third of total demand, with long waiting lists the norm. ESOL spending will slightly increase this year. As stated above, we must ensure that public funding is focused on those in most need. Changes to the funding of ESOL provision will ensure that those priority groups of learners are able to access English language courses. They will also ensure that we are extracting maximum value for money from our ESOL budget. We will continue to monitor the impact and take-up of ESOL to gauge the effect of the changes from August 2007.

We are working with the LSC to ensure that providers continue to give priority to appropriate ESOL provision at Entry levels for hard-to-reach groups. We recognise the importance of maintaining provision at lower levels to support progression and flow through to higher levels, and are looking for innovative solutions where there is some evidence of funding being focused on target-bearing provision at the exclusion of lower-

level learning. For example, a support package was agreed with the LSC for London colleges for 2007–08 of up to £35 million.

Much of the growth in demand for ESOL has arisen as a result of people coming to the UK for work and seeking to improve their language skills for that purpose. The Government is seeking a more appropriate sharing of responsibility for meeting the cost of English language learning for economic migrants with the employers who recruit them. New ESOL for Work qualifications have been accredited by the Qualifications and Curriculum Authority—initially at entry Level 3 and Level 1—and will be offered by eight awarding bodies from September 2007. It will offer flexibility and choice for learners, and is less expensive and more job-focused.

**Recommendation 8: We accept that a degree of organisational complexity in the skills system is unavoidable, but there is still work to be done to reduce overlaps between different bodies, and tackling the resulting inefficiency and duplication of effort. While the Leitch Report has addressed this issue in part, we believe there would be merit in a more comprehensive review to map functions and funding flows across agencies, along with a value-for-money analysis. This need not necessarily pave the way for further major institutional upheaval, but could assist in the process of making incremental, evidence-based improvements and releasing money over a period of time to tackle skill needs more effectively. [para 23]**

Following the Machinery of Government changes, the Government is considering the future shape of the post-19 skills landscape and will consult on our proposals for the future in due course. We are looking at all the options, but two important criteria for selecting an organisational arrangement are (1) simplification for customers and (2) ensuring good effectiveness and value for money in the delivery of skills policy. It is currently too early to say what the options for consultation will be, but the Government is taking the functional analysis approach suggested by the Committee in considering the issue. Furthermore, DIUS will take an holistic look at its delivery models as an essential component in the setting up of the new Department, and in establishing its future capability to delivery. This will include a strong focus on the outcomes for learners, businesses and the public at large as the end beneficiaries, as well as the mechanics of funding flows and functions across the piece.

**Recommendation 9: We are deeply concerned by some of the evidence we have received on Train to Gain brokerage, which raises questions about quality and suggests that in some cases brokers may be succeeding only in adding an extra, unwelcome, layer of bureaucracy to the process. We are also concerned that much of what is being funded under Train to Gain might otherwise be paid for by employers. The fact that key partners—including some colleges—appear unconvinced by the substantial reliance on the Train to Gain model should serve as a strong warning sign that changes may be required. It is not clear how brokers assist in the process of developing close and sustainable relationships between providers and their local businesses. These types of relationships are likely to be vital for raising skills levels in local communities and while Train to Gain clearly has a role to play, any tendency to depict the scheme as the main means of engaging with businesses should be resisted. [para 25]**

**Recommendation 10:** As we noted earlier, it is crucial that funding of the skills ‘infrastructure’—including brokers—is carefully targeted and demonstrably adding value. The Government and the LSC need to make explicit the criteria by which they are assessing the work of Train to Gain brokers, and ensure there is adequate training in place for brokers to maximise their effectiveness. We also consider that progress on reducing bureaucracy and paperwork accompanying the sign-up and monitoring of new learners needs to be significantly accelerated. [para 26]

As set out above, Train to Gain has delivered real results in the year since it was rolled out nationally. The brokerage service itself is closely monitored by the LSC through the broker contract management system, and an independent survey is providing detailed information on satisfaction and responsiveness of the service. Survey evidence indicates that employer satisfaction with the brokerage service is high, with 86% of employers engaged ‘satisfied’ or ‘very satisfied’ with the service they have received from skills brokers.

The new Skills Broker Standard, developed in consultation with a wide range of stakeholders, will ensure that accredited Skills Brokers delivering the Train to Gain service are: credible to employers, effective in assisting employers to meet their training needs and capable of adding public value by helping employers see the value of sustained investments in skills, in line with their business goals. A Skills Broker is expected to achieve the new Skills Broker Standard within twelve months of starting work and failure to achieve it will result in withdrawal of independent status. Currently around 450 Skills Brokers have been appointed. At the end of July 2007, 95% of those who should have achieved the Standard had done so.

In *World Class Skills* we committed to expanding and improving the skills brokerage service to support employers of all sizes and in all sectors to improve the skills of their employees. Following a review of the service, the LSC will publish a detailed delivery plan for the expansion of Train to Gain in the autumn.

We will support that expansion by introducing greater flexibility to the way colleges and training providers can work directly with employers. We will work with partners to develop a major programme of capacity building for providers, and in particular their staff who work with employers, building on the current improvement programme led by the Quality Improvement Agency. The new standard for employer responsiveness and vocational excellence, and the existing brokerage standards, will provide the framework for this activity.

Initial evidence suggests that there had been some additional bureaucracy caused by the Train to Gain processes, particularly those operating between provider consortia leads and their sub-contractors. We are currently considering how this can be addressed. The LSC has confirmed that they will welcome any recommendations for reducing bureaucracy within its operations and these will be reflected in the delivery plan. The findings from the review of Train to Gain will also be shared with the independent Further Education and Training Bureaucracy Reduction Group which will be publishing a report on their views on Train to Gain later this year.

The Committee cautions against subsidising training that employers would have paid for themselves. Train to Gain has to be effective in targeting key employer groups, with

more than 95 per cent of employers engaged having less than 50 employees, and more than two thirds classified as ‘hard to reach’. We will now expand the service to support any employer in England who wants to access its support, Government and the LSC continue to work together to agree strategies for maximising added value, and we expect that at least 51 percent of employers supported by the brokerage service will be hard to reach.

The clear funding parameters we have set for Train to Gain will also ensure that we secure the right balance between public funding and employer contributions.

**Recommendation 11: Our evidence suggests that finding one’s way around the skills system is often far from straightforward; comprehensive Information, Advice and Guidance (IAG) is vitally important, but currently many people have little or no access to it. We therefore warmly welcome the Leitch Report’s proposals to improve the system of adult IAG, through the Learndirect brand, and the Government’s response to it. This is the most recent in a very long line of reports that have identified significant weaknesses in the IAG system and so it is essential that the Government now moves quickly toward implementation. The Union Learning Representative system also deserves continued support, in recognition of its crucial role in liaising with employers, signposting, and encouraging employees in the workplace, and, if effectively linked in, could play a crucial role in the remodelled and expanded IAG service. [para 29]**

Good information, advice and guidance play a crucial role in engaging learners. Since 2000, more than 8 million advice and guidance calls have been made to the Learndirect service. We welcome the Committee’s support for our plans to create a new universal adult careers service, bringing together the information, advice and guidance services provided by learndirect and nextstep providers, working in partnership with Jobcentre Plus.

Working with Jobcentre Plus, the new careers service will be a ‘one-stop-shop’, giving every adult easy access to skills and careers advice that will help them find work and progress in their careers. The service will offer a range of support comprising personalised assessment through a skills health check, advice on skills and employment, Skills Accounts and continuing support for progression. For people who are out of work and have low skills, the service will play a crucial role in helping them get the right balance of job search and training to help them into sustained employment and to progress in their career. The service will signpost individuals to other complementary services, for example child care or advice on employment rights. It will also help them to learn about financial entitlements they may have to help with tuition fees or access to learning.

Access to the service will be through whatever means is convenient and appropriate to individuals’ circumstances—face to face, online, by telephone or by a combination of these. There will be a ‘no wrong door’ approach, and the quality and appropriateness of the support will be the same, whether the contact is with a Jobcentre, a learning provider, or the careers service itself.

Trialling of the new service will start in 2008–09 with a view to it being fully operational by 2010–11.

**Recommendation 12: The Government aspires to a ‘demand-led’ skills system. While mechanisms for making the system more employer-facing such as Train to Gain are welcome in principle, they cannot unconditionally be described as ‘demand-led’, given**

**the strict constraints on what is currently fundable. Also at issue is raising, as well as responding to, demand from employers and individuals—and the early experiences of the level three Train to Gain pilots appear to demonstrate the challenges inherent in this. [para 33]**

Government is committed to shaping the skills system around the needs of its customers—employers and individual learners. In *World Class Skills*, we made a clear commitment to expanding the availability of public subsidy for adult skills training that is routed through demand-led mechanisms such as Train to Gain and new Skills Accounts.

Train to Gain employer training funds will rise to more than £650 million in 2008–09, and we project that public subsidies will rise to more than £900 million in 2010–11. Taking account of other work-based employer training programmes, we estimate that by 2010–2011 the total amount of employer-focused demand-led funding will be around £1.3 billion.

Over the period to 2010–11 we will also begin rolling out the new Skills Accounts reflecting our commitment to an FE system that is also responsive to individual learner choice. Skills Accounts will give individuals greater ownership and choice over their learning, motivating them to gain skills and achieve qualifications, enter work and progress in employment.

The LSC's Annual Statement of Priorities, to be published in the autumn, will set out in detail how we will implement new demand-led funding systems for both employers and individuals, to underpin the expansion of Train to Gain and the roll out of Skills Accounts. Our clear objective is to put purchasing power in the hands of the customer.

As mentioned above, the LSC will publish a detailed delivery plan in the autumn for the expansion and improvement of Train to Gain. Building on and learning lessons from the experience of the service's first year of national operation, these improvements will ensure that Train to Gain is able to meet the needs of employers of all sizes and in all sectors.

Constraints on which programmes are eligible for subsidy through Train to Gain are there to ensure that Government funding is focussed where it is needed most, and to reflect an appropriate shared investment between the state and the individual employer. That means focussing public funding on literacy, numeracy and first full level 2 programmes, and from 2008–09 providing match funding for full level 3 programmes. Skills brokers will support employers in developing a package that consists of programmes other than those that are fully subsidised by Government, though in such cases the employer will be expected to contribute to the cost.

We recognise that to deliver our world class skills ambitions, we need to stimulate significantly increased demand for and investment in skills from employers and individuals. We need to embed the value of skills in our culture in a way it has never been before. We believe that the measures set out in *World Class Skills* will stimulate that requisite increases in demand.

**Recommendation 13: Sector Skills Councils face real challenges in representing the views and needs of very diverse sectors, and of small and medium-sized employers in particular. As such, they are unlikely to serve as an alternative to direct engagement**

**between providers and businesses at the local level; this must be the subject of continued and coherent support from Government. We received some evidence that Sector Skills Councils were sometimes struggling to maintain engagement locally and regionally. If they are to have credibility with employers, Sector Skills Councils must be appropriately resourced to do their jobs rather than having to spend significant amounts of time on peripheral revenue-raising activities. This is especially true as they take on the extra responsibilities which Leitch proposed for them. [para 36]**

As set out in detail earlier, we are reforming and re-licensing the 25 Sector Skills Councils around three strategic objectives: raising employer ambition and investment in skills; articulating the future skill needs of their sector; and ensuring that the supply of skills and qualifications is driven by employers. Effectively engaging with employers in their sector will be absolutely vital for SSCs in delivering this new remit. 89% of the UK workforce now covered by an SSC, and the most recent research shows that employer engagement by SSCs continues on an upward trend, with 53% of employers aware of the SfBN in 2005–06, compared with 35% in 2004–05.

A Reform and Re licensing Board, including representatives of the 4 home nations and the Skills for Business Network (SfBN), is currently developing the criteria that all SSCs will have to meet as part of their reform and relicensing, which will be a top priority for the new UK Commission for Employment and Skills. The criteria will be based on the core remit that each SSC will deliver on a UK-wide basis and will be further developed to ensure that specific skills needs identified in Sector Qualification Strategies are addressed.

At a regional level, considerable effort and progress has been made in England in improving working relationships between the SSCs, RDAs and RSPs in the development of Sector Skills Agreements. Through the Sector Skills Agreement process SSCs have become increasingly aware of the contribution made by small businesses to their sector. By their very nature, SMEs are very difficult to engage given that they have fewer staff; are unlikely to have a dedicated human resource function; less likely to assess skills needs; and less likely to engage in training or staff development. These consistent research findings demonstrate why it is more difficult to communicate to smaller employers. But, more encouragingly, recent research found that 58% of employers with 2-4 employees said that developing the skills of their staff was a major business objective for them, compared to 77% of those who employed between 5 and 24 Staff and 88% of large employers (250 plus).

As strategic bodies, it would not be appropriate for SSCs to seek to substitute for the work of those working to engage with employers at local level. The expanded and improved Train to Gain skills brokerage service, and providers themselves, will engage with employers at a local level.

We agree with the Committee that we do not want to see SSCs' energies diverted into 'peripheral revenue-raising activities'. Our intention is that SSCs should be appropriately resourced to carry out the strategic role we want them to play. The future funding to be made available to SSCs over the coming period will be set out later in the year.

**Recommendation 14: We see an inherent risk that requiring Sector Skills Councils to sign off vocational qualifications could actually act to make the system more bureaucratic and consequently less responsive to employer needs. The Government**

**should lay out how this process is likely to work in practice, and the timescales involved. We also urge the new Commission for Employment and Skills to keep this area under review. [para 37]**

From October 2007 to June 2008, as part of the UK-wide Vocational Qualifications Reform Programme (VQRP), we will pilot the process of SSCs ‘approval’ of vocational qualifications. The intention is that qualifications will be more likely to deliver the skills employers need if SSCs, on behalf of employers, decide which vocational qualifications should be recognised within the new QCF in England. SSCs will approve qualifications which fit the requirements of their SQS, met the standards set by their NOS, and are needed by their sectors. This has the potential to simplify radically the qualifications structures within sectors.

The programme is working towards reducing bureaucracy and is conducting a series of evaluations and impact assessments to ensure that new processes do not increase bureaucracy. The pilot will be independently evaluated, including specific assessment of the SSC ‘approval’ process and whether it is time consuming and bureaucratic. The final report on the pilot will be completed by July 2008.

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

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

One of the key tasks of the UK Commission for Employment and Skills will be to oversee the performance of the SSCs, including their role in the reform and development of vocational qualifications. As an employer-led body, the Commission will have a significant interest in how qualifications can support business success and how bureaucracy can be reduced.

**Recommendation 15: We recommend that the Innovation, Universities and Skills Committee continues on our inquiry, taking concluding oral evidence as necessary, and producing a report focusing on issues not covered in depth to date, including: Apprenticeships, including adult apprenticeships; up-skilling and re-skilling of adults in general; the regional dimensions of skills policy; in-house company training schemes; funding of skills provision; and policy on the development of management skills. [para 38]**

We look forward to working with the new Innovation, Universities and Skills Committee, and would like to take this opportunity to thank the Education and Skills Committee and its members for their constructive engagement in the skills agenda.